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February 21, 1985

Senator Richard I. Eliason
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Re: Alaska Statute 21.59. Automobile Service Corporations

Dear Senator Eliason:

I stopped by your office today to discuss with Sheila Chapter 59 of Title 21, dealing with Automobile Service Corporations, which was passed this last legislative session. As you know, I representative Allstate Insurance Company, and have been asked on behalf of an affiliate of Allstate Insurance Company, Allstate Motor Club, Inc., to look into this legislation. Allstate Motor Club, Inc. is an Automobile Service Corporation which provides its members with the benefits that are described in the club's "Official Service Contract", a copy of which I have enclosed for your information. Prospective members are enrolled by licensed Allstate Insurance Company agents, each of whom is an authorized representative of the Allstate Motor Club and in addition by direct mail efforts. Mail solicitations are included with various Sears, Roebuck and Company and Allstate Insurance Company bills and other promotional mailings and by other direct mail programs.

Members are entitled to reimbursement for covered expenses involving towing and road service expenses, trip interruption claims, legal defense claims, lost keys/lockout benefit, and theft/hit-and-run protection. Other benefits include lodging and rent a car discounts, Discovery magazine and trip planning.

Senator Eliason
February 21, 1985
Page 2

Allstate Insurance Company indemnifies Allstate Motor Club through a \$20 million protective policy. Allstate Life Insurance Company, also an affiliate, insures motor club members for accidental death or dismemberment.

As of December 31, 1984 Allstate Motor Club had 1,268,000 members nation-wide, and 4,741 members in Alaska.

During the past legislative session, chapter 59 of Title 21 was enacted. Alaska Statute 21.59.020(a) expressly provides that a person providing or intending to provide "Automobile Service Corporation services shall be incorporated as a nonprofit corporation . . ." (emphasis added). Allstate Motor Club is not a nonprofit corporation. I have looked through the legislative history of chapter 59, and have not discovered any discussion dealing with the "nonprofit" aspect of this bill. The "nonprofit" requirement of this bill will effectively put Allstate Motor Club out of business in Alaska, and we simply do not believe that was the intent of this legislation. If the "nonprofit" aspect of this legislation is not removed, Allstate Motor Club will not be able to continue to do business in Alaska and we would hope this legislation could be corrected to prevent this from occurring. This could be accomplished simply by removing the word "nonprofit" from AS 21.59.020(a). We would think this amendment would be simply a technical amendment and would hope that it would be noncontroversial. We stand ready to provide any further information you feel might be of assistance.

Sincerely,

HUGHES THORSNESS GANTZ
POWELL & BRUNDIN

By:
Michael L. Lessmeier

Enclosure
MLL/mh

cc: Rep. Fritz Pettyjohn

STATEMENT BEFORE
SENATE LABOR AND COMMERCE COMMITTEE
HEARING ON SB 260
PRESENTED ON BEHALF OF ALLSTATE MOTOR CLUB, INC.

April 3, 1985

Mr. Chairman, members of the Labor and Commerce Committee, my name is Michael Lessmeier. I am a lawyer from Juneau and am here on behalf of Allstate Motor Club, Inc. to support Senate Bill 260, which would allow a profit or non-profit corporation to obtain authorization as an automobile service corporation.

During the past legislative session, Chapter 59 of Title 21 was enacted. AS 21.59.020(a) states that a person providing or intending to provide "automobile service corporation services shall be incorporated as a non-profit corporation . . ." (emphasis added). The legislation before you would simply delete the "non-profit" aspect of Chapter 59 and thus allow a corporation authorized as an automobile service corporation under a certificate of authority issued by the Division of Insurance to provide automobile service corporation services. In researching the legislative history of Chapter 59, we have not discovered any discussion dealing with the "non-profit" aspect of this bill and we can conceive of no reason why a duly authorized corporation

should not be allowed to offer this service so long as it is issued an appropriate certificate of authority by the Director of the Division of Insurance, as required by the other provisions of this chapter.

Allstate Motor Club, Inc. is an automobile service corporation which provides its members certain benefits including reimbursement for covered expenses involving towing and road service expenses, trip interruption claims, legal defense claims, lost key/lockout benefits, and theft/hit-and-run protection. Other benefits include lodging and rent-a-car discounts, Discovery magazine and trip planning. Allstate Motor Club, Inc. is an affiliate of Allstate Insurance Company, and as of December 31, 1984, had approximately 1,268,000 members nationwide, and 4,741 members in Alaska.

