

COMMITTEE REPORT
SENATE

FURTHER:

3/11/86

Date 4/14/86

Mr. President

The Committee on FINANCE considered SB 442

relating to reciprocal insurers that provide marine insurance; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for SB 442 (Fin)
- new title
- same title and recommends "DO PASS"
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

[Signature]
Kirk Halford
Paul Smith
[Signature]
[Signature]

[Signature]
Co-Chairman
do pass.
Chairman recommendation

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: 4-9-86

REQUEST

FISCAL DETAIL

Bill/Resolution No.: CSSB 442 (Fin)
 Title: "An Act relating to . . .
 marine insurance"

Agency Affected: Commerce & Econ. Dev.
 BRU: Insurance

Sponsor: Senator Eliason
 Requester: Senator Zharoff
 Date of Request: 4/9/86

Components: Operations

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL		0.0	0.0	0.0	0.0	0.0
CONTRACTUAL		0.0	0.0	0.0	0.0	0.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0

CAPITAL		0.0	0.0	0.0	0.0	0.0
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REVENUE		0.0	0.0	0.0	0.0	0.0
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FUNDING: (Thousands of dollars)

GENERAL FUND		0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
TOTAL		0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME		0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page, if necessary.

The role of the division in this marine insurance "creation" bill is to advise, verify and act as a clearinghouse - coordinating agency for those charting reciprocal insurance companies. Professional services contracts to insurance service providers and specialist-attorneys will be essential to establish these reciprocals properly

Prepared by: Paul Troeh, Deputy Director
 Division: Insurance

Phone: 465-2515
 Date: 4/9/86

Approved by Commissioner: *G. J. B. K.*
 Agency: Commerce and Economic Development

Date: 4/9/86

Distribution (by Agency preparing fiscal note):

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

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSSB 442

and legally. Estimated service company fees of \$50,000 the first year and attorney fees of \$25,000 to charter are minimum figures. These expenses will be borne by groups chartering the pools.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

DEPARTMENT Commerce & Econ. Dev.	DIVISION Insurance	BILL NUMBER SB 442	SPONSOR Senator Eliason
DEPARTMENT POSITION In favor			
PREPARED BY Paul Troeh, Deputy Director	DATE 4-9-86	COMMISSIONER'S SIGNATURE <i>G. J. Baker</i>	DATE 4/09/86

SUMMARY

OTHER AGENCIES AFFECTED BY BILL (Investments, Accounting and Collections)	CONSTITUENT GROUP(S) AFFECTED BY BILL Fishing Industry
ORGANIZATIONAL SUPPORT FOR BILL Commercial Fishing Industry Financial Institutions	ORGANIZATIONAL OPPOSITION TO BILL None known

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

Hull and P&I insurance for commercial fishing boats has increased many fold in cost and is simply not available from time to time. This bill facilitates formation of reciprocal marine insurance companies which "pool" risks, and are a proven form of dealing with this crisis.

ANALYSIS OF BILL/PROGRAM EFFECTS

- Section 1: Financial and technical assistance for formation of reciprocals;
- Section 2: Takes marine reciprocals out of worker's comp. pools;
- Section 3: House cleaning charges to Section 4;
- Section 4: Types of marine in reciprocals by reg.;
- Section 5: Surplus set by reg. on marine recip.;
- Section 6: (d) financial and technical assistance may be provided, (e)(1) documents, (2) reinsurance, (3) subscriber rules and mgmt., (4) financing expenses, (5) may assist in managing;
- Section 7: May issue nonassessable policies;
- Section 8: Marine reciprocals out of Guaranty Act;
- Section 9: Clean up of Guarantee Act language.

AMENDMENTS PROPOSED

None.

3649W040986b

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

Bannister
4/4/86✓

Original sponsor: Eliason

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE BILL NO. 442 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to reciprocal insurers that provide
7 marine insurance; and providing for an effective
8 date."

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

10 * Section 1. FINDINGS. A crisis exists in the marine insurance market
11 that is seriously affecting persons who fish commercially in the state.
12 The development of insurance reciprocals to provide marine insurance would
13 help alleviate this crisis. Persons who fish commercially in the state are
14 generally unable to bear the cost of developing reciprocal insurers to
15 provide marine insurance, particularly in light of the depressed condition
16 of certain segments of the fishing industry. The Department of Commerce
17 and Economic Development should provide technical assistance to persons who
18 wish to form reciprocal insurers to provide marine insurance.

19 * Sec. 2. AS 21.39.155(a) is amended to read:

20 (a) The director may require carriers, except reciprocal
21 insurer formed by and insuring only a group of municipalities or
22 nonprofit public utilities under AS 21.75 or a reciprocal insurer
23 formed under AS 21.75 to provide marine insurance, as a condition of
24 writing a line of insurance dealing with workers' compensation, to
25 participate in an assigned risk pool if the director finds that manda-
26 tory carrier participation is in the public interest.

