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

Revision Date: _____

REQUEST

Bill/Resolution No.: SB 442
 Title: "An Act relating to . . .
 . . . line 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. Gregory Baka*
 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)

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 (with funding)			
PREPARED BY Paul Troeh, Deputy Director	DATE	COMMISSIONER'S SIGNATURE <i>G. J. Baker, Deputy Commissioner</i>	DATE 3/07/86

SUMMARY

OTHER AGENCIES AFFECTED BY BILL (Business Loan, 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 changes 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, (e)(1) documents, (2) reinsurance, (3) subscriber rules and mgmt., (4) financing expenses, (5) assists 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.

3649W3786a

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

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

active Finance

*Paul True
Jack Cochran*

1 IN THE SENATE

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



BY ELIASON

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).



North Pacific Fisheries Association, Inc.

HEADQUARTERS:

BOX 796 • HOMER ALASKA 99603

March 6, 1986

MAR 12 1986

Senator Fred Zharoff
Alaska State Legislature
Pouch V
Juneau, AK 99811

Dear Fred:

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,


Phil McCrudden

THIS MEASURE FACILITATES THE FORMATION OF MARINE INSURANCE "POOLS", AND ALLOWS THE DIRECTOR OF THE DIVISION OF INSURANCE AUTHORITY TO ESTABLISH SUCH POOLS. THE DIVISION OF INSURANCE WILL ESTABLISH SURPLUS REQUIREMENTS THRU REGULATION, AND MAY PROVIDE TECHNICAL ASSISTANCE TO GROUPS WISHING TO PARTICIPATE IN MARINE RECIPROCAL.

THE LEGISLATION WAS DEVELOPED FROM RECOMMENDATIONS MADE BY THE SENATE ADVISORY COMMITTEE DURING A RESEARCH PROJECT ON MARINE INSURANCE AVAILABILITY, AND HAS THE SUPPORT OF FISHERMAN'S GROUPS AS WELL AS THE DIVISION OF INSURANCE. I URGE FAVORABLE CONSIDERATION OF THIS MEASURE.

CHAIRMAN'S INFORMATION: SB 442

- 1) BILL TITLE: "An act relating to reciprocal insurers that provide marine insurance; and providing for an effective date."
 - a) Introduced: By Sen Eliason
 - b) Co-sponsors:
- 2) INTENT: This measure facilitates the formation of marine reciprocal insurance "pools", and allows the director of the Division of Insurance authority to establish such pools. The Division of Insurance will establish surplus requirements thru regulation, and may provide technical and financial assistance to groups wishing to participate marine reciprocals.

FISCAL NOTE: 104.0

- 3) ADDITIONAL REFERRALS: Finance, Rules
- 4) PUBLIC HEARINGS:
 - a) Sponsor:
 - b) Public Witnesses:
- 5) BILL ACTION:
 - a) Hold in committee?
 - b) Assign to sub committee for further review?
 - c) Move from committee?
 - d) Close public hearings?
- 6) COMMITTEE ACTION?
 - a) amendments?
 - b) CS adoption?



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

SB 442: Sectional Analysis:

- Section 1) FINDINGS section describes the current situation in the marine insurance market, and speaks to the development of insurance reciprocals to help alleviate the effects of this crisis. Also requests DCED to provide technical and financial assistance to persons wishing to form such reciprocals.
- Section 2) Exempts reciprocal marine insurance groups from the workers comp assigned risk pool which may be mandated by the Div of Insurance.
- Section 3) specifies the insuring powers of reciprocals, but limits the powers of marine insurance reciprocals.
- Section 4) Director to establish, thru regulation, the type of marine insurance a reciprocal may provide.
- Section 5) Director to establish the surplus requirements of marine reciprocals insurers.
- Section 6) Director may provide technical and financial assistance for the establishment of marine insurance reciprocals.
- Director may assist with the necessary documentation, obtaining reinsurance, preparing rules and management procedures, financing the formation expenses, and management of reciprocals.
- Section 7) Policies of a marine insurance reciprocal are non assessable.
- Section 8) exempts marine insurance reciprocals from the provisions of the Guarantee Act
- Section 9) further clarification of reciprocals exemption from the Guarantee Act
- Section 10) Immediate effective date.

by Clark Miller

An impressive array of information was presented at last month's 1984 Fishing Industry Health and Safety Conference. For two days the experts told fishermen the causes, economics and preventives for everything from drug abuse and lower back pain to fires and instability. But when the dust had settled, it was clear that safety information had been of secondary importance. What had really taken place was a summit conference in response to the insurance crisis.

Vessel owners, naval architects, government officials and insurance executives met together December 12-13 at Seattle's Westin Hotel. They faced two questions: Who is responsible and what role can regulation play in a solution? Each group stated its case, questioned the other three and declared what it wanted from them. The value of the conference lay not in what it settled—it settled nothing—but in what it stirred up.

Certain moments stand out as representative of what took place. When panelist Anthony V. Raia, a San Francisco insurance executive, was asked by a marine engineer why the insurance industry won't set design standards for the vessels it insures, Raia said it was because insurance men don't know anything about boat design. (Raia seemed an ironically appropriate choice for the panel; he himself has never insured a fishing boat—he said he can't figure out how to make a profit doing so.)

The insurance industry must rely on marine architects to evaluate vessels, said naval architect Jonathan Parrott. The problem is that no one evaluates the architects. Vessel surveys vary widely, and often the bad news costs more.

