

SCR

20



Official Business

Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V
State Capitol
Juneau, Alaska 99811

SCR 20: Summary

Purpose of this legislation is to encourage marine insurance availability at competitive rates. This resolution requests the Governor to direct the Division of Insurance to conduct a study which will provide marine insurance underwriters with information concerning fisheries management and safety.

The resolution requests the study to include identification of factors contributing to vessel safety and recommendations to achieve safer vessel operations.

Findings of this study are to be reported to the Legislature and the Board of Fisheries so they may consider the adoption of safety regs that address the costs and availability of marine insurance.

NUKA POINT FISHERIES



P.O.B. 1113 HOMER, AK 99603-1113

(907) 235-8778

TO WHOM IT MAY CONCERN:

Regarding the insurance situation for vessels and crew, I would like to make a few comments and relate a few experiences we have had in this area.

First the boat owner is in a catch-22 dilemma. The banks loan money to buy boats and demand yearly payments. Banks also demand insurance to protect their collateral. Insurance companies name their expensive premium and demand payment. Boats do not fish until insurance is in effect. No fishing--no money for insurance or loan payments.

Secondly, the insurance premiums were affordable in the less than 3.5% range. Now 4% is the lowest (on a crab boat) and up to 10% has been quoted. If fish prices and available product climbed at the same rate insurance would still be affordable. Such is not the case.

We own a crab boat. In 1980-82 the rate was about 2%. In the fall of 1983 it was 2.85% if we purchased a stability computer; otherwise it would be 3.25%. For the fall of 84, we have port risk only awaiting the insurance market to level out. We are hoping for 4% for the 85 season. We have been warned it could go to 7%. Our lender requires we insure for 1.5 million. The premium difference is \$45,000.

Another example of outrageous premiums--Our crab boat is also a tow boat. We requested a quote for trip insurance for travelling from Homer to Nome and return with a disabled tug. Normal trading

warranties go almost to Nome. The trip would take about 20 days. The premium--\$25,000.

I don't know the answer to this problem. Insurance companies have definitely experienced tremendous claims; however, most companies I know have considerable assets and are accustomed to making substantial profits. Some companies are lax in scrutinizing clients and insure questionable boats.

One aspect that could be looked at is the liability boat owners and underwriters face regarding crewmen injuries. No other industries I know of face such all-encompassing responsibilities in the event of an accident. Several applicable laws date back years to when crewmen were slaves. Laws need to be updated to make crewmen at least partly responsible for their own safety. The boat owner should provide a safe work place but if the crewman is negligent, i.e. inebriated, the vessel owner should not be liable.

Thank you for listening.


Jessie Nelson



UNITED FISHERMEN OF ALASKA

1000 Broadway Street, Suite #10
Juneau, Alaska 99801
(907) 586-2126

Cass M. Parsons
Executive Director

January 25, 1985

Honorable Bill Sheffield
Governor
State of Alaska
Pouch A
Juneau, Alaska 99811

Dear Governor Sheffield:

The United Fishermen of Alaska are concerned about a major problem the fishing industry is currently experiencing. The problem is the prohibitive cost or unavailability of vessel insurance. From all reports we have received, the problem appears to have been caused by two factors. First, the Insurance Company of North America (INA) entered the Alaskan marine market several years ago offering premiums of around 4% (of the vessel value). This premium was much lower than other companies were offering so INA succeeded in essentially cornering the market on the larger crabbers/trawlers in Alaska. Secondly, there followed two terrible years when one out of every seven crab vessels sunk. Subsequently, INA pulled out, giving many boats only 15 days notice. The other companies remain unwilling to return to the Alaskan marine market.

The few crabbers/trawlers who can find insurance are not getting full coverage and are paying premiums as high as 12%. That means a vessel valued at \$1 million (a common value) must pay a premium cost per year of \$120,000! As a result, people are going fishing uninsured or are staying home because it costs less. Consequently, many Alaskan fishermen are in danger of losing their vessels.