27 * Sec. 3. AS 21.75.020(a) is amended to read:

28 (a) Except as provided in (c) of this section, a [A] reciprocal
29

1 insurer may, upon qualifying as provided for by this title, transact
2 any kind or kinds of insurance defined by this title, other than life
3 or title insurances.

4 * Sec. 4. AS 21.75.020 is amended by adding a new subsection to read:

5 (c) The director shall establish by regulation the type of
6 marine insurance that a reciprocal insurer may provide.

7 * Sec. 5. AS 21.75.050 is amended by adding a new subsection to read:

8 (e) Notwithstanding (a) - (c) of this section, the director
9 shall establish by regulation the level of surplus to be maintained by
10 a reciprocal insurer providing marine insurance.

11 * Sec. 6. AS 21.75.060 is amended by adding new subsections to read:

12 (d) The director may provide financial and technical assistance
13 to persons who wish to establish a reciprocal insurer to provide
14 marine insurance under this chapter.

15 (e) The areas the director may assist the person with under (d)
16 of this section include

17 (1) preparing the documentation necessary to form the
18 reciprocal insurer;

19 (2) obtaining reinsurers for the reciprocal insurer;

20 (3) preparing subscriber rules and management procedures
21 for the reciprocal insurer;

22 (4) financing the formation expenses of the reciprocal
23 insurer;

24 (5) managing the reciprocal insurer.

25 * Sec. 7. AS 21.75.230 is amended by adding a new subsection to read:

26 (d) Notwithstanding (a) - (c) of this section, a reciprocal
27 insurer that provides marine insurance may issue policies that are
28 nonassessable.

29 * Sec. 8. AS 21.80.180(5) is amended to read:

1 (5) "insolvent insurer" means an insurer

2 (A) authorized to transact insurance in this state,
3 except an assessable reciprocal insurer formed by and insuring
4 only municipalities or nonprofit public utilities, a reciprocal
5 insurer formed under AS 21.75 to provide marine insurance, the
6 Medical Indemnity Corporation of Alaska, and the Health Care
7 Providers Joint Underwriting Association established under
8 AS 21.88, either at the time the policy was issued or when the
9 insured event occurred, and

10 (B) determined to be insolvent by a court of competent
11 jurisdiction;

12 * Sec. 9. AS 21.80.180(6) is amended to read:

13 (6) "member insurer" means a person, except an assessable
14 reciprocal insurer formed by and insuring only municipalities or
15 nonprofit public utilities, a reciprocal insurer formed under AS 21.75
16 to provide marine insurance, the Medical Indemnity Corporation of
17 Alaska, and the Health Care Providers Joint Underwriting Association
18 established under AS 21.88, who

19 (A) writes [ANY KIND OF] insurance to which this
20 chapter applies under AS 21.80.020 including the exchange of
21 reciprocal or interinsurance contracts, and

22 (B) is licensed to transact insurance in the [THIS]
23 state;

24 * Sec. 10. This Act takes effect immediately in accordance with AS 01.-
25 10.070(c).
26
27
28
29

SECTIONAL ANALYSIS - S.B. 442

Relating to reciprocal insurers that provide marine insurance

Section 1 Recognizes that a crisis exists in the marine insurance market. While the formation of insurance reciprocals (pools) may help, fishermen may need assistance in initially organizing a reciprocal. The Department of Commerce and Economic Development should offer financial and technical assistance to persons who wish to form reciprocals to provide marine insurance.

Section 2 A reciprocal formed to provide marine insurance will not need to participate in the assigned risk pool as a condition of writing worker's compensation. (Municipalities and non-profit utilities are already exempt.)

Section 3-4 The Director of Insurance will establish by regulations the type of marine insurance that a reciprocal may provide.

Section 5 The Director of Insurance will establish by regulations the level of surplus necessary to provide insurance.

Section 6 The Director of Insurance MAY provide financial and technical assistance to persons who wish to form a reciprocal for marine insurance. The Director MAY assist with

- preparing formation document
- obtaining reinsurers for the reciprocal
- preparing subscriber rules and procedures
- financing the formation expenses
- managing the reciprocal

Section 7 A reciprocal insurer for marine insurance MAY issue policies that are non-assessable. The term "non-assessable" means that the reciprocal cannot assess the policy holders for additional money if the losses exceed the premiums. An "assessable" policy has a clause which allows for additional money to be assessed.

Surplus requirements are more strict for non-assessable policies.

Section 8 A reciprocal providing marine insurance is not an "insolvent insurer" in respect to the Alaska Insurance Guaranty Association. This Association provides coverage to

claims issued by companies which subsequently become insolvent. (Municipality reciprocals and non-profit public utilities reciprocals are also not covered by the Association.)