This was illustrated by naval architect George Nickum. He recalled that when his office used to survey tuna boats, one in four was found unsafe. Approval, for instance, might hinge on removing one or two tanks. Instead of following the advice, the owner would go south for a new survey and a new insurance company.

And so, as the day wore on, the big red ball—responsibility—bounced around the ballroom, from fishermen to architects to insurance men to the Coast Guard and back to fishermen. Somehow it always bounced back to the fishermen, to their chagrin and fury. Bart Eaton, captain of the F/V *Amatuli*, wondered who is responsible when the Alaska Department of Fish and Game sends boats out of Dutch



Dr. Dennis Nixon is Chairman of the University of Rhode Island's graduate Marine Affairs program.

Safety Conference Pinpoints Problems

Solutions more elusive

Harbor in 80 mph winds for a 24-hour opening? Only the fisherman?

And the big blue ball—regulation—bounced along behind the red one. No one noticed it at first, since an axiom of most discussion of the insurance crisis is that "burdensome regulations" must be avoided. And yet fishermen and others were soon heard requesting certification of skippers, mandatory training of crews, regulation of the marine insurance industry, legislative changes in the legal status of fishermen, and insurance industry regulations on vessel design.

Dr. Dennis Nixon set the stage. Chairman of the University of Rhode Island's graduate program of marine affairs, he is author of *A Commercial Fisherman's Guide to Marine Insurance and Law*. Addressing the first day's luncheon, he suggested that the root of the insurance crisis is twofold: a terrible safety record for which the fishing industry must take responsibility, even though it has been forced to take chances by many outside forces; and a legal system that leaves vessel owners unjustly vulnerable to liability.

Regarding safety, Nixon said 44 of 242 vessels lost in 1983 were in Alaska, and that 95% were the result of human error. The pressure factors? Hasty conversions, short seasons, large mortgages and lousy fishing. Two other less obvious factors include the concept of "agreed value" of the vessel, which Nixon said has been handled too casually between owners and surveyors (Is a vessel worth what it cost to build, or what it will now bring on the market?)

The other factor is the insurance industry's traditional indifference to marine safety standards. Since marine insurance is unregulated, any company that tries to set such standards risks being buried by the competition. So the insurance industry has treated all fishermen as equal risks. After all, as Raia pointed out, marine insurance accounts for only 1% of the premiums paid in the U.S. "It's not a serious matter for us," he said.

Regarding the legal system, Nixon flatly stated that the combination of the Jones Act and the unseaworthiness remedy has made it impossible to defend a personal injury case. The Jones Act allows a seaman to sue his employer for compensatory damages if he can prove negligence, including negligence of other crewmembers. The doctrine of unseaworthiness enables an injured seaman to recover against the vessel if his injury was caused by an unseaworthy condition of the vessel, its equipment or crew, whether or not the condition was caused by the negligence of the owner.

Nixon sees bringing fishermen under workman's compensation laws as the answer. Meanwhile, he thinks the crisis can be alleviated by more insurance pools; higher deductibles and lower agreed value; increased vigilance by owners in picking brokers (ask to see their "errors and omissions" policy) and insurance companies; a new interest in safety by the insurance industry; and a new attitude among insurance companies of suspicion toward every claim.

During the ensuing panel discussion, Raia said his company had taken in \$16 million in premiums for hull insurance, while paying out \$34 million. He said the mathematics are simple: The West Coast fleet is worth \$1 billion, losses are \$40 million a year, so the insurance industry needs a minimum of 4% a year to break even. He said the only offer to interest him lately comes from an owner with a wholly-owned fleet; the owner has offered to insure 15% himself, and wants only total loss insurance.

Back-up Information

slides to show how the physical tasks in fishing attack the back and how to get relief.

When introducing the conference—what he called a "three-ring circus" of safety subjects—moderator John Sabella, 2290

level for fishermen is extra-

Dave Campbell of the Seattle Fire Department observed that fishermen usually respond to a fire by preparing to abandon ship, rather than fighting the fire. Given the technology and

Seattle attorney Doug Fryer said owners used to consider an accident the broker's problem, but not anymore. The smart owner probes the financial health of the companies behind the broker. Fryer had two pieces of advice: Make sure your broker is aware of the full extent of your operation. Pay the maintenance and cure for an injured seaman on time, up front, regardless of circumstances.

More advice came from San Francisco broker Boyd Crosby: Request the names of your broker's companies, make sure they are rated by Best's Aggregates and Averages, an industry rating source (U.S.-based companies only), and get an annual report. Spread your risk by limiting the amount insured by any one company to 5-10%. An insolvent insurance company is like a barrel that doesn't inflate. If it falls, you're left holding the bag.

Washington state deputy insurance commissioner Bob Higley predicted that many marine insurance companies will soon go under. He said they got rid of their "true underwriters" a few years ago, when high interest rates made it smart to insure anyone with cash. The insurers could invest and reap rich rewards despite the inevitable claims. Now that rates are down, it is once again a matter of measuring risk. Furthermore, Higley warned that there is no protection against illegitimate companies in an unregulated industry. He feels it is time to set minimum standards.

Seattle attorney Paul Pollak and Rod Moore of Representative Don Young's staff both shot at Nixon's proposal to get fishermen under some sort of federal compensation law. Pollak favors licensing and training for masters and crew, as done by many other countries, in order to improve safety, but fears that vessel regulations would change the nature of the business, forcing out the small operator. Fryer added that the Coast Guard does not want more work anyway—its budget is shrinking.