This is a rather simplistic explanation as there are other factors involved, but it does provide a basic picture of what has occurred. There are two spin-offs about which you should also know. First, although full-time crabbers caused the problem, the problem now extends to vessels who are only crabbing part-time (large seiners, trawlers, etc.) and to many other vessels that don't fish for crab but are being penalized by high premiums from companies trying to spread the losses.

It is our view that several things must occur in order to help solve this problem. First, we need to discover what the principal causes of the accidents are; i.e., equipment failure, operator error, improper safety equipment, etc. and then recommend specific changes to prevent the accidents from occurring. We could mandate annual vessel checks for certain equipment and we could recommend changes in fisheries management policies so that skippers and crew are not fishing in an exhausted condition. We could recommend that every fisherman and crewmember take a course on fishing vessel safety.

It is very important that we identify the specific causes of vessel accidents. We will gather the information from the vessel owners and skippers which requires carefully worded and confidential questionnaires. We will need to contract with the underwriters for the information they have on file since it is unlikely they will want an outsider looking at confidential information. Additionally, we will need to gather accident report information from the coast guard.

We feel the UFA is the organization that should conduct this review because we have the expertise available and we have access to the fishermen. We also have the ability through our board of directors to make carefully considered recommendations that other fishermen will respect. Furthermore, the results of this study will be published in the Alaska Fisherman's Journal. Recommendations will be made to the Governor's Office, Legislature and Board of Fish.

Thank you for your consideration.

Sincerely,

Cass M. Parsons
UFA Executive Director

CMP/jb
Enclosure: Proposal and budget

cc: John George, Director
Division of Insurance

PROPOSED BUDGET

1.0 PERSONNEL

1.1 Two research-writers: 5 mos. @ \$2900/mo.	\$	29,000
1.2 Secretary: 240/hrs @ #13.00/hr.		<u>3,120</u>
	\$	32,120

2.0 TRAVEL

Seattle: 1 Rnd. trip + 3 days per diem @ \$80/day	\$	713
Anchorage: 2 Rnd. trip + 6 days per diem @ \$80/day		1,184
Kodiak: 1 Rnd. trip + 3 days per diem @ \$80/day		<u>776</u>
	\$	2,673

3.0 POSTAGE AND PRINTING

Questionnaires: 44¢ x 2 x 3500	\$	3,080
Report: 50 bound		<u>500</u>
	\$	3,580

4.0 OTHER

4.1 Computer time: 120 hrs. @ \$30/hr.	\$	3,600
4.2 Subcontract w/5 Ins. Underwriters @ \$2,500		12,500
4.3 " w/2 Coast Guard Stations @ \$2,500		<u>5,000</u>
	\$	21,100
		Subtotal: 59,473
		Administrative Overhead @ \$20: <u>11,894</u>
	\$	TOTAL: 71,367

Overhead Includes:

Bookkeeping

Administrative

Office Space

Long Distance Telephone

Printing for Questionnaires

Additional Computer & Secretarial

Publish Results in Alaska Fisherman's Journal

Dan and Debbie Veerhusen
P.C. Box 6448
Halibut Cove, Alaska 99603

To Whom it May Concern,

We are all aware many Alaskan fishermen are having a pretty rough time "hanging in there" due to declining crab and shrimp stocks, increased vessel effort and near disaster halibut and herring prices. What's making things worse is that insurance rates are sky-rocketing. It is almost impossible for many to go fishing if you are lucky enough to even find insurance.

On Dec. 31st 1984 our current insurance policy expires on our 80 foot wooden boat. I have been told by many companies it will be hard for us to find insurance in the coming year and maybe impossible if we decide to fish tanner crab. If we are lucky enough to renew for another year we can be sure premiums will be much higher than the \$36,000.00 we have paid this year. Our policy does not even have a lay-up warranty and we are allowed only nine months of fishing - unless we want to pay more of course.

So many fishermen cannot even afford to go fishing because insurance rates are currently running 5½ - 10% the value of the vessel. The rates are even higher if you plan to crab fish. I know many fishing boats will be tied to the docks this upcoming crab season; others will be out taking a chance with no insurance. We deliberated for days on whether to pay \$11,000.00 to fish tanner crab in Cook Inlet for two months. Between the insurance and the other expenses the figures barely add up to take the chance and go. Furthermore, I made dozens of phone calls checking into prospective insurance markets and was told that many companies will not write new marine policies and many more are looking for every reason possible to drop you. For instance, this crab season we were not allowed to lease out our boat; our policy would be cancelled unless we personally hired a skipper.