Section 9 A reciprocal providing marine insurance is not a "member insurer" in the Alaska Insurance Guaranty Association.

Section 10 Immediate effective date

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST

Bill/Resolution No.: SB 442
 Title: "An Act relating to
 marine insurance"
 Sponsor: Senator Eliason
 Requester: Senator Zharoff
 Date of Request: 3/6/86

FISCAL DETAIL

Agency Affected: Commerce & Econ. Dev.
 BRU: Insurance
 Components: Operations

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL		4.0	0.0	0.0	0.0	0.0
CONTRACTUAL		100.0	0.0	0.0	0.0	0.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		104.0	0.0	0.0	0.0	0.0

CAPITAL		0.0	0.0	0.0	0.0	0.0
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REVENUE		0.0	0.0	0.0	0.0	0.0
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FUNDING: (Thousands of dollars)

GENERAL FUND		104.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
TOTAL		104.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME		0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary.

The role of the division in this marine insurance "creation" bill is to advise, verify and act as a clearinghouse; coordinating agency for those charting reciprocal insurance companies. Professional services contracts to insurance service providers and specialist-attorneys will be essential to establish these reciprocals properly

Prepared by: Paul Troeh, Deputy Director
 Division: Insurance

Phone: 465-2515
 Date: 3/7/86

Approved by Commissioner: G. J. Grayson Baker
 Agency: Commerce and Economic Development

Date: 3/7/86

Distribution (by Agency preparing fiscal note):

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

FISCAL NOTE

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 442

and legally. Estimated service company fees of \$50,000 and attorney fees of \$50,000 are minimum figures. Four thousand travel expense would be utilized by the division director and financial examiner to attend the division-sponsored organizational meetings envisioned as necessary to bring the reciprocals into existence, and educate the clientele. These meetings would be nearly identical to the two meetings in 1985 sponsored and fostered by this division which were attended by legislators (and staff), financiers, brokers, agents, fishing industry organizations, marine surveyors, marine safety experts, adjusters and attorneys. Creation of these reciprocals will, in turn, create an even greater need for these meetings.



STATE OF ALASKA
OFFICE OF THE GOVERNOR
BILL ANALYSIS

DEPARTMENT Commerce & Econ. Dev.	DIVISION Insurance	BILL NUMBER SB 442	SPONSOR Senator Eliason
DEPARTMENT POSITION In favor			
PREPARED BY Paul Troeh, Deputy Director	DATE 4-9-86	COMMISSIONER'S SIGNATURE <i>G. J. Baker Sr.</i>	DATE 4/09/86

SUMMARY

OTHER AGENCIES AFFECTED BY BILL (Investments, Accounting and Collections)	CONSTITUENT GROUP(S) AFFECTED BY BILL Fishing Industry
ORGANIZATIONAL SUPPORT FOR BILL Commercial Fishing Industry Financial Institutions	ORGANIZATIONAL OPPOSITION TO BILL None known

FISCAL IMPACT: NONE FISCAL NOTE ATTACHED

BACKGROUND/LEGISLATIVE INTENT

Hull and P&I insurance for commercial fishing boats has increased many fold in cost and is simply not available from time to time. This bill facilitates formation of reciprocal marine insurance companies which "pool" risks, and are a proven form of dealing with this crisis.

ANALYSIS OF BILL/PROGRAM EFFECTS

Section 1: Financial and technical assistance for formation of reciprocals;
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Section 7: May issue nonassessable policies;
Section 8: Marine reciprocals out of Guaranty Act;
Section 9: Clean up of Guarantee Act language.

AMENDMENTS PROPOSED

None.

3649W0409866

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

**STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE**

Revision Date: 4-9-86

REQUEST
 Bill/Resolution No.: CSSB 442
 Title: "An Act relating to . . .
 marine insurance"

FISCAL DETAIL
 Agency Affected: Commerce & Econ. Dev.
 BRU: Insurance

Sponsor: Senator Eliason
 Requester: Senator Zharoff
 Date of Request: 4/9/86

Components: Operations

EXPENDITURES / REVENUES : (Thousands of Dollars)

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PERSONAL SERVICES						
TRAVEL		0.0	0.0	0.0	0.0	0.0
CONTRACTUAL		0.0	0.0	0.0	0.0	0.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0.0	0.0	0.0	0.0	0.0

CAPITAL		0.0	0.0	0.0	0.0	0.0
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REVENUE		0.0	0.0	0.0	0.0	0.0
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FUNDING: (Thousands of dollars)

GENERAL FUND		0.0	0.0	0.0	0.0	0.0
FEDERAL FUNDS						
OTHER						
TOTAL		0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME		0.0	0.0	0.0	0.0	0.0
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page, if necessary.