At the end of the day two impressions lingered. First, fishermen need to buy insurance much worse than insurers need to sell it. Second, fishermen would like the insurance industry to impose safety standards, but the insurers have no interest in doing so—they see no way to do so successfully.

The second day, the stresses boiled over between fishermen and another group of professionals—the naval architects. (Best one-liner of the conference, told after a Coast Guard safety expert had reported on recent testing of garment ensembles in rough seas: "Next time," said the fisherman, "test the buoyancy of naval architects in rough seas.")

The morning panel on stability got off to a lively start when moderator Bruce Adea, head of the University of Washington's Fishing Vessel Safety Center, apologized for having failed to locate a fisherman willing to be on the panel. Tom Casey, a fisherman who now represents Wesmar Marine Electronics, manufacturer of the SC14 stability computer, shot to his feet, declared that he had been denied a place on the panel, and then asked why naval architects as a whole have failed to eliminate capsizeings. (Later, another fisherman, Harry Fisher, stated that he and other fishermen had also been turned down.)

Adea asked Nickum, who played a role in the creation of the widely used International Maritime Organization (IMO) stability guidelines, to



Virtually every manufacturer of safety and survival equipment was represented at the 1984 Fishing Industry Health and Safety Conference.

explain how they came about. the Isopetus began for new standards, the "wind heel method" had

been used by the Coast Guard to prove intact stability of passenger vessels (the angle of heel could not exceed 14° or 1/2 of freeboard in a 60 knot broadside wind).

Then a Finn named Rahola, working on his doctoral thesis, tracked down data on ten capsized Baltic coasters (all allegedly sunk without operator error) and compared the data with that of successful Baltic coasters. He deduced several parameters for stability, including that the righting arm could not be less than eight inches and that the maximum righting energy should occur at not less than 30°.

Nickum was part of the international effort to substantiate the "Rahola Principle." All the countries involved except the U.S. had data available on their fleets. For three years, eighty vessels were studied, the lion's share of the tabulating being done by hundreds of Russian graduate students at the University of Kalliningrad. (Nickum said the Russian education system

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Advantages: No salt removal costs only for seawater pump. Appro sufficient waste heat units. Most efficient.

Disadvantages: Evaporators depend on sufficient heat rejection from jacket water of main or auxiliary engines. Evaporators will not function without heat source from engine or steam from boiler. Engines or boiler must be operating. Watermaker should be close to heat source.

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includes many naval engineering departments, any one of which turns out more naval architects and engineers in a year than does our whole country.)

Thus was born the IMO standards. Nickum knows of only one vessel that capsized after passing them. Adee knows of none. "Most were grossly under," he said. Nickum hastened to add that stability is not enough for true safety. He faulted naval architects for designing vessels that don't have water-tight houses and yet are documented as sound. The threat of downflooding can negate perfect stability.

The problem with IMO standards is that they are designed for large vessels, 79 feet or more. Adee said smaller boats need to have even higher parameters, as well as better operators.

Regarding the "constant trim method," a substitute stability guide, Nickum said it is no good for broad stern vessels.

As for the new generation of large, multi-tanked vessels, Adee said the complex assortment of tanking conditions makes applying any stability standards difficult.

Nickum said he would like to see strict application of IMO standards to all conversions and new boats, and strict concurrence with all conditions by the operators. He has participated twice in failed efforts to get underwriters to set up a small central agency to review the work of naval architects.

Parrott urged the adoption of a uniform standard for the stability book, saying that currently there is a wide range of response to any given vessel.

Naval architect Jacob Fisker-Anderson stated flatly that he has never seen a conversion that improved stability—always the reverse.

Someone asked if a stability computer was the solution, but the panel seemed inclined to avoid the question until Casey said Adee only gets cold water when he drinks it, while fishermen are drowning in it. Parrott quipped, "Spoken like a true salesman," and then the panel voiced its concerns about the Wesmar SC44 stability computer.

Fisker-Anderson said the SC44 measures GM, the distance between the center of gravity and the metacentric point (the point where buoyancy meets the vessel's center line). The higher the GM, the more stability and less comfort. But GM must be seen in context—the more freeboard you have, the less

Fishing Vessels Losses (5 gross tons or larger) in Coast Guard Districts 13 and 17.

Vessel Name	Length	Nature	Cause	Injuries	Deaths
Wildwood	29	Accidental Grounding	Failed to keep proper lookout	0	0
Kingfish	32	Foundering (Sinking)	Adverse Current/Sea Condition	2	0
Mia Dawn	48	Grounding, Intl w/ Damage-Hazard	Adverse weather	0	0
Sea Vamp	56	Mat'l Failure—Hull, Structural	Unknown	0	0
Proud Mary	54	Foundering (Sinking)	Unknown	1	0
Bonita M	34	Fire, Vessel Structure	Not elsewhere classified	0	0
Stingray	47	Foundering (Sinking)	Failed materials, structural	0	0
Two Brothers	58	Foundering (Sinking)	Failed materials, other	0	0
Kvichak	32	Foundering (Sinking)	Adverse current/Sea Condition	0	0
Lady Card	30	Fire, Not elsewhere classified	Unknown	0	0
JLT	59	Fire, Not elsewhere classified	Unknown	1	0
Petrel	34	Fire, Machinery Space	Improper Maintenance	0	0
Fach Boys	40	Foundering (Sinking)	Unknown	3	0
Moonlight	77	Foundering (Sinking)	Failed materials, structural	0	0
Tres Cher	49	Foundering (Sinking)	Adverse weather	0	0
Lady Darlene	65	Foundering (Sinking)	Failed materials, structural	0	0
April	56	Foundering (Sinking)	Inadequate stability	0	1
Anna	34	Foundering (Sinking)	Inadequate stability	0	0
Sharon D	32	Foundering (Sinking)	Improper securing, rigging	0	0
Rosemary	81	Fire, Machinery Space	Unknown	0	0
Total 1984 (through 12/3)				7	1
1983				2	21

important GM becomes.