Many marine financial institutions are urging fishermen to convert their boats and forge into new fisheries. But I ask, how can we when we are paying these outrageous premiums for vessel insurance? We need state legislation and funds generated to create ~~a statewide or community insurance pool to alleviate this problem~~. Strict measures could be enforced on the vessels condition, upkeep and skipper creditability before joining into a pool. I see

no immediate relief in the months ahead for insurance rates to drop back down in the two to three percent range - WE NEED ACTION NOW!

Sincerely,

Deborah Dechusen

cc: United Fishermen of Alaska
cc: North Pacific Fisheries Association
cc: CFAB, Mr. Dave Rodgers
cc: Senator Fisher
cc: Andre Marrou
cc: Mike Navarre
cc: Jay Kertula
cc: Govener Sheffield
cc: Director of Division of Insurance, Mr. Ken Moore



Kamishak Bay Fishing Co. Bob Tremain - Bill Bledsoe
P.O. Box 418 - Homer, Alaska 99603 (907) 235-8076
F/V Kamishak Queen

Nov 7, 1984

To Whom It May Concern,

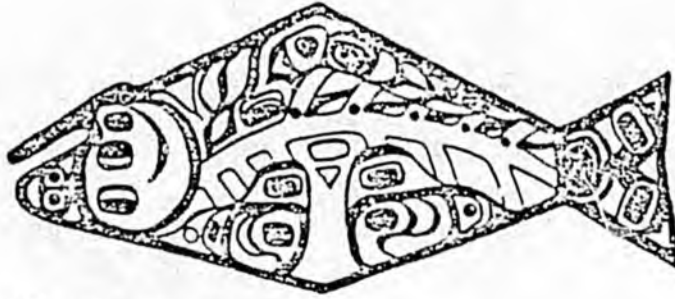
I am writing in regards to the problems we are having with vessel insurance in Alaska.

As you know, the crab fishing industry is at a all time low. Many fishing boats and their companies are having a hard time making ends meet. Which may be the reason for the loss of some crab fishing boats, -Lack of funds to maintain and repair as needed.

The cost of vessel insurance is steadily increasing. Where it use to cost 1.8% (of the value of your vessel) per year, went to 3.0% and now is 8.0%. In some cases even higher. We can't survive a year with rates that equate to 40,000.00 dollars to 50,000.00 dollars a year.

There needs to be some flexibility for clients with good past records. Some of us don't cut corners when it comes to our boats. We maintain our engine rooms in good running condition, at all times. We should'nt have to carry the burden for those who don't.

Possibilty a solution would be for the insurance underwriters, to be more selective with their clientele. Have a representative from their company come visit the boat requesting insurance. Have this representative be knowledgeable in both the insurance field and fishing industry. Require him (or her) to of run a vessel before, so he knows what a well maintained engine room looks like. And then charge vessel insurance rates according to that representatives report.



Kamishak Bay Fishing Co. Bob Tremain - Bill Bledsoe
P.O. Box 418 - Homer, Alaska 99603 (907) 235-8076
F/V Kamishak Queen

" My experience with insurance companies has not been good. We have never had a claim. Bob Tremain maintains his boats very well. We take great care and a good deal of time preparing for any season. We recently rerigged our vessel 'Kamishak Queen' from a crabber to a black cod longliner with freezing ability also.

We informed our insurance broker of this venture 3 months before we were actually able to leave on our first black cod trip. "There was'nt any problem" according to all the many telephone conversations we had with the insurance broker. We called to inform them that the vessel was about to leave the harbor, on her first trip for black cod and they at that time, decided to cancel us and gave us 15 days to find new coverage or fish with no insurance. Which was impossible due to our financing.