The role of the division in this marine insurance "creation" bill is to advise, verify and act as a clearinghouse - coordinating agency for those charting reciprocal insurance companies. Professional services contracts to insurance service providers and specialist-attorneys will be essential to establish these reciprocals properly

Prepared by: Paul Troeh, Deputy Director
 Division: Insurance

Phone: 465-2515
 Date: 4/9/86

Approved by Commissioner: J. G. B. [Signature]
 Agency: Commerce and Economic Development

Date: 4/9/86

Distribution (by Agency preparing fiscal note):

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

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSSB 442

and legally. Estimated service company fees of \$50,000 the first year and attorney fees of \$25,000 to charter are minimum figures. These expenses will be borne by groups chartering the pools.



UNITED COOK INLET DRIFT ASSOCIATION

BOX ~~3370~~- KENAI, ALASKA 99611
4649

March 7, 1986

Senator Dick Eliason
State Capital
Box V
Juneau, Alaska 99811

Dear Senator Eliason,

The United Cook Inlet Drift Association (UCIDA) is an organization of over 300 Cook Inlet permit holders representing a fleet of 600 boats.

The UCIDA Board of Directors has spent considerable time seeking a solution to the current marine insurance dilemma and we think your bill SB 442 is definitely a step in the right direction.

Yours truly,

A handwritten signature in cursive script, appearing to read "Jim Evenson", is written over a faint, larger version of the same name.

Jim Evenson
President

JLE/ne

copy: Senator Fred Zharoff

SUMMARY OF SPC'S INSURANCE POOL

IN 1959, FISHERMEN WHO WERE MEMBERS OF THE SEAFOOD PRODUCERS' COOPERATIVE (FORMERLY THE HALIBUT PRODUCERS' COOPERATIVE) EXPERIENCED AN INSURANCE CRISIS SIMILAR TO THE DILEMMA CURRENTLY FACING THE FISHING COMMUNITY. MOST MEMBERS OWNED WOODEN BOATS WITH GAS ENGINES AND INSURANCE COVERAGE SIMPLY WAS NOT AVAILABLE. IN RESPONSE TO THIS NEED, THE MEMBERS FORMED AN INSURANCE POOL -- PACIFIC TROLLERS' FUND. TO BE INSURED, AN APPLICANT HAD TO BE REFERRED BY THREE CURRENT MEMBERS WHO COULD PERSONALLY VOUCH FOR THE INDIVIDUAL'S CHARACTER AND THE SEA WORTHINESS OF THE VESSEL IN QUESTION. THE PREMIUMS WERE 5% OF THE VALUE OF THE FISHING BOAT AND THE MAXIMUM COVERAGE WAS \$10,000 (IN 1959 DOLLARS) FOR HULL AND MACHINERY. LIABILITY INSURANCE WAS NOT (AND CURRENT IS NOT) AVAILABLE THROUGH THIS INSURANCE POOL.

SINCE ITS CONCEPTION IN 1959, THE PACIFIC TROLLERS' FUND HAS HAD A MINIMUM REFUND RATE OF 56%. FOR THE LAST THREE YEARS THE FUND HAS RECORDED A 100% REFUND CREDIT WHILE MAINTAINING A 1-1/2 MILLION DOLLAR SURPLUS.

THE SUCCESSFUL STORY OF THIS INSURANCE POOL INDICATES THAT A SELF-INSURANCE PROGRAM CAN BE MANAGED PROPERLY AND CAN PROVIDE ADEQUATE VESSEL INSURANCE WHILE KEEPING THE PREMIUMS AT A REASONABLE RATE.

FURTHER INFORMATION

THERE WERE TWENTY-THREE MEMBERS WHO INITIALLY FORMED THE PACIFIC TROLLERS' FUND AND EACH PAID PREMIUMS TOTALLY 5% OF THE VALUE OF THEIR FISHING

VESSEL. BY-LAWS WERE PATTERNED AFTER SUCCESSFUL INSURANCE POOLS; THEREFORE, ATTORNEY FEES WERE KEPT AT A MINIMUM. THE MEMBERSHIP WAS VERY SELECTIVE AND OFFERED MINIMAL COVERAGE (\$10,000). THE MONEY GENERATED FROM THE PREMIUMS WAS THE ONLY MONEY AVAILABLE FOR PAYING CLAIMS. DON RIEHARDT ADMITS THAT THE POOL WAS EXTREMELY LUCKY THOSE FIRST FEW YEARS AS NO SUBSTANTIAL CLAIMS WERE FILED AGAINST THE POOL.