Since Allstate Motor Club is a profit as opposed to a non-profit corporation, the "non-profit" requirement of this bill will effectively put Allstate Motor Club out of business in Alaska and we do not believe this was the intent of the legislation. As far as we know, there is no advantage to the consumer in requiring an automobile service corporation to be "non-profit", and in fact, this requirement may well effectively eliminate from the market any service corporation which does not qualify as "non-profit".

We do believe these corporations provide a benefit to the public which is in demand, and we ask your support of this legislation.

SB 260 File Contents

April 22, 1985 Monday

- 1) Bill Summary -- Legislative Reporting Service
- 2) Overview -- Provided by Senate L & C staff (nd)
- 3) Fiscal Note -- Dept. of Commerce & ED (4/2/85)
- 4) Statutes -- AS 21.59.020
- 5) Written testimony before Senate L & C Committee, (4/3/85)
- 6) Letter from Michael Lessmeier to Senator Eliason (2/21/85)

SB 260: "AN ACT RELATING TO AUTOMOBILE SERVICE CORPORATIONS"

THIS LEGISLATION WAS INTRODUCED TO CORRECT AN OVERSIGHT WHICH OCCURRED IN LEGISLATION PASSED LAST YEAR. LAST YEARS BILL PROVIDED THAT AN AUTOMOBILE SERVICE CORPORATION BE INCORPORATED AS A NON PROFIT CORPORATION WHICH RESULTED IN PRECLUDING THE "FOR PROFITS" FROM DOING BUSINESS IN THIS STATE. ONE OF THE "FOR PROFIT" MOTOR CLUBS OPERATING IN THE STATE CURRENTLY HAS 4,741 ALASKAN MEMBERS, AND DURING TESTIMONY BEFORE THE COMMITTEE, THE DIVISION OF INSURANCE EXPRESSED ITS SUPPORT FOR CORRECTION OF THIS OVERSIGHT. THIS IS A NON CONTROVERSIAL BILL AND I URGE ITS PASSAGE BY THE BODY.

AUTOMOBILE SERVICE CORPORATIONS PROVIDE THEIR MEMBERS BENEFITS SUCH AS REIMBURSEMENT FOR TOWING AND ROAD SERVICE EXPENSES, LOST KEY AND LOCK_ OUT BENEFITS, AND THEFT AND HIT AND RUN PROTECTION.

Introduced: 3/28/85
Referred: Labor & Commerce

1 IN THE SENATE

BY ZHAROFF

2

SENATE BILL NO. 260

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to automobile service corporations."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 21.59.020(a) is amended to read:

9 (a) A person providing or intending to provide automobile ser-
10 vice corporation services shall be a corporation [INCORPORATED AS A
11 NONPROFIT CORPORATION AND BE] currently authorized as an automobile
12 service corporation under a certificate of authority issued by the
13 director under this chapter.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 260
 Title: "An Act to permit automobile
 service corporations"
 Sponsor: Zharoff
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.
 Program Category Affected: _____
Consumer Protection
 BRU, Program or Subprogram(s) Affected: _____
Insurance

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: John L. George, Director Phone: 465-2515
 Division: Insurance Date: 4/2/85

Approved by Commissioner: Loren H. Lounsbury Date: 4/2/85
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and _____
- Impacted Agency(ies)

7/1/84

Statutes relating to SB 260

AS21.59.020

HEADINGS TITLE 21.
Insurance.
CHAPTER 59.
Automobile Service Corporations.

CITATION Sec. 21.59.020.

CATCH LINE

INCORPORATION AND CERTIFICATE OF AUTHORITY REQUIRED.

TEXT

(a) A person providing or intending to provide automobile service corporation services shall be incorporated as a nonprofit corporation and be currently authorized as an automobile service corporation under a certificate of authority issued by the director under this chapter.

(b) If the corporation is to be formed under the laws of this state, the articles of incorporation of the proposed corporation or amendments to existing articles of incorporation shall be submitted to the director before they are filed with the commissioner of commerce and economic development. The commissioner of commerce and economic development may not file the articles or amendments unless the director's approval is endorsed. The director shall approve the articles or amendments unless the director finds that the articles or amendments do not comply with law. If not approved, the director shall return the proposed articles of incorporation to the incorporators or amendments to the corporation, together with a written, detailed statement of the reasons for nonapproval.

HISTORY

(Sec. 1 ch 135 SLA 1984)