We had informed them 3 months in advance of the changes in fishing industry, skipper and fishing grounds. We were still charged for cancellation of the policy. Does that seem fair? Not to us. Especially being as we had to find a new broker and underwriters. Plus pay a large cash down payment, again. (we had sunken all our money into the rerigging for black cod) We were upset!

We need some help to form some kind of balance between us and our insurance companies. Fishing is very frustrating anyway, we don't need insurance hassles too.

Thank you for listening.

Bill Bledsoe

This article is a copy taken from the November issue of Pacific Fishing Magazine and it suggests that insurance rates will begin to drop down into the 4 to 5 percent range in January 1985. From the many insurance companies I spoke with recently this is not true; rates are expected to remain in the 5 to 10 percent range. Furthermore, domestic markets are not re-entering the commercial fishing insurance markets, as stated.



How To Survive the Insurance Squeeze

Among all the other crises facing fishermen, none is more serious than the current crisis in insurance. Insurance companies now consider the fishing industry too great of a risk and many will no longer provide hull and machinery and protection and indemnity insurance at any price. There are hundreds of stories of fishermen who are unable to find insurance for their boats. Consider these:

An Oregon fisherman with 20 years of experience and no insurance losses tried to get \$500,000 of insurance. His boat is worth \$1 million, but he decided to insure at the bare minimum. He wanted to take his 80-foot crabber to the Probabots. When that fact became known, he could not find any insurance.

Take a well known king crabber from Seattle. He was lucky and able to find somebody to cover him. The cost is what hurt. Where he had paid a bit over \$50,000 a few years ago, the insurance companies now quote him an insurance premium of over \$300,000 for the same level of hull and P & I coverage.

Although these big boats offer the most dramatic examples of the current insurance crisis, brokers up and down the coast report that all fishing vessels are suffering dramatic escalation in their insurance costs.

No Domestic Carriers

As of early September, there were at the most two domestic carriers that would even consider insuring West Coast commercial fishing vessels. This has meant that brokers must go to foreign carriers, principally located in London, to find enough insurance for their fishermen clients.

Why are the insurance companies afraid of the fishing industry? The reason is simple: they've lost a lot of money the last few years, particularly on Alaskan crabbers. In many instances, the insurance premiums paid hardly came close to matching the amount of losses claimed.

At the present time, a large Alaskan crabber can find enough insurance coverage to equal about \$2.3 million. This insurance comes from three sources. First, \$1 million from London carriers. Second, \$1 million from insurance pools. Third, \$300,000 from a couple of

domestic carriers.

This sounds like plenty of insurance at first glance, but the average Alaska king crabber has a value of \$1.5 million to \$3 million. In other words, there is not now enough insurance capacity to fully cover most crabbers.

The current squeeze does not only affect boats that fish Alaska. That used to be the case. According to most brokers, the new demarcation is not geographic but monetary. Any vessel valued at more than \$300,000 will have a difficult time finding adequate insurance coverage no matter where the boat fishes. Those vessels worth less than \$300,000 may be able to obtain adequate coverage but only at rather exorbitant rates.

A Solution Comes

The current rate structure ranges between 5½ percent and 10 percent of the value of the boat. The more losses you have had in the past, the higher the rate you'll have to pay. And, again, no one company at the present time will assume the total risk. That means that your broker must shop among several carriers until the total risk is assumed.

Most brokers expect this situation to ease within the next several months. The fact that the London carriers are willing to take even some risk on fishing vessels is a good sign. In the past, U.S. insurance carriers have followed the lead of the London carriers. In other words, look for the domestic insurance companies to re-enter the commercial fishing market.

When will they come back? Estimates range from this month to January 1985.

What about the rates then? They will be lower than now, according to most observers. Look for premiums ranging between 4 percent and 5 percent. This may not be as good as the 2 percent to 3 percent of a few years ago, but they are far more palatable than the current rates.

10 Actions To Take

There are several actions you can take to increase the chance that you'll get all the coverage you need when you need it.

1. Investigate any possible source of insurance. Keep your ear tuned to any rumors. Admittedly, your broker will probably know what's available, but never assume anything.