Parrott said the SC44's program includes the vessel's "rolling constant," or normal roll period, but that in reality the rolling constant is not constant. It varies according to the loading condition. Although no one said so, it would appear that the ideal computer would have a different program for each of its basic loading conditions.

Changing the subject, someone asked Fisker-Anderson if the Coast Guard's "simplified stability test," which is used on small passenger vessels, is applicable to fishing vessels. He said no, fishing vessels vary too much from each other; there aren't enough common denominators. Also, there isn't a large enough data base on small vessels to make a simplified test for fishing vessels.

Nickum suggested the use of water-flume stabilizers for crab boats. They decrease roll by constantly transferring water in the opposite direction of the roll.

Regarding weight gain, Parrott said all vessels put on weight, that studies show that the average new vessel gains 10% of its weight in

the new first year. Fisker-Anderson said a deadweight survey should be done at the end of the first year ("It's a cheap form of insurance," he said.)

Regarding the role of the seaway in capsizings, Adee said he has not been able to capsize his model in head, quarter-head or beam seas (however, his model doesn't hold water on deck—water on deck with beam seas can be deadly), but that following and quarter-following seas are killers. His advice for operators about to capsize: Cut power completely; then turn slowly into the waves; then investigate.

Regarding draft marks, Fisker-Anderson said all signs should have them, no matter how small. Parrott said one fishing vessel in ten has accurate draft marks.

As the sequence of all these remarks suggests, it was difficult to focus on the issue of stability. Understanding and solving the problem involves filling major information gaps. Skipper Bart Eaton drew applause when he asked why the Coast Guard only investigates major fatalities. Why not talk to the survivors of the near

misses? He would like to see a sort of no-fault accident report—"Nobody learns anything when the attorneys zip the lips," he said.


Fishermen Eaton, Fisher and Dean Adams (ongliner, F/V *Quest*) composed the final panel of the conference. After listening for two days, this was the fisherman's chance to express himself, and the panelists let fly, racing the clock to disburden themselves.

Eaton said he uses a chain of command, a daily checklist of procedures, and informal psychological testing of prospective crewmen to increase safety. ("Time moves pretty fast when the world starts coming apart," he said.) He uses a private detective to investigate suspicious claims; and he signs crewmen on and off, to reduce his liability.

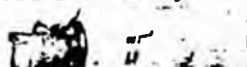
Fisher said he is going to try a new employee contract, something he can use in court if necessary. The prospective crewman will have the chance to inspect the vessel for safety, review the stability book, and question the qualifications of the skipper. He will know what is

See SAFETY on page 23

IN THE GULF OF ALASKA..... IT'S KODIAK!
 IN KODIAK - IT'S...
KRAFT and SON



ARE YOU MISSING THE MONEY BOAT?
 NOT if You Have A **HYDRO-WATT**
 \$\$\$AVESS Thousands of fuel





Joe Upton

The author at age 3 before "the test."

IN I jumped. "Oogh!, oogh, oogh, oogh!"

I gasped for breath. The water was so much colder than I thought it would be. I struck out in the fastest dog paddle Southeast has ever seen, making sounds like a sea lion pup.

Half-way through I still had not taken a breath. I knew I couldn't go any farther. I was ready to get out.

"Hey Jason! What are you doing? You're almost there. Take a deep breath, just relax, there you go, you can finish, come on you can do it!" My forever confident father.

I did finish. I climbed onto the float shivering and gasping but completely happy and life-jacketless.

That was two summers ago. This winter I have noticed that my sister and father have been making quite a few mysterious night-time trips to the White Rock swimming pool. All I can say is, "Good luck, Sis." □

SAFETY

continued from page 10

expected from him, and will sign that the vessel is seaworthy.

From now on, Fisher's winter crew in Alaska will be required to wear work suits that provide some buoyancy and warmth. The suits will be purchased new each year by the boat. Also, Fisher would like to see certification of skippers and more participation by the insurance industry in safety.

As the conference ended, a local broker sounded a hopeful note when he said the insurance industry needs the help of fishermen in learning what a good risk is and how to evaluate it. Conference organizer Barry Collier of the Fishing Vessels Owners Association, one of several sponsoring organizations, reminded the audience that this was simply the first step in a major effort to turn things around, and the meeting was adjourned. □

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LUGGER



Insurance crisis: Fishing in rough seas

Cancellations increase risks for fishermen

By KIRK McALLISTER

Commercial fishermen Russ Barton got a surprise in the middle of the salmon season last year.

A week before the insurance on his 36-foot boat was supposed to be renewed, the company canceled his policy and he was unable to find another company to provide coverage.