CURRENTLY THE MAXIMUM COVERAGE THROUGH SPC IS \$100,000. THE PREMIUMS ARE 4% OF THE VALUE OF THE VESSEL.

MEMBERS ARE CONCERNED THAT LIABILITY INSURANCE HAS BECOME INCREASINGLY DIFFICULT TO OBTAIN AND THERE IS A MOVE TO CONSIDER OFFERING THIS LINE OF INSURANCE. BUT DON RIEHARDT STATE THAT THE LEADERSHIP OF SPC IS HESITANT TO GET INTO THIS FIELD OF INSURANCE.

APPARENTLY FOUR INSURANCE POOLS EXISTS IN THE WASHINGTON AREA --

UNITED MARINE FUND
FISHING VESSEL RESERVE
PACIFIC TROLLERS' FUND
WEST COAST MARINE FUND



North Pacific Fisheries Association, Inc.

HEADQUARTERS:

BOX 796 • HOMER ALASKA 99603

March 6, 1986

Senator Richard Eliason
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Senator Eliason:

First, I want to thank you for having Bill Hall come to our annual meeting and explain the reasons behind S.B. 442.

Our association strongly supports passage of this bill, along with a fiscal note to facilitate the Director of Insurance's Office in doing the necessary research to define the regulations needed. As you know, the availability of re-insurance through London is one of the keys to any successful group pool effort.

Again, we appreciate your interest and support on this matter.

Sincerely,


Philip McCrudden

Help for fishermen

Insurance pooling plan proposed

WEATHER

Fair tonight with temperature dropping to 0. Winds will be out of the northwest at 10. Sunny tomorrow with a high in the lower teens. A record low of minus 6 for this date was set this morning at 8 a.m. The previous low was 3 in 1957. Record high is 44 set in 1965. Sunset tonight is at 6:34. Sunrise will be at 8:10.



the
Kodiak
daily mirror

VOL. 44 NO. 66 WEDNESDAY, FEBRUARY 26, 1986 KODIAK, ALASKA 12 PAGES 15 CENTS

By CHRIS BLACKBURN
Special Correspondent

Alaska fishermen may be able to beat the high cost of vessel hull insurance by forming their own large insurance pool, explained George Farnsworth from the brokerage firm Corroon and Black at a meeting Monday with Kodiak fishermen.

The cost of insurance has risen to the point the time may be right for forming an Alaska insurance pool, Farnsworth said. Efforts were made in the early 1980s, but at that time brokers were able to offer insurance rates lower than that offered by prospective pools. "The idea has been jelling for about eight months," Farnsworth

Experts debate reasons for soaring insurance costs — Page 3.

told the nearly 30 fishermen attending his presentation.

Farnsworth, who has over 30 years of insurance experience, much of it with marine insurance, discussed his concept for an Alaskan Fishermen's Marine Fund with underwriters in London.

"The reception ranged from lukewarm to strongly affirmative," he said.

"I've also talked to Sen. Fred Zharoff, the risk manager for the state, the director of the Division of Insurance for the state," Farnsworth said.

In an insurance pool, the members pay in a percentage of the value of their hull. The money is invested to make money. Any loss sustained by a pool member is paid out of the pool's funds, up to whatever limit is set by the pool. There are several insurance pools for fishing vessels in existence in the Lower 48.

Most of the existing pools, Farnsworth said, set an individual loss limit, but not an aggregate loss limit, so that if catastrophic losses occur the pool would be unable to cover the losses and the individual members would become liable.

Farnsworth visualizes that the Alaskan Fishermen's Marine Fund would use part of its money to buy reinsurance to cover losses above a set amount — thus insuring the pool against catastrophic loss.

In order to work, he believes the pool should start with about \$15 million in capital. Of that \$10 million would be used for the pool and an amount needed above that for buying reinsurance.

Because fishermen's insurance policies come due at different times of year, and fishermen wouldn't want to join the pool until their existing policies expired, getting enough money together to start up the pool could be a problem, Farnsworth said. The state of Alaska, he said, may be able to help out the start-up investment.

An insurance company keeps 40 cents of every dollar paid in; a pool needs only five cents of every dollar for administrative costs, Farnsworth said, which means an immediate savings for (Please turn to Page 6)



The bright side of winter

Erik Koblak herringbones his way up the hillside at the Anton Larsen ski area. The Erikine range can be seen in the background. With the

addition of this week's snowfall, Kodiakans will probably be flocking to the slopes this weekend. Photo by Jerry Martini.

F&G unit recommends '3-S' king crab season

By CHRIS BLACKBURN
Special Correspondent

The Kodiak Fish and Game Advisory Committee Tuesday night recommended that the Board of Fisheries enact a mandatory king crab season for Kodiak and close most Kodiak bays and inshore areas year round to on-bottom trawling.