2. Use a major insurance broker. If you use an established broker who's familiar with the fishing industry, you'll have a better chance of finding what insurance is available.
 3. Get tenure with your broker. In other words, find a good broker and stay with him. Don't switch brokers for trivial reasons or a rate that's only marginally lower than your present rate. If you develop loyalty in your broker, your broker will work harder to find the insurance you need.
 4. Join a pool. Lay the groundwork now to get into a pool.
 5. Join a fleet. Boats in a fleet have a better chance of getting insurance. What's a fleet? Simply a group of boats that work the same area, or work for the same processor, or have some loose bond among them.
 6. Cut your insurance to cover your equity, not the full value of your boat.
 7. Have a good record. The fewer accidents, the fewer insurance claims, the better risk you are.
 8. Be an owner-operator. Absentee owners or investor-owners are not looked upon favorably by insurance companies. The skippers of these boats change too often. The insurance company feels more secure if you are sharing the risk, and as an owner-operator you do.
 9. Get an up-to-date, out-of-water survey of your boat. This will provide the basis for a realistic valuation of your boat.
 10. Accept a larger deductible where possible. Some fishermen have even gone so far as to accept "total loss risk." In other words, the boat is covered only if it is a total loss.
- Be sure not to panic in the tight insurance market. Don't jump at a deal that's too good to be true. Probably it isn't true. Be sure that the insurance you get is good insurance (see *Pacific Fishing*, February 1984).

Pacific Fishing would like to thank the following brokers for help in preparing this brief look at insurance: Dan Buckley of LaBov Haynes, 4201 21st Avenue West, Seattle, WA 98199, (206)282-1152; and Tom Caspell of Durham & Bates, 330 S.W. 6th Avenue, Portland, OR 97204, (503)888-5527. □




ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y, State Capitol
Juneau, Alaska 99811
(907) 465-3991

November 5, 1984

MEMORANDUM

TO: Representative Fred Zharoff

FROM: Sharman Haley 
Legislative Analyst

RE: Vessel Insurance in Crab Fisheries
Research Request 85-034

Lisa Weissler of your staff asked us for historical information on the insurance market for crab boats. She also asked what actions might make insurance cheaper and easier to purchase. I contacted representatives of fishermen's organizations, the marine insurance industry, and the State Division of Insurance for information. I found that they all are concerned about the current shortage of crab vessel insurance, but have no immediate solutions to suggest. Their assessments are provided below, along with a number of longer range policy options. I have also attached an article from the November issue of Pacific Fishing which makes several specific recommendations to fishermen seeking insurance coverage.

Overview

Five years ago there were several surplus carriers underwriting marine insurance for the Alaska crab fleet at a premium rate of 7 to 8 percent of the insured value.¹ The largest carrier was Lloyd's of London. In 1981 or so, when the high value crab boats flooded the market, the Insurance Company of North America (INA) sought to tie up the crab market by dropping their rates to 1.5 to 4 percent,² depending on the vessel and operator. The other carriers, who had been losing money even at 8 percent, pulled out. In 1982-83, INA reportedly collected \$3.5 million in premiums and incurred \$34 million worth of losses on

¹Surplus carriers are not "admitted" or regulated by the State. They can only offer classes of insurance, such as marine, which are not readily available through admitted carriers.

²At this rate they were not expecting any profit on their underwriting. Their strategy, called "cash flow underwriting," was to earn profits on their investments before claims had to be paid.

Representative Zharoff
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marine insurance. Twelve to thirteen big boats sank that year, approximately one out of seven in the fleet. The best known of these were the Americus and Altair which rolled over with a load of pots in fair weather conditions in March of 1983. Following these heavy losses INA pulled out of marine insurance for large vessels, canceling many policies on 30 days notice. The other carriers are reluctant to reenter the market in light of the recent loss experience.

All the fisheries nationwide are currently experiencing substantial rate increases for marine insurance but none is harder hit than the Bering Sea and Aleutian crab fleet. Several of the boats were not able to leave port this year for lack of insurance. The big trawlers that fish the Bering Sea and Aleutians are also having some difficulty getting insurance. The smaller crab boats that fish inside waters can get insurance, but some have reported prohibitive premium rates. Premiums on a \$575,000 Southeast seiner/crabber jumped from \$18,000 in 1983 to \$43,000 in 1984.