Barton has been fishing out of Juneau for 22 years as a gillnetter, troller and longliner. He also fishes for herring and dungeness crab. He has versatility, experience and has made only two claims on his insurance since he began fishing.

But now he can't get insurance. And he isn't alone.

Jack Cadigan, executive director of the United Fishermen of Alaska, said as many as 50 percent of the commercial fishing vessels operating in Alaska may end up without insurance.

That could cause a variety of problems. It could mean many commercial fishermen will operate in the unpredictable waters of Alaska with no protection against loss. Banks and the state could end up in an odd situation, too, since insurance is a standard requirement for most boat loans and fishermen who operate without insurance are technically not complying with the terms of loan and could be subject to foreclosure.

"It's a dangerous situation," Cadigan said. "It could get to the point where someone could be denied their livelihood and the bank end up with a boat they can't sell. Or the increased cost of insurance could mean his overhead is so high he can't make his boat payments or he has to skip engine maintenance or repairs, which means safety could be affected."

In short, it will make a risky business even riskier. Commercial fishing is the most dangerous occupation in the country, with a death rate seven times the national average, according to a recent U.S. Coast Guard study.

That study revealed that 200 fishing vessels a year were lost in U.S. waters between 1970 and 1982 and an additional 8,500 vessels were damaged at sea. There were 7,000 deaths associated with these accidents.

As a high-risk business, commercial fishing was a natural victim when the insurance industry began experiencing hard times last year. The number of companies writing marine coverage in Alaska dropped from more than 30 to less than five.

Because of financial losses the insurance industry no longer has the capacity to cover the demand for policies. Because of that some commercial fishermen are caught in the squeeze.

"These days if you say commercial fisherman to an insurer they start to wince immediately," Cadigan said. "There's no denying there's an inherent danger in the (fishing) industry and the insurance industry is worried about their exposure to risk. Besides the numbers are small — the whole state of Alaska equates to a suburb of L.A. as far as the insurance companies are concerned."

Difficulties with getting insurance for a commercial fishing vessel, however, depends on the age and kind of boat.

Mike Miller, president of Northern Marine Insurance Inc. of Juneau, the only specialist and largest marine insurer in the state, said there are "problem classes" of boats that are getting tough to insure. These include boats that are over 10 years old, have wooden hulls, or have had previous claims. Large crab boats and trawlers that operate in dangerous areas such as the Bering Sea have also been difficult to insure. Less than half of boats in the problem classes are able to get insurance.

Miller said his company insures between 1,000 and 1,500 commercial fishing vessels. Most are "mom and



Fisherman Russ Barton: Insurance problems spread through industry.

pop" owner-operated seine, gillnet and troll vessels. Insurance premiums for those boats have increased an average of 30 percent, but rates are expected to level off this year, he said.

"I'd say insurance for fishing vessels is a problem but not a catastrophe," Miller said. "If you're not in one of the problem classes there you should be able to get insurance but if you have a problem boat, you have serious problems."

'These days if you say commercial fisherman to an insurer they start to wince immediately.'

— Jack Cadigan, executive director of the United Fishermen of Alaska

Possible solutions: To ease the insurance crunch, a proposal to allow formation of insurance "pools," in which groups of fishermen band together to insure themselves, has been introduced in the Alaska Legislature.

Pools have been used successfully in Washington state for many years and have included some Alaska boats in their membership. They are not, however, currently allowed under Alaska law.

Sen. Fred Zharoff, D-Kodiak, said something must be done to ease the insurance crunch. He said he was looking into the possibility of allowing pools or other forms of self-insurance and encouraging safety programs for the fishing industry.

"This (the insurance problem) is adding to the operating burden of

many fishermen," Zharoff said. "People have got to be able to fish to make their boat payments. These vessels need to get out and work and harvest the resource. If the insurance industry sees an effort by the fishing industry to be safer then it should ease the situation."

John George, director of the state Division of Insurance, said several insurance brokers are interested in managing or administering insurance pools for fishermen.

is going to skim the cream in terms of risk leaving the skim milk left over."

In addition to private company interest, the state has been watching the fishing insurance problem closely since commercial fishing is a major industry in Alaska and the state is involved with financing boat loans.

George said one action that could be taken is encouraging the formation of "reciprocal insurance companies" by groups of fishermen. Like pools, reciprocal companies are groups of people that insure each other, but unlike pools, the reciprocals are subject state regulations and oversight.

A Senate Advisory Council report on marine insurance suggests that the director of the Division of Insurance could set up regulations governing reciprocals for fishermen, including deciding how much money would be required to begin and maintain coverage for members.

Other possibilities include state grants or federal and state loan guarantees to help get insurance groups started for fishermen. Currently, reciprocal companies insure workers in the timber industry and rural electrical workers.

While several options are open to ease the problem, just about everyone agrees safety in the fishing industry needs to be improved.

"If someone is forced out of commercial fishing because they can't get insurance, maybe that's not necessarily bad," said insurance director George. "If the bad risks are eliminated, it helps the overall safety situation. It could save a fisherman's or a crewman's life."

The Senate Advisory Council report agrees with that assessment.

"The fundamental problem is not the cost or unavailability of insurance," the report said. "Rather it is the poor safety record of the fishing industry which has produced an unacceptably high loss of human life and financial investment."

Trouble snags fishing industry co

By KEN FRANCKLING
United Press International

GLOUCESTER, Mass. — Nino Branca-leone's 90-foot stern trawler, the Sa-cred Heart, sat in port one summer day while he made a top-to-bottom crew change that he gambled will keep him in business.