The king crab management plan recommended by the advisory committee is a version of "size, sex and season" or 3-S management where size limit, taking only male king crab and a set season are used to manage the fishery rather than the current system which uses size, sex and quota for management.

The proposal recommended by the advisory committee would set the size limit for male king crab at 7½ inches, a half inch greater than the current size limit, and open the season for two weeks beginning Sept. 25, except in the Alitak-Towers area.

For the Alitak-Towers area, which includes about 80 percent

of the female king crab stocks, the season would open Sept. 25 for two days.

By a show of hands, 16 of the crab fishermen attending Tuesday night's advisory committee meeting voted for size, sex and season management and five opposed the proposal. About 60 fishermen attended the meetings.

"We're going to get managed right out of business. We'll never see the Northeast, Eastside, or Westside open again... Fish and Game won't have the money needed to do surveys until there is so much crab out there any idiot could tell the stocks are up. Fishermen have to do their own survey," said Kevin O'Leary, who supported size, sex and season management.

"Everything so far has been managed to create a pulse fishery. Fish and Game does the survey, publishes it and then

3 safe as FV burns, sinks near Old Harbor

By RICHARD HARTMAN
Staff Writer

Three fishermen safely made it

reportedly went down in flames in the vicinity of Port Hobson, on Sitkalidak Island

noticed by a crewman at 2:30 a.m. yesterday while the boat was anchored for the night

The slipper said he and his crew donned survival suits and

Parks official to visit

To discuss Miller Point progress

By RICHARD HARTMAN
Staff Writer

Kodiak's state park system will be facing some crucial issues in the next month, issues that can be addressed Friday when Neil Johannsen, director of Parks and Outdoor Recreation for the State of Alaska, arrives in town.

Johannsen will be speaking at a no-host luncheon at the Buskin River Inn beginning at noon Friday, and will be meeting with Kodiak's State Parks Advisory Board beginning at 7 p.m. at Fort Abercrombie's park office. The public is invited to both gatherings.

According to local Parks Supervisor Ed Apperson, Johannsen's visit comes at a time when the Alaska Legislature is considering a \$100,000 capital improvement project for the construction of a museum and WWII interpretive center at Fort Abercrombie's Miller Point bunker.

That project, Apperson said, "is going to be one of the single most giant steps that this community will make towards tourism and economic development."

The local ranger encouraged residents to come out and meet Johannsen, who has been "a real

supporter of Kodiak."

Apperson also stressed the need for community support of the Miller Point project, which is currently being taken up for consideration in Juneau.

"What we need now is we need people here in Kodiak to write the chairman of the Finance Committee a letter," Apperson said.

Apperson said the proposed \$100,000 will be enough to complete the bunker restoration which is scheduled to begin in mid-June. He says that once finished, the center will firmly establish Kodiak's claim to a major piece of WWII heritage in Alaska.

"There's more history in Kodiak than any single area in Alaska," Apperson said, citing Russian, Aleut and WWII history here as three main features of the island's past. "We could very well be the historic center for the state of Alaska and this (CIP) could be one of the big steps that gets us off in that direction."

"The WWII history market has really not been tapped yet," the local parks official said, indicating his hopes to tap that market.

"This next 30 days I'd say is probably going to be critical."

pooling

(Continued from Page 1)

pool members.

Pools can have a profit sharing plan and can pay claims rapidly. "Insurance companies don't always pay claims rapidly — they play cash flow games," Farnsworth said.

The proposed Alaskan Fishermen's Marine Fund would have a board of directors composed of fishermen and screening committees of three fishermen in each community to review applicants.

Farnsworth's preliminary analysis indicate there are 12,000 vessels in Alaska and that the proposed pool could attract 2,000 to 3,000 qualified vessels. He estimates the average value of the vessels at \$100,000 each — Kodiak's fleet, he noted, has a much higher average value.

'New, used sale' this weekend

The Association for Retarded Citizens of Kodiak will hold its annual "new and used sale" Friday and Saturday from 10 a.m. to 4 p.m. at the armory.

Donations may be taken at the armory Thursday evening, or by pickup.

Proceeds from the sale will be used for the association's programs, infant learning, a developmental program for children up to age 3, and the respite care program.

'Behind scenes' help is needed

KMXT is looking for volunteers to work "behind the scenes" in the 1986 fund-raiser for the public radio station.

The volunteers will be answering telephones and other tasks associated with the project. Anyone interested can contact Kathy Daniels or Bill Maloney at 486-3181.

Cost of insuring through the pool would be about five percent of the hull value, Farnsworth estimated. His figures are based on the pool funds covering losses up to \$250,000 per vessel and reinsurance, purchased by the pool, picking up losses above \$250,000.