The current insurance crunch in the crab fishery is directly related to the boom/bust cycle of king crab. The boom in the late seventies fostered the construction of a fleet of multi-million dollar vessels. The bust in the last two seasons has radically shortened the season and made it difficult for the big boats to cover mortgage payments and operating expenses. There is more pressure on the boats to fish every hour, regardless of weather, and to transport all their pots in one load to minimize travel time. Experienced skippers and crew who expect high returns are leaving the fishery and being replaced by less experienced operators and crew. Vessel maintenance is being shorted. Vessels are being converted to trawl part-time, which radically changes their stability characteristics. Market values for the vessels have dropped radically, in many cases below the outstanding mortgage balance. There are rumors that some vessels have been deliberately sunk to collect the insurance. All these factors contribute to the high losses in recent years, and the consequent tightening of the insurance market.

High losses have also fostered a renewed concern for safety. A Fishing Industry Safety and Health Conference has already been planned for December 12, 1984, in Seattle. Sponsoring organizations include North Pacific Vessel Owners Association, Association of Marine Underwriters of Seattle, National Fisherman, and National Marine Fisheries Service, NOAA. (For more information contact National Marine Fisheries Service, NOAA, FNWR2, 7600 Sand Point Way N.E., Seattle, WA 98115).

Stability studies are being conducted at the University of Washington to analyze the causes of the vessel sinkings. The finding so far is that the problem is not primarily one of design, but human error. The operators often don't understand the stability calculation tables and

Representative Zharoff
November 5, 1984
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don't use them properly when loading their boats. Small boats are not as much of a problem because they are more responsive and easier to judge by feel. More information on stability problems is now being published in fishing journals. As renewed safety consciousness permeates the fleet, fewer losses should eventually translate into lower premium rates and more underwriting capacity.

Most insurance carriers are not very familiar with the fishing industry. The Alaska insurance brokers I spoke with felt that the premium increases on the small crab boats are not justified by their loss experience; they are simply getting caught up in the same insurance net with the big boats. They also believe that underwriting losses could be substantially reduced if the carriers paid more attention to the age, experience, and practices of the operator. Owner-operators have significantly fewer losses than absentee owners. The Alaska-based fleet also has substantially fewer losses than the Seattle-based fleet.

Several carriers are writing marine insurance, but the coverage is limited due to the shortage of reinsurance. Brokers I spoke with have been able to piece together as much as \$1 million worth of coverage through several insurance carriers. The only firm that will underwrite Bering Sea crabbers presently is Lloyd's of London, and that too is difficult to obtain. Brokers are currently negotiating with other carriers to enter the market.

Limited amounts of insurance is also available to fishermen who qualify through the four Seattle-based pools. The pools are insurance cooperatives in which any premiums in excess of losses are redistributed to the members. Premium rates are 5 percent. To be admitted to a pool, a fisherman must be recommended in writing by three members and approved by the board. The pools are very conservative about who they admit, since the members' money is directly at stake. Pool members also strive to reduce losses by policing each other's safety practices and helping each other out in risky situations. One of the pools, United Marine Fund, experienced no losses in 1983 and was able to refund 100% of members' premiums. Between the four pools, \$1 million worth of coverage is available. Pool members are also more likely to get insurance through a carrier, as they are regarded as a better risk.

POLICY OPTIONS AND PROSPECTS

1. Let the market take care of it. Brokers seeking new sources of marine coverage are currently negotiating with insurance carriers. If the price is right, carriers will reenter the market. Several of my contacts mentioned that the reinsurance market is improving again and predicted that within the next

few months carriers will reenter the marine insurance market. For the big crab boats, they are predicting premium rates of about 14 percent. There will likely be a difficult period of economic readjustment, and some boats may find that fishing is uneconomical.

