

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

March 5, 2019

1:32 p.m.

MEMBERS PRESENT

Senator Lora Reinbold, Chair
Senator Mia Costello, Vice Chair
Senator Click Bishop
Senator Chris Birch
Senator Elvi Gray-Jackson

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARING(S):

Board of Certified Real Estate Appraisers
Ashlee Stetson - Wasilla

CONFIRMATION ADVANCED

Board of Nursing
Shannon Connelly - Palmer
Marisha Dieters - Eagle River

CONFIRMATION(S) ADVANCED

SENATE BILL NO. 61

"An Act relating to claims against protection and indemnity insurance policies of vessel owners."

MOVED SB 61 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 61

SHORT TITLE: COMM FISHERMEN'S FUND:VESSEL OWNER CLAIMS

SPONSOR(S): SENATOR(S) STEVENS

02/18/19 (S) READ THE FIRST TIME - REFERRALS

02/18/19 (S) L&C, FIN
03/05/19 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

ASHLEE STETSON, Appointee
Board of Certified Real Estate Appraisers
Division of Corporations, Business & Professional Licensing
Department of Commerce, Community and Economic Development
Wasilla, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Certified Real Estate Appraisers.

SHANNON CONNELLY, Appointee
Board of Nursing
Division of Corporations, Business & Professional Licensing
Department of Commerce, Community and Economic Development
Palmer, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Nursing.

MARISHA DIETERS, Appointee
Board of Nursing
Division of Corporations, Business & Professional Licensing
Department of Commerce, Community and Economic Development
Eagle River, Alaska

POSITION STATEMENT: Testified as appointee to the Board of Nursing.

SENATOR GARY STEVENS
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as sponsor of SB 61.

TIM LAMKIN, Staff
Senator Gary Stevens
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided a brief sectional analysis of SB 61 on behalf of the sponsor.

BOB KEHOE, Executive Director
Purse Seine Vessel Owners Association (PSVOA)
Seattle, Washington

POSITION STATEMENT: Testified in support of SB 61.

GREY MITCHELL, Director

Division of Workers' Compensation, Central office
Department of Labor and Workforce Development (DOLWD)
Juneau, Alaska

POSITION STATEMENT: Testified and answered questions during the discussion of SB 61.

VELMA THOMAS, Program Coordinator
Workers' Compensation Fishermen's Fund;
Fishermen's Fund Advisory and Appeals Council
Division of Workers' Compensation
Department of Labor and Workforce Development (DOLWD)
Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of SB 61.

FRANCIS LEACH, Executive Director
United Fishermen of Alaska (UFA)
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of SB 61.

CLAY BEZENEK, Member
Fishermen's Fund Advisory and Appeals Council
Division of Workers' Compensation
Department of Labor and Workforce Development (DOLWD)
Ketchikan, Alaska

POSITION STATEMENT: Testified in support of SB 61.

ACTION NARRATIVE

[1:32:27 PM](#)

CHAIR LORA REINBOLD called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Costello, Gray-Jackson, Birch, and Chair Reinbold. Senator Bishop arrived as the meeting was in progress.

CONFIRMATION HEARING(S):
Board of Certified Real Estate Appraisers
Board of Nursing

[1:33:18 PM](#)

CHAIR REINBOLD announced that the first order of business would be Confirmation Hearings for the Board of Certified Real Estate Appraisers and Board of Nursing.

[1:33:59 PM](#)

ASHLEE STETSON, Appointee, Board of Certified Real Estate Appraisers, Division of Corporations, Business & Professional Licensing, Department of Commerce, Community and Economic Development (DCCED), stated that she owns and operates a commercial construction company, [Valhalla Construction Service and Supply, LLC], that bids and performs projects throughout the state.

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SENATOR BISHOP joined the meeting.

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MS. STETSON said she has vast experience in the contractor and construction industry and has been involved in several private real estate development projects. She has owned rental properties and also owned a public water system operation company.

CHAIR REINBOLD asked her to describe her interest to serve on the board.

MS. STETSON offered her unique qualifications, including a genuine understanding of the real estate appraisal regulations and how they affect the private sector. She has not previously served in the public sector in any capacity so serving on the Board of Certified Real Estate Appraisers could broaden her perspective and supplement her overall professional experience.