When his \$600,000, 5-year-old blue-and-white trawler came in that morning, each crewman had collected \$700 for 10 days at sea — about half of the average pay on a "decent" voyage for one of Gloucester's bigger boats. The Sacred Heart lost \$400 on the trip, not even meeting its expenses.

That afternoon, Branca-leone laid off his regular Gloucester crew. He brought in a new "go-getter" skipper and crew from Portland, Maine, that took the Sacred Heart out to a different fishing ground, trying different methods they felt might reap a profit from the sea.

"We've got to try something. It's not worth staying in business, but we're hanging in there," Branca-leone said. "Two years ago, it was good here. We were paying the bills."

Branca-leone is known as one of Gloucester's most successful fishermen. As his fellow Sicilians in this historic seaport put it, Branca-leone has been a fisherman for so long — 41 years — he has fish blood coursing through his veins.

And he is worried.

Passage of the 200-mile limit that denied foreign fleets unlimited access to U.S. waters beginning in 1977 did not bring the bonanza that New England fishermen expected.

Catches are down and the industry has been brought to its knees by unprecedented import competition from Canada, an adverse international boundary decision, and a marine insurance crisis.

These woes extend far beyond the once-bountiful waters fished for more than 350 years by the hardy, independent New England fishermen.

From New England's scallopers and groundfishermen to shrimpers in the Gulf of Mexico, from the southern California tuna fleet to Alaska's king crabbers, the commercial fishing industry — America's first industry — is in deep trouble.

- The \$488 million shrimp industry, occupying most of the 30,000-man commercial fishing fleet in the Gulf of Mexico and South Atlantic, is hurt by foreign competition that provided 71 percent of U.S. consumption last year.

- On all coasts, the insurance industry has been hit so hard by losses from a rash of sinking and huge crew injury awards that very few companies will write marine insurance any more. Costs have doubled and tripled for boat owners, if and when they can find coverage.

"It's very critical. They've been hit tremendously hard. It's not so much a question of rates; it's a question of whether they can get the insurance or not," said Kell Freeman of the National Marine Fisheries Service in St. Petersburg, Fla.

- In Alaska, the king crab industry is in a state of collapse because of overfishing and environmental factors. Multimillion dollar crab boats, 90-to 120-foot long, sit in port. Six others sank in the Bering Sea within one month early last year.

- Southern California's tuna fleet is in sad shape even though the fish are plentiful. Because three out of the four U.S. canneries have shut down, the 75-boat fleet was forced to unload much of its catch in Guam and Puerto Rico.

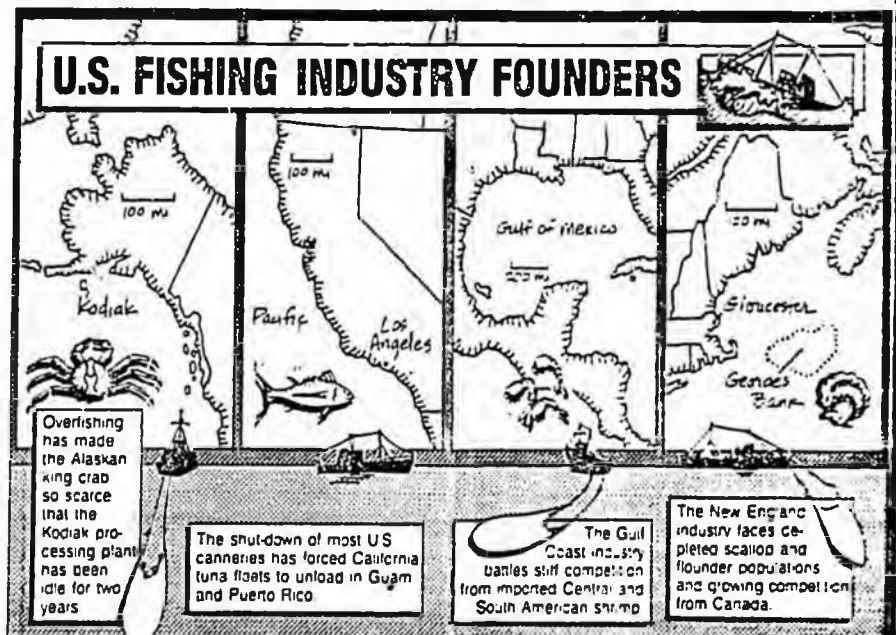
- Foreclosures in the salmon industry have hurt the new insurance market in the north Pacific, while the fishery itself has bounced back to what could be a banner season for the fleet off California, Oregon and Washington.

"We do have an industry in trouble," says Allen E. Peterson Jr., director of the National Marine Fisheries Service's Northeast Center in Woods Hole, Mass.

"In all likelihood, it is falling on tough



Nino Brancaleone says the 200-mile limit has not been the godsend he expected.



times and will continue to for the near future. The strength of the dollar makes it harder to sell our product overseas, and makes it easier to import.

Ironically, the myriad problems come at a time when Americans are being encouraged by doctors to eat more seafood.

Eating fish has been known to be good for your health ever since Eskimos were found to suffer almost no heart disease, even though they ate large amounts of seal and whale blubber, which is high in saturated fat.

In Gloucester and other New England ports, fishermen are surviving only by fishing harder, taking new financial risks, changing techniques and species they fish for, or by pure luck.