2. Organize a pool. To establish a pool in Alaska, ten or more people need to incorporate and organize as a reciprocal insurer under AS 21.75. Or, if AS 21.75.330 were amended to allow marine insurance coverage, the incorporators could organize as a cooperative insurer, which is a little easier. A substantial amount of capital would be needed to get started, and the pool would have to be very conservative in its membership and coverage until it was firmly established.³
3. Legislatively create a public corporation to issue marine insurance, akin to the Medical Indemnity Corporation of Alaska which provides medical malpractice insurance. One potential problem in this approach is that the most knowledgeable people to review applications for coverage are other fishermen in the same fishery. These individuals may have difficulty, however, in turning down their friends and neighbors. This is less of a problem in pools because the reviewers have a personal financial stake in minimizing losses.
4. Improve the safety record of the fleet. Lowering losses will make the market more attractive to insurance carriers, as well as save lives. For this, fisherman education is basic. The upcoming conference is a good start. More could be done through fishermen's publications and organizations.
5. Management changes aimed at lessening the time and load pressures on fishermen might also help fishermen fish more safely. The National Council for Fishing Vessel Safety and Insurance in Washington D.C. is conducting a federally funded study on the safety impact of fish management policies. A similar study could be done for Alaska. Policy changes that could be examined include re-establishing the bait up period, timing openings and closures to avoid fishing in bad weather, instituting pot limits, or limiting the number of boats in the fishery to the point that seasons can be lengthened.

³A pool may make the remaining market less attractive to carriers, however, as pools cream off the good risks and leave the bad for the carriers.

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6. Hiring larger vessels to transport the pots to and from the grounds would help prevent overloading and improve safety. One freighter could serve a whole fleet of Bering Sea crabbers.
7. Provide more information to insurance carriers. If the carriers were better able to discriminate between good risks and bad risks, they might be more willing to underwrite marine insurance. A study of risk factors could be funded by government or industry.
8. Fishermen engaged in joint ventures with foreign companies might be able to purchase insurance through their foreign partner.
9. Protection and indemnity insurance problems, while not as severe as hull insurance problems, could be addressed through Congressional action amending the Jones Act to institute liability limitations or establish a workers' compensation type program.

* * * *

I hope this memorandum answers your questions. If you would like me to examine any of these (or other options) in more detail, please contact me.

SH

Attachment



How To Survive the Insurance Squeeze

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Why are the insurance companies afraid of the fishing industry? The reason is simple: they've lost a lot of money the last few years, particularly on Alaskan crabbers. In many instances, the insurance premiums paid hardly came close to matching the amount of losses claimed.

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1. Investigate any possible source of insurance. Keep your ear tuned to any rumors. Admittedly, your broker will probably know what's available, but never assume anything.

2. Use a major insurance broker. If you use an established broker who's familiar with the fishing industry, you'll have a better chance of finding what insurance is available.
3. Get tenure with your broker. In other words, find a good broker and stay with him. Don't switch brokers for trivial reasons or a rate that's only marginally lower than your present rate. If you develop loyalty in your broker, your broker will work harder to find the insurance you need.
4. Join a pool. Lay the groundwork now to get into a pool.
5. Join a fleet. Boats in a fleet have a better chance of getting insurance. What's a fleet? Simply a group of boats that work the same area, or work for the same processor, or have some loose bond among them.
6. Cut your insurance to cover your equity, not the full value of your boat.
7. Have a good record. The fewer accidents, the fewer insurance claims, the better risk you are.
8. Be an owner-operator. Absentee owners or investor-owners are not looked upon favorably by insurance companies. The skippers of these boats change too often. The insurance company feels more secure if you are sharing the risk, and as an owner-operator you do.
9. Get an up-to-date, out-of-water survey of your boat. This will provide the basis for a realistic valuation of your boat.
10. Accept a larger deductible where possible. Some fishermen have even gone so far as to accept "total loss risk." In other words, the boat is covered only if it is a total loss.

Be sure not to panic in the tight insurance market. Don't jump at a deal that's too good to be true. Probably it isn't true. Be sure that the insurance you get is good insurance (see *Pacific Fishing*, February 1984).

Pacific Fishing would like to thank the following brokers for help in preparing this brief look at insurance: Dan Buckley of LaBow Haynes, 4201 21st Avenue West, Seattle, WA 98199, (206)282-1152; and Tom Caspell of Durham & Bates, 330 S.W. 6th Avenue, Portland, OR 97204, (503)888-5527.