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CHAIR REINBOLD opened public testimony and after first determining no one wished to testify, closed public testimony on the confirmation hearing for Ashlee Stetson, appointee to the Board of Certified Real Estate Appraisers.

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MS. STETSON said that in her experience with the licensing and operation of public water systems in Alaska, regulated under the Drinking Water Program, [Division of Environmental Health, Department of Environmental Conservation (DEC)], she has gained knowledge and the ability to navigate state regulations that often parallel or interlace with federal codes and regulations.

CHAIR REINBOLD replied she thought her skills would prove valuable.

[1:39:00 PM](#)

SHANNON CONNELLY, Appointee, Board of Nursing, Division of Corporations, Business & Professional Licensing, Department of Commerce, Community and Economic Development (DCCED), said she is a lifelong Alaskan. She said she serves as Vice-Chair of the City of Palmer's Parks, Recreation, and Cultural Resources Board. She volunteers in her community and at her children's charter school. She applied to serve as the public member on the Board of Nursing. While she is not a professional in the medical field, she has a child with health issues. Her family has been fortunate to have incredible nurses that have gone "above and beyond" to help her family. Her interest to serve on the Board of Nursing is to ensure that the state will have quality nursing care. She said she hopes to be instrumental in that regard.

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CHAIR REINBOLD said that she knows Shannon personally and that she thinks highly of her.

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MS. CONNELLY, in closing remarks, said that her experience serving on the City of Palmer's Parks, Recreation and Cultural Resources Board has given her the ability to research issues and work hard. She said that she looks forward to taking on new responsibilities.

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MARISHA DIETERS, RN, Appointee, Board of Nursing, Division of Corporations, Business & Professional Licensing, Department of Commerce, Community and Economic Development (DCCED), stated she currently works at the Alaska Native Medical Center as a wound ostomy nurse. She has been a nurse for eight years and has worked in pediatric primary care and at the Yukon-Kuskokwim Delta Regional Hospital in Bethel. She holds a Bachelor of Science in Nursing Science and a Bachelor of Arts in Psychology from the University of Alaska Anchorage. She also holds a Master of Science in Nursing from Frontier Nursing University. She applied for the Board of Nursing because she believes in high-quality nursing care in all of the delivery systems throughout Alaska. She expressed an interest in ensuring that level of quality continues and improves. She said she is excited to have Shannon Connelly serve on the Board of Nursing so the board can gain the patient experience perspective on nursing care.

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CHAIR REINBOLD remarked that she is impressed with her nursing degrees and her magna cum laude distinction, plus her amazing rural experience.

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CHAIR REINBOLD opened public testimony and after first determining no one wished to testify, closed public testimony on the confirmation hearing for Marisha Dieters, appointee to the Board of Nursing.

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MS. DIETERS said she had not previously thought about applying but when an opportunity arose, she decided she would like to help her profession by serving on the board.

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CHAIR REINBOLD stated that in accordance with AS 39.05.080, the Senate Labor and Commerce Standing Committee reviewed the following and recommends the appointments be forwarded to a joint session for consideration:

Board of Certified Real Estate Appraisers:

Ashlee Stetson - Wasilla

Board of Nursing:

Shannon Connelly - Palmer

Marisha Dieters - Eagle River

Signing the reports regarding appointments to boards and commissions in no way reflects individual members' approval or disapproval of the appointees; the nominations are merely forwarded to the full legislature for confirmation or rejection.

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At-ease.

SB 61-COMM FISHERMEN'S FUND:VESSEL OWNER CLAIMS

[1:46:46 PM](#)

CHAIR REINBOLD reconvened the meeting. She announced that the final order of business would be SENATE BILL NO. 61, "An Act relating to claims against protection and indemnity insurance policies of vessel owners."

[1:46:58 PM](#)

SENATOR COSTELLO clarified that the committee would be taking up the original version of the bill. Senator Bishop objected for discussion purposes.

[1:47:39 PM](#)

SENATOR GARY STEVENS, Alaska State Legislature, as sponsor, paraphrased from his sponsor statement. He said that the Workers' Compensation Fishermen's Fund is also known as the Commercial Fishermen's Fund (CFF) and is commonly called the "Fishermen's Fund." It serves as a fallback for insurance and workers' compensation for commercial fishermen who are injured on the job. The CFF is self-funded from a portion of the commercial fishing licensure fees and the fund is intended to be insurance of last resort. This bill, SB 61, makes a small change to allow the Commercial Fishermen's Fund to pay the full deductible, up to \$5,000, for the holder of Protection & Indemnity (P&I) insurance. He suggested that this policy shift should be beneficial to all stakeholders.