"The state is very interested in this. It has a large vested interest in many of the boats out there," said Farnsworth referring to state loan program and the Commercial Fishing and Agriculture Bank, CFAB.

As well as getting initial funding to start the pool, another obstacle Farnsworth sees is the lack of qualified marine surveyors. Only a few on the West Coast, including Norm Holm of Kodiak, have the respect of insurance underwriters, he said.

Corroon and Black is an international insurance brokerage firm, one of the fifth or sixth largest in the nation, Farnsworth said. It started as Dawson and Company based in Alaska and specializing in construction

bonding. As the company grew it expanded to the south. It handles the insurance for a number of Kodiak-based vessels.

Corroon and Black's role in the pool, Farnsworth said, would be in placing the reinsurance.

"We're sowing a seed, cultivating a plant to get it healthy. When it's blooming it won't need us... We're still going to sell your reinsurance and we think you will need some help with claims," Farnsworth said.

Though the pool initially wouldn't be selling liability insurance, that is a possibility once things are going, he said.

Right now Farnsworth is explaining his proposal to fishermen in Alaska's coastal communities. If the program appears to have a chance of success, he hopes to have the pool in place by Jan. 1, 1987.

"On a scale of one to 10, when I started this, I thought the success was about two — now I think the chance is about seven," he said.

Another Tylenol death?

NASHVILLE, Tenn. (AP) - Traces of what appeared to be cyanide were discovered in the body of a 32-year-old man and in an Extra-Strength Tylenol capsule found in a bottle beneath his death bed, officials said today.

"Preliminary tests were done Tuesday which indicate cyanide is present," said Metro Nashville medical examiner Dr. Charles Harlan. "But we still have some confirmatory tests to make sure that's what's there."

"If we confirm that it is indeed cyanide, then we have to determine how much is there. That will help us determine if the amount there is sufficient to cause death," Harlan said.

Tests conducted today by the Tennessee Bureau of Investigation should show whether cyanide caused Timothy R. Green's death, but it is too soon to tell how the substance got into the capsule, Harlan said.

Johnson & Johnson this month pulled capsules of the non-aspirin pain reliever from the over-the-counter market after a New York woman died from taking an Extra-Strength Tylenol capsule that had been laced with cyanide.

Her death occurred 3 1/2 years after seven people in Illinois died from ingesting cyanide contained in Extra-Strength Tylenol capsules.

TROPIC LOUNGE

Now Offers Cold Sandwich Deli

11:30 a.m.-10 p.m.

All your favorite
meat and cheeses served
on fresh bread
baked daily.



MAIN FLOOR ELKS BLDG.

486-5202

CITY OF KODIAK
COUNCIL MEETING
FEBRUARY 27, 1986



- I MEETING CALLED TO ORDER
7:30 p.m., in the Assembly Chambers at 710 Mid Bay Road
- II PREVIOUS MINUTES
- III PERSONS TO BE HEARD
Planning and Zoning Commissioner
- IV OLD BUSINESS
 - a. Second reading and public hearing on Ordinance 791 which would add a chapter to the City Code to regulate alarm systems
 - b. Second reading and public hearing on Ordinance 793 which would amend the Personnel Rules and Regulations pertaining to employee use of sick leave for dependent children
 - c. Consideration of a request to renew Taxicab Permit #8
- V NEW BUSINESS
 - a. Resolution 07-86 which would support the imposition of a Federal tax on imported oil
 - b. Resolution 08-86 which would amend the Port of Kodiak Tariff #9 by restoring the landing charges
 - c. Resolution 09-86 which would support holding the 1986 Summer Summit Meeting in Alaska
 - d. Consideration of an application for an encroachment permit for a residence on Cope Street
 - e. Possible bid award for the production of sanitary landfill cover material
 - f. Consideration of a request to transfer Taxicab Permit #24
 - g. Review of 1986 Liquor License renewals for the Sheffield Kodiak and El Chicano Mexican Restaurant
 - h. Review of renewal applications for Games of Chance and Contests of Skill Permits from the Kodiak Area Chamber of Commerce and the Kodiak Women's Resource and Crisis Center
- VI CITY MANAGER'S REPORT
- VII MAYOR'S COMMENTS
- VIII COUNCIL COMMENTS
- IX AUDIENCE COMMENTS
- X ADJOURNMENT

City of Kodiak, Alaska
271 Public February 28, 1986



Everyone
is invited...

CHAMBER FORUM

Open to the public Chamber membership not required

Thursday, February 27

\$8.00 Buffet Served 11:45 a.m.-12:15 p.m.
Coffee only, \$1.00. Meeting 12:15-1 p.m. at the Elks
Reservations please, 486-5557

PROGRAM

Paul Peyton, acting director,
Office of Commercial Fisheries Development
"The pink salmon total utilization project."