"I don't know how we're going to make it," Branca-leone said. "The Russians are gone. The Germans are gone, but the fish are gone with them."

On top of his mortgage for the Sacred Heart, Branca-leone pays \$54,000 a year in marine insurance. Without it, he cannot risk leaving the dock.

Nearly all companies have stopped insuring

commercial fishing boats and write no new insurance in Gloucester, where 40 of the fleet's 200 boats have sunk since 1980. Many sank in suspiciously calm waters, without loss of life or serious injury. There was usually a friend or relative fishing nearby who was able to rescue the crew.

"Now, the insurance you can get is twice as expensive and covers less. You must have hull insurance in order to get loans. It's a pretty tough problem," said Dennis W. Nixon, coordinator of the University of Rhode Island's Marine Affairs Program.

Nixon is an expert on the marine insurance problem and is studying possible options for Congress to overhaul the system.

"I'm not going to say all of the sinkings were deliberate," Nixon said. "Vessel maintenance is often at the bottom of the list of things to do."

Those who continue to fish are trying to make the best of a bad situation.

"This is a business. It is no longer a romanticism of the ocean. Some pretty damn high investment is going into it," says James Costakes, general manager of the New Eng-

ast to coast

ford, Mass., Seafood Producers Association.

A lot of those dollars come from a product known as New Bedford gold — scallops. Scallops and yellowtail flounder are the dominant catches for New Bedford's 250-boat fleet.

Both species are in trouble. There is not enough fish coming in to supply New Bedford's 22 processing plants, so the processors are dependent more and more on fish trucked in from Canada to keep their operations open. Five plants closed in the past year.

"In the bonanza years, a guy on deck could make \$50,000 to \$60,000 (a year). Now, on an excellent vessel, you'd be lucky to make \$30,000 to \$35,000, and you're spending a lot more time out to sea to get that," said Costakes, a fisherman himself for 30 years.

When the 200-mile limit took effect eight years ago, the United States made its claim to the offshore fisheries that would no longer be piled helter-skelter by huge foreign factory fleets.

Vessel construction increased 70 percent in one year as old wooden boats were scrapped in favor of larger, steel-hulled trawlers. The New England fleet mushroomed from 590 boats in 1976 to 892 by 1981.

As the foreign catch dropped by roughly 25 percent in the year after the 200-mile limit was imposed, the domestic catch rose by 16 percent. But biologists worried whether the fleet increase and improved technologies would in effect deplete the fishery. Experts now disagree about whether that happened, or whether the current downturn in stocks is just a natural, cyclical event.

New England's fishermen, stung but unable to reverse the decline, are going after what they see as man-made problems — boundary disputes and outside competition for the lucrative fresh fish market they have traditionally supplied.

Last October, the World Court ended a simmering border dispute between the United States and Canada by dividing the North Atlantic fishing grounds on Georges Bank. The Americans wound up with the largest chunk, but Canada got the brass ring — the Northeast Peak, a spawning ground rich with lobster, scallops and haddock.

It was the last straw for U.S. fishermen already bitter about government subsidies that allow their Canadian counterparts to sell for less on the U.S. market. In some cases, Canadian fishermen can sell their fish for less than it costs U.S. boats to catch it.

This August, the North Atlantic Fisheries Task Force petitioned the federal government to impose a 10- to 20-percent tariff on imports of Canadian groundfish — including haddock, hake, cod, flounder, pollock and sole. They claim it will allow them to compete fairly with the Canada's fishermen.

Stephen Greene, assistant trade counselor at the Canadian Consulate in Boston, defends his country's subsidies as comparable to the U.S. bailout of Chrysler. He predicts the two governments will agree to mutual access to the fishing grounds sometime in the future.

Gulf Coast fishermen sympathize with import problems in the Northeast, and are offering financial support. Imports also account for the bulk of U.S. shrimp consumption, with most of it coming from Central and South America. Ecuador ranks No. 1 worldwide in shrimp production.

"A fair comparison might be with the textile or shoe industries in the United States," said Richard Raulerson, of the National Marine Fisheries Service in St. Petersburg, Fla. "You and I would rather buy cheap shoes and clothes instead of expensive shoes and clothes."

The U.S. fishing industry is not yet in the same state of decay as the shoe industry. But none of the fishermen or industry experts sees a short-term solution to the decline — and the long term is even more clouded. As Costakes of the producers' association puts it, "We've always had a 'survival of the fittest' philosophy. But it very hard to work under these conditions."

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Most dangerous job: Commercial fishing

Death of son drives parents to campaign for safety

By DAVID FOSTER
The Associated Press

Robert and Peggy Barry knew little about the dangers of commercial fishing when their 20-year-old son, Peter, landed a summer job on a salmon boat off Alaska's coast.

Their first lesson was swift and unforgetting. On Aug. 20, word came that Peter's boat had sunk in the frigid waters off Kodiak Island. He and his five crewmates had perished.

The Barrys' grief was deep, but it turned to anger after Robert, a career diplomat based in Washington, D.C., did some research. Peter Barry had been an adventurous Yale student lured

by the romance of a fisherman's life; his father was appalled to learn how easy it is to die a fisherman's death.

Coast Guard figures show an average of 250 U.S. fishing boats sink and 75 fishermen die off the nation's coast each year. Commercial fishing is by far the country's most dangerous industry, with a death rate seven times the national average of all industries, and twice that of mining, the second-most hazardous occupation.