Relating to Claims Against Protection and Indemnity
Insurance Policies of Vessel Owners

Access to health insurance and health care is a concern among fishermen and especially presents an obstacle to those younger fishermen seeking to continue the next generation in Alaska's sustainable fisheries.

Alaska's Territorial leaders recognized the significance of the fishing industry in 1951 with the creation the Commercial Fisherman's Fund (CFF) "to provide for the care of sick and disabled fishermen" working in Alaska's fishing fleet.

The fund was capitalized with an initial appropriation of \$5,000 and has since proven successful in serving as workers' compensation for injured fishermen. Benefits paid by the CFF have continued to be financed using a portion of the commercial fishing licensure fees paid to the State. Over the years, the CFF has remained stable as it fulfills the goals of the fund, providing medical relief for crewmen injured on the job. The CFF has in fact grown even as health care costs have risen, due in part to continuing improvements in fishing industry safety.

Meanwhile another protection available for fishing vessels and vessel owners, is their optional enrollment in private Protection & Indemnity (P&I) policy insurance, to fully cover crewmembers in the event of an injury or illness at sea. As an incentive and reward for vessel owners to carry P&I insurance,

in 2010 the Alaska Legislature adopted a policy allowing the CFF to pay out 50% of a P&I policy holder's deductible, up to \$5,000, when a claim for benefits is made to both the CFF and the P&I of the vessel owner. The 50% deductible cap was made experimentally to protect the solvency of the CFF.

Consistent revenue from commercial fishing license fees, coupled with well-managed claims against the CFF, have demonstrated an added incentive for vessel owners to obtain P&I insurance is justified. Senate Bill 61 would allow the CFF to pay the full deductible, up to \$5000, for the holder of P&I insurance. This policy shift is not projected to jeopardize the sustainability of the CFF and should prove to be a win for all stakeholders, including the State of Alaska. Thank you for your consideration of this important legislation.

[1:48:50 PM](#)

TIM LAMKIN, Staff, Senator Gary Stevens, Alaska State Legislature, stated this bill has been before the legislature previously. He said the program is a popular and fully functional one. He provided background for the fund, that in 2010, the legislature passed a bill to provide an incentive for vessel owners to provide insurance on their vessels and to help cover their crew. At the time the incentive was put in place, it provided a provision to allow vessel owners 50 percent of their deductible on the protection & indemnity (P&I) insurance as an incentive to provide liability insurance. This was an experimental proposal and was monitored to ensure the change did not weaken the solvency of the fund. Under SB 61, the proposal would allow vessel owners reimbursement for the deductible at 100 percent, up to \$5,000. This reimbursement would be funded from the Commercial Fisherman's Fund (CFF), he said.

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MR. LAMKIN referred to the sectional analysis of SB 61, which read as follows:

Sec. 1: AS 23.35.145 (1) If a fisherman files a claim for benefits under the Commercial Fisherman's Fund (CFF) program, and also files a claim against a vessel owner's protection and indemnity (P&I) insurance, the vessel owner is entitled to receive a benefit from the CFF equivalent to 100% of the P&I deductible, up to

\$5,000. This is a change from it being 50% of the deductible.

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CHAIR REINBOLD opened public testimony on SB 61.

[1:52:47 PM](#)

BOB KEHOE, Executive Director, Purse Seine Vessel Owners Association, stated he also serves as vice-president of the United Fisherman of Alaska (UFA). He offered PSVOA's support for the bill and asked committee members to please support SB 61.

He provided background information on the Purse Seine Vessel Owners Association (PSVOA), which is a commercial fishing trade association that represents the small boat fleet operating throughout Alaska and the West Coast. The PSVOA manages three fishermen-owned marine insurance pools with 900 member vessels. All profits generated by these marine-insurance pools are distributed back to its members. This helps to keep costs down for property and liability (P&I) insurance. He explained that P&I insurance is "a fancy word" for liability insurance.

MR. KEHOE stated that this bill would expand on the legislature's efforts in 2010 to provide a financial incentive to vessel owners to provide P&I insurance to fully cover crew members in the event of an injury. The Commercial Fisherman's Fund (CFF) is meant to be a fund of last resort, he said. The benefits are limited to \$10,000, but the board has the discretion to award more money in certain instances, he said.