The Kodiak Area Chamber of Commerce

Tom Hunter, President

Introduced: 2/18/86
Referred: Labor and Commerce
and Resources

1 IN THE SENATE

BY ELIASON

2

SENATE BILL NO. 442

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to reciprocal insurers that provide
7 marine insurance; and providing for an effective
8 date."

9

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

10

* Section 1. FINDINGS. A crisis exists in the marine insurance market
11 that is seriously affecting persons who fish commercially in the state.
12 The development of insurance reciprocals to provide marine insurance would
13 help alleviate this crisis. Persons who fish commercially in the state are
14 generally unable to bear the cost of developing reciprocal insurers to
15 provide marine insurance, particularly in light of the depressed condition
16 of certain segments of the fishing industry. The Department of Commerce
17 and Economic Development should provide financial and technical assistance
18 to persons who wish to form reciprocal insurers to provide marine insur-
19 ance.

20

* Sec. 2. AS 21.39.155(a) is amended to read:

21

(a) The director may require carriers, except a reciprocal
22 insurer formed by and insuring only a group of municipalities or
23 nonprofit public utilities under AS 21.75 or a reciprocal insurer
24 formed under AS 21.75 to provide marine insurance, as a condition of
25 writing a line of insurance dealing with workers' compensation, to
26 participate in an assigned risk pool if the director finds that manda-
27 tory carrier participation is in the public interest.

28

* Sec. 3. AS 21.75.020(a) is amended to read:

29

(a) Except as provided in (c) of this section, a [A] reciprocal

1 insurer may, upon qualifying as provided for by this title, transact
2 any kind or kinds of insurance defined by this title, other than life
3 or title insurances.

4 * Sec. 4. AS 21.75.020 is amended by adding a new subsection to read:

5 (c) The director shall establish by regulation the type of
6 marine insurance that a reciprocal insurer may provide.

7 * Sec. 5. AS 21.75.050 is amended by adding a new subsection to read:

8 (e) Notwithstanding (a) - (c) of this section, the director
9 shall establish by regulation the level of surplus to be maintained by
10 a reciprocal insurer providing marine insurance.

11 * Sec. 6. AS 21.75.060 is amended by adding new subsections to read:

12 (d) The director may provide financial and technical assistance
13 to persons who wish to establish a reciprocal insurer to provide
14 marine insurance under this chapter.

15 (e) The areas the director may assist the person with under (d)
16 of this section include

17 (1) preparing the documentation necessary to form the
18 reciprocal insurer;

19 (2) obtaining reinsurers for the reciprocal insurer;

20 (3) preparing subscriber rules and management procedures
21 for the reciprocal insurer;

22 (4) financing the formation expenses of the reciprocal
23 insurer;

24 (5) managing the reciprocal insurer.

25 * Sec. 7. AS 21.75.230 is amended by adding a new subsection to read:

26 (d) Notwithstanding (a) - (c) of this section, a reciprocal
27 insurer that provides marine insurance may issue policies that are
28 nonassessable.

29 * Sec. 8. AS 21.80.180(5) is amended to read:

1 (5) "insolvent insurer" means an insurer
2 (A) authorized to transact insurance in this state,
3 except an assessable reciprocal insurer formed by and insuring
4 only municipalities or nonprofit public utilities, a reciprocal
5 insurer formed under AS 21.75 to provide marine insurance, the
6 Medical Indemnity Corporation of Alaska, and the Health Care
7 Providers Joint Underwriting Association established under
8 AS 21.88, either at the time the policy was issued or when the
9 insured event occurred, and

10 (B) determined to be insolvent by a court of competent
11 jurisdiction;

12 * Sec. 9. AS 21.80.180(6) is amended to read:

13 (6) "member insurer" means a person, except an assessable
14 reciprocal insurer formed by and insuring only municipalities or
15 nonprofit public utilities, a reciprocal insurer formed under AS 21.75
16 to provide marine insurance, the Medical Indemnity Corporation of
17 Alaska, and the Health Care Providers Joint Underwriting Association
18 established under AS 21.88, who

19 (A) writes [ANY KIND OF] insurance to which this
20 chapter applies under AS 21.80.020 including the exchange of
21 reciprocal or interinsurance contracts, and

22 (B) is licensed to transact insurance in the [THIS]
23 state;

24 * Sec. 10. This Act takes effect immediately in accordance with AS 01.-
25 10.070(c).

COMMITTEE REPORT
SENATE

FURTHER: ~~RESOURCES~~ *wanted*
Finem added

2/18/86

Date 10 MARCH 86

Mr. President

The Committee on Labor & Commerce considered SB 442
relating to reciprocal insurers that provide marine insurance; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" [] NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Bill Ray

McK...

Fred L. ...

Chairman

Do Pass

Chairman recommendation