Yet, on safety matters, the fishing industry is virtually unregulated.

"It is too late now to help Peter," Barr says. "But publicizing the danger of commercial fishing and imposing

minimal regulations on it may help others to avoid his senseless death."

The Barrys have begun a crusade for safer fishing, lobbying congressmen, writing letters and articles. Along the way, they've encountered a government reluctant to impose new rules and an industry that, while opposing regulation, may yet work toward greater safety on the seas for another reason — economic survival in an age of skyrocketing insurance rates.

The stormy Alaskan waters that claimed Peter Barry are infamous for dramatic sinkings — since 1981, an

See Back Page, COMMERCIAL

Searchers find no sign of boat or its crewmen

The Associated Press

JUNEAU — In a six-hour flight over the stormy North Pacific, a Coast Guard search plane on Thursday failed to find survivors or debris from a fishing vessel believed to have sunk on Tuesday.

"But search conditions were pretty bad," Petty Officer Allen Sparks said in a telephone interview Thursday night.

The crew of the C-130 search plane spotted the vessel's emergency signal beacon again Thursday, but nothing else, Sparks said. He said the weather had been poor

See Back Page, COAST GUARD

Commercial fishermen earn their livelihood in the nation's most dangerous occupation

Continued from Page A-1

average of 72 boats a year have sunk in the Bering Sea, north-west and Alaska waters, with 108 deaths during the same period.

But wherever fishermen work the open ocean, from New England's Georges Bank to the Gulf of Mexico, the death rate is similar.

"In Alaska, they usually lose the whole vessel with everyone aboard," says Capt. Gordon Piche, national chairman of a Coast Guard task force created last year to promote vessel safety. "In the Gulf, they have just as many people dying, but it's usually one at a time — a man may fall overboard or get wound up in a winch."

Despite the dangers, the Coast Guard does not inspect fishing boats for safety. The agency requires fire extinguishers and life preservers, but can only recommend that boats carry survival suits, life rafts, and emergency radio beacons, which help rescuers home in on a foundering ship. Peter Barry's boat, the Western Sea, had little safety equipment, officials say. The 59-foot, wood-hulled seiner was built in 1915. It carried no life raft, and the crew were only life preservers,

Coast Guard search for boat, crewmen yields no trace

Continued from Page A-1

since the search started Tuesday, with 50-knot winds, 20-foot seas and half-mile visibility.

Coast Guard officials said early Thursday they believed the missing boat could be the Aleutian Harvester from Homer. A radio conversation between the vessel and another boat was broken suddenly Tuesday morning, and the Aleutian Harvester had not been

heard from since, said Coast Guard spokesman Glenn Rosenholm.

The Aleutian Harvester, with three men aboard, was fishing in the area where the emergency signal was picked up, about 30 miles south of Unalaska, at the eastern end of the Aleutian Islands.

A C-130 crew Tuesday reported spotting a life raft and what appeared to be two bodies in the water. A nearby fishing boat, the Golden Alaska, recovered the life raft in howling winds and ship.

even though survival suits covering the entire body are needed to last more than an hour in northern waters.

"Peter's death was avoidable because the boat he was on should never have been allowed to go to sea," Robert Barry says.

One reason for the lack of safety rules or inspection programs is the lack of enforcement money, Coast Guard officials say. The agency is scrambling just to maintain its current budget, never mind trying to add new programs.

Another reason is the belief that safety regulations create a false sense of security. "They take the responsibility away from the fishermen,"

nies, may become the biggest lever yet in forcing the safety issue. Until now, insurance companies have had few ways to distinguish between a safe boat and a dangerous one. So all fishermen, prudent and reckless alike, have suffered with soaring insurance rates.

"They've lost a lot of credibility because of their safety record," Piche says. Fishermen are quick to say it's not their fault the ocean is dangerous.

"So many things can happen out there. It doesn't matter what you know — anything can happen," says George Jones Jr., 21, a third-generation scallop fisherman out of New Bedford, Mass. The sometimes-marginal

economy of fishing often forces fishermen to take risks, says Jack Cadigan, executive director of the United Fishermen of Alaska. In the Bering Sea king crab fishery, he says, "it's an almost absolute necessity to pile up the boat with crab pots, which raises the center of gravity and makes it more likely to turn turtle. That's not going to be implied ended just by the addition of safety equipment."

People like Jones and Cadigan were well represented at congressional field hearings held this year in Seattle, Boston and San Diego. High insurance rates were their main complaint. No legislation has been introduced yet to help

fishermen weather the insurance storm, but legislators are predicting some kind of bill by spring. "We feel like we're getting somewhere," Piche says.

But not far off yet enough, Peggy Barry says. "They all seem to be interested in the insurance end of it, without being sufficiently interested in the safety end of it."

The Barrys still know little about how their son died. Bodies of three crew members have never been found. Only shattered fragments of the Western Sea have been recovered, making it look, as one Coast Guard official put it, "like somebody had just torn it apart."

The Barrys live with that image day and night, determined to help prevent more such tragedies. They say it's not enough to rely on high insurance rates to force compliance with safety guidelines.

"That would be fine if the vessels that didn't comply had a big red sign saying, 'Hey, watch out for us.' It's criminal neglect that a kid from Washington can go out to get a job and there's no way for him to know which boats are safe," Peggy Barry says.