He said that vessel owners are not required by law to carry insurance for their crewmembers. This is different than shoreside employers who are required by law to insure their employees under the state workers' compensation system. In addition, the cost of vessel insurance is relatively high compared to rates paid by shoreside employers. For example, a purse seine operation typically consists of four crewmembers, and the cost to insure the crew can be as high as \$400 per month per crewmember. As small independent business owners, the cost of liability insurance is a major fixed cost, he said.

He said that this bill will ease the financial burden on vessel owners to pay the cost of P&I insurance, by paying the deductible in the event of an injury. It will further promote the goal to ensure that all of the medical needs of an injured crewmember will be satisfied. In closing, he respectfully requested that the committee support moving the bill forward.

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SENATOR BIRCH referred to the fiscal note analysis. He related that from FY 14-17 the fund averaged about seven claims per year.

MR. KEHOE deferred to the Fishermen's Fund Advisory and Appeals Council to respond. He believed that the number of injuries is a much higher figure. He surmised the figure might refer to vessel owners who applied for this benefit. He acknowledged that fishing can be a dangerous occupation, but efforts are underway to continuously improve the fishing industry's safety.

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SENATOR BIRCH acknowledged that seven claims seemed pretty low. He asked for further clarification on the figures.

[1:58:52 PM](#)

GREY MITCHELL, Director, Division of Workers' Compensation, Central office, Department of Labor and Workforce Development (DOLWD), explained that essentially two groups can potentially make claims against the Commercial Fisherman's Fund (CFF). He explained that 39 percent of resident crewmember license fees, currently a \$60 fee, are deposited into the Commercial Fishermen's Fund to cover the cost of medical care in case of an injury. The fund covers fishermen who are not covered by other insurance when the vessel owner does not have a P&I policy, he said. He said the CFF is not just crewmembers' last resort, but their only resort. Benefits are limited to \$10,000 and any additional benefits must be approved by the Fishermen's Fund Advisory and Appeals Council. He said requests happen more frequently as medical costs continue to increase, and many claims exceed the \$10,000 threshold.

He said vessel owners who have P&I insurance must pay a deductible when a claim is made against the policy. This bill, SB 61, would adjust the reimbursement for vessel owners from 50 percent to 100 percent, up to a maximum of \$5,000. He explained that the CFF's benefits for injured crewmembers working for vessel owners with P&I are capped at \$5,000. Benefits for injured crewmembers who are uninsured are capped at \$10,000, he said. These are the two groups who benefit from the CFF, he said.

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MR. MITCHELL said the fiscal note identified the average of seven claims, but that figure is increasing. Reimbursement of

the deductible amount is an effort to incentivize more vessel owners to carry P&I insurance, he said. Currently, when uninsured crewmembers get injured, their only recourse is to apply to the CFF, and their benefits are capped at \$10,000. When vessel owners have P&I insurance, their crewmembers potentially have coverage for the full cost of their medical costs and also indemnity benefits that may cover lost wages.

He explained that in the past five years, an average of seven individual [vessel owners] came forward for reimbursement of the deductible costs. He suggested the annual number of claims for injured crewmembers is closer to 300, but the administrator of the fund can speak to the details.

SENATOR BISHOP interjected that the current number of claims is 273 claims.

REPRESENTATIVE BIRCH asked for further clarification on the number of crewmembers in the state.

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MR. MITCHELL responded that roughly 10,000 crewmembers obtain resident or non-resident commercial fishing licenses annually. The CFF receives its revenue from two sources, crewmember license fees and vessel owner permit fees. He said that 39 percent of nonresident crewmember license fees of \$280, capped at \$50, and resident commercial crewmember license fees of \$60 are transferred to the CFF. The remainder of commercial crewmember license fees fund Alaska Department of Fish and Game (ADF&G) and Commercial Fisheries Entry Commission (CFEC) programs. Another source of revenue for the Commercial Fishermen's Fund is from vessel permit fees on an estimated 8,000-10,000 vessel owners, also capped at \$50.

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SENATOR BISHOP asked whether he was comfortable with the fiscal note from the Department of Labor and Workforce Development (DOLWD).

MR. MITCHELL answered yes, but he acknowledged that it is difficult to estimate the increased liability to the fund.