Chairman's Information:

1) SCR 20: "Relating to insurance on fishing vessels"

a) Introduced: Sen Zharoff, Eliason, P. Fischer

b) Co-Sponsors:

2) INTENT: The purpose of this legislation is to encourage marine insurance availability at competitive rates. This resolution requests the Governor to direct the Division of Insurance to conduct a study which will provide marine insurance underwriters with information concerning fisheries management and safety.

This resolution requests the study to include identification of factors contributing to vessel safety and to make recommendations to achieve safer vessel operations.

Findings of this study are to be reported to the Legislature and the Board of Fish so they may consider the adoption of safety regs that address the cost and availability of marine insurance.

FISCAL NOTE: \$75.0 from the Division of Insurance
NOTE:

3) ADDITIONAL REFERRALS: Needs a Finance referral

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?

McLean
Introduced: 4/12/85
Referred: Labor & Commerce

Fineman

Numbered

Paul Gronfeldt

1 IN THE SENATE

BY ZHAROFF, ELIASON
AND P. FISCHER

CS
2 SENATE CONCURRENT RESOLUTION NO. 20

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FOURTEENTH LEGISLATURE - FIRST SESSION

5 Relating to insurance of fishing ves-
6 sels.

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

8 WHEREAS the cost of marine hull insurance for ^{*Commercial*} ~~crab, trawl,~~ and
9 diversified seine ~~fishing vessels~~ in the state is prohibitively expensive,
10 and often this insurance is only available in part or not available at all;
11 and

12 WHEREAS this problem occurs statewide and is preventing vessel owners
13 from diversifying into other fisheries and in some cases preventing vessel
14 owners from fishing; and

15 WHEREAS this situation has resulted primarily from the high number of
16 fishing accidents in recent years; and

17 WHEREAS the high number of accidents has resulted in tragic and in
18 almost all cases, avoidable instances of loss of life; and

19 WHEREAS underwriters of marine insurance in the state have ceased
20 issuing policies of insurance for this type of risk due to this situation;
21 and

22 WHEREAS many marine insurance underwriters are not familiar with the
23 fishing industry and the causes of fishing accidents;

24 BE IT RESOLVED by the Alaska State Legislature that the Governor is
25 requested to direct the Department of Commerce and Economic Development,
26 division of insurance, to conduct a study to provide the underwriters of
27 marine insurance in the state with information concerning fisheries
28 management and safety that will encourage them to make insurance available
29 at competitive rates; and be it

1 FURTHER RESOLVED that the study

2 (1) quantify the contribution of operator factors and
3 nonoperator factors, such as weather;

4 (2) identify which of these operator and nonoperator factors
5 could be reduced by changes in fisheries management policy;

6 (3) identify specific types of safety problems;

7 (4) determine the viability of a statewide or industry insurance
8 pool;

9 (5) make recommendations designed to achieve safer vessel
10 operations; and be it

11 FURTHER RESOLVED that the findings of this study be reported to the
12 Alaska State Legislature and ^{2nd session of 14th Leg. Dist. of 19} ~~to the State Board of Fisheries~~ so that they
13 may consider adoption of safety regulations that address the factors
14 causing an increase in the cost of marine insurance.

STATE OF ALASKA 1985 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: SCR 20
 Title: Relating to Insurance
of Fishing Vessels
 Sponsor: Zharoff
 Requestor: _____
 Date of Request: _____

FISCAL DETAIL

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

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 85	FY 86	FY 87	FY 88	FY 89	FY 90
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL		75.0				
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	-0-	75.0	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		75.0				
FEDERAL FUNDS						
OTHER						
TOTAL		75.0				

POSITIONS:

FULL-TIME		-0-				
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page if necessary

Prepared By: John George, Director Phone: 465-2515
 Division: Insurance Date: 4/24/85
 Approved by Commissioner: Loren H. Lounsbury Date: 4/26/85
 Agency: Commerce and Economic Development

Distribution (by Agency preparing fiscal note):
 Legislative Finance
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Fiscal note