[2:06:07 PM](#)

VELMA THOMAS, Program Coordinator, Workers' Compensation Fishermen's Fund; Fishermen's Fund Advisory and Appeals Council, Division of Workers' Compensation, Department of Labor and Workforce Development (DOLWD), stated she did not foresee a

significant impact on the Fishermen's Fund in the next few years. The number of claims has decreased over the years, in part, due to additional safety training for commercial fishermen or perhaps because more fishermen have their own personal insurance.

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SENATOR BISHOP agreed. He stated that there has been a 100 percent decrease in claims over a four-year period.

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SENATOR GRAY-JACKSON asked whether there are instances in which a crewmember is hurt but does not file a claim.

MS. THOMAS answered that it is possible. She said that the division only tracks statistics on fishermen who file claims, via the medical providers, such as Providence or Bartlett Memorial Hospital. Most providers have packets to hand out to commercial fishermen who are injured, but some crewmembers fish for a season and then go out of state and never file a claim.

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CHAIR REINBOLD opened public testimony on SB 61.

[2:08:36 PM](#)

FRANCIS LEACH, Executive Director, United Fishermen of Alaska (UFA), said that UFA is the largest statewide fishing trade association, representing 35 commercial fishing organizations and hundreds of commercial fishermen and crewmembers participating in state and federal waters in the state. She said that the UFA supports SB 61. She thanked the sponsor, Senator Stevens, for bringing this bill forward. She said that crewmembers working on commercial fishing vessels are not covered under the Alaska Workers' Compensation System. If a crewmember is injured while working on a vessel, the person is entitled to receive benefits from his/her employer as established under federal maritime law. These benefits include payment of the crewmember's medical bills for treatment of work-related injuries. This bill will enable commercial fishing vessel owners to purchase insurance for their crewmembers, which is always a good thing in this line of work since injuries can and do happen. In closing, she said that members should have a letter of support from the UFA in their packets.

[2:10:10 PM](#)

CLAY BEZENEK, Member, Fishermen's Fund Advisory and Appeals Council (FFAAC), Division of Workers' Compensation, Department

of Labor and Workforce Development (DOLWD), said that he serves on the FFAAC. He said he is also a member of UFA and the United Southeast Alaska Gillnetters. He offered his support for SB 61.

He stated that the legislature passed a bill in 2010 that increased the deductible limit. At the time, the council had concerns as "shepherd-keepers of the fund" about the possibility of an inordinate number of claims against the CFF so the council and legislature put stop gaps in the bill to protect the fund.

MR. BEZENEK referred to SB 61 as a housekeeping measure. The council expressed some concern that a significant number of P&I claims might happen by raising the claim threshold. However, the council ran a lot of scenarios and projections and feels comfortable the fund is adequately protected. He said the P&I insurance holders are acting responsibly by carrying insurance for their crewmembers. They should have their deductibles covered and not have additional financial burden, he said.

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CHAIR REINBOLD closed public testimony on SB 61.

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SENATOR BISHOP asked for further clarification on whether the sponsor wants an effective date.

MR. LAMPKIN said he was not sure it is necessary. In response to an earlier question, he referred Senator Birch to a document in members' packets titled, "Fisherman Fund Fact Sheet."

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CHAIR REINBOLD asked Senator Bishop to review the fiscal note.

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SENATOR BISHOP briefly reviewed the fiscal note from the Department of Labor and Workforce Development (DOLWD). He said that the appropriation is to [the Division of] Workers' Compensation, the allocation is the Fishermen's Fund, and the Office of Management and Budget (OMB) component number is 343. The fund source is 1032, Fishermen's Fund, Designated General Fund (DGF), in the amount of \$16,100 from FY 20 to FY 25. The fiscal note analysis indicates that there is sufficient revenue in the Fishermen's Fund to cover this increased liability, he said.

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SENATOR BISHOP removed his objection.

[2:15:28 PM](#)

SENATOR COSTELLO moved to report SB 61, work order 31-LS0528\A, from committee with individual recommendations and attached fiscal note. There being no objection, SB 61 was reported from the Senate Labor and Commerce Standing Committee.

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CHAIR REINBOLD reviewed the upcoming committee announcements.

[2:16:13 PM](#)

There being no further business to come before the committee, Chair Reinbold adjourned the Senate Labor and Commerce Standing Committee meeting at 2:16 p.m.