

HB

379

<TARGET><BILL>HB 379</BILL><SUBJECT>HB
379</SUBJECT><COMM>HL&C30</COMM></TARGET>

Bob Kehoe's Testimony re: HB 379
House Labor and Commerce Committee Hearing
Monday, March 19, 2018, 3:15 pm

My name is Bob Kehoe, and I am the Executive Director of the Purse Seine Vessel Owners Association (PSVOA).

PSVOA supports HB 379.

The bill expands upon the Legislature's effort in 2010 to provide a financial incentive to vessel owners to obtain insurance to fully cover their crewmembers in the event of an injury.

Vessel owners are not required by law to carry insurance for their crewmembers, which is different than shoreside employers who are required by law to insure their employees under the state's workers compensation system. In addition, the cost of vessel insurance is relatively high compared to the rates paid by shoreside employers. For example, a purse seine operation typically has four crewmembers. The cost of insuring the crew can be as high as \$400 per man per month.

As small, independent business owners, the cost of liability insurance is a major fixed cost. The bill will ease the financial burden on vessel owners in paying the cost of insurance, and will further promote the goal of ensuring all of the medical needs of an injured crewmembers are satisfied.

PSVOA respectfully requests the Committee's support in moving the bill forward.

REPRESENTATIVE DAN ORTIZ

Alaska State Legislature / Ketchikan, Saxman, Wrangell, Hydaburg, Metlakatla, Hyder, Loring and Meyers Chuck

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MEMORANDUM

A handwritten signature in blue ink, appearing to read "D. Ortiz".

TO: Representative Sam Kito, Chair
House Labor and Commerce Committee

FROM: Representative Dan Ortiz
HB 379 Prime Sponsor

SUBJECT: House Labor and Commerce Committee Calendaring Request for HB 379

DATE: March 8, 2018

I respectfully request that you calendar HB 379 "An Act relating to claims against protection and indemnity insurance policies of vessel owners."

A copy of the sponsor statement, most recent version of the bill, fiscal note and support materials are included with this memo.

No specialized or additional equipment will be necessary for the hearing. There will be several people from throughout the state who wish to testify via teleconference offnet. I will provide a list of names before the hearing.

The staff assigned to this bill is Liz Harpold who can be reached at 465-5269. Please do not hesitate to contact my office if we can provide any additional information.

REPRESENTATIVE DAN ORTIZ

Alaska State Legislature / Ketchikan, Saxman, Wrangell, Hydaburg, Metlakatla, Hyder, Loring and Meyers Chuck

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**Sponsor Statement
House Bill 379**

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

In 2010, the Legislature amended the Fishermen's Fund statute to allow a vessel owner to receive 50% of the owner's Protection & Indemnity insurance deductible from the fund in cases where an injured crewmember made a claim against the Fund and against the P&I policy. The intent of this amendment was to encourage vessel owners to obtain P&I insurance to fully cover crewmember's medical expenses in the event of an injury, and to reduce the financial burden on the State.

HB 379 will allow an owner to fully recover the P&I deductible from the Fund up to an amount of \$5,000. This would provide further financial incentive for vessel owners to obtain P&I insurance to fully cover crewmembers in the event of an injury or illness at sea.

Crewmembers working on commercial fishing vessels are not covered under Alaska's Workers' Compensation System. Crewmembers who become injured while in the service of a vessel are entitled to receive benefits from their employer as established under federal general maritime law. The benefits include payment of the crew member's medical bills for treatment of a work-related injury. The Commercial Fishermen's Fund (CFF) was established by the Alaska Legislature to assist injured crewmembers in paying for medical treatment of work-related injuries in cases where the employer did not have insurance or the funds to pay for such treatment. See AS 23.35.010 *et seq.*

The funding source for the CFF is the revenue generated from the sale of Alaska crewmember licenses. Every person who works as a crewmember on a commercial fishing vessel in Alaska is required by law to have a commercial fishing license. Most commercial fishing vessel owners operating in Alaska today have Protection and Indemnity (P&I) insurance in place. P&I covers the owner's legal liability, under federal law, to an injured crewmember, including the cost of medical treatment. While the CFF has a statutory limit of \$10,000 on the amount of benefits, the policy limit on most P&I policies is \$500,000 or greater. In addition, most P&I policies have a deductible, which the owner is required to pay before the P&I insurer pays benefits to, or on behalf of, an injured crewmember.

In 2010, in an effort to encourage vessel owners to obtain P&I insurance to fully cover crewmember's medical expenses in the event of an injury, and to reduce the financial burden on the State, the Legislature amended the CFF statute by adding a new section, which allows a vessel owner to receive 50% of the owner's P&I deductible from the CFF in cases where an injured crewmember makes a claim against the Fund and against the P&I policy. See AS.23.35.145. The proposed amendment to this section as set forth below allows an owner to fully recover the P&I deductible from the CFF up to an amount of \$5000. This amendment will provide further financial incentive for vessel owner to obtain P&I insurance to fully cover crewmembers in the event of an injury or illness at sea.

Sec. 23.35.145 Claim of Vessel Owner. If a fisherman files a claim for benefits under his chapter and also files a claim against the protection and indemnity insurance policy of the vessel owner, the vessel owner is entitled to receive a benefit, not to exceed the amount of the actual loss, that is the lesser of

- (1) ~~50 percent of the~~ full amount of the protection and indemnity insurance policy deductible;
- or
- (2) 5,000.

Fiscal Note

State of Alaska
2018 Legislative Session

Bill Version: HB 379
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB379-DOLWD-FF-03-02-18
Title: COMM FISHERMEN'S FUND:VESSEL OWNER
CLAIMS
Sponsor: ORTIZ
Requester: (H) Fisheries

Department: Department of Labor and Workforce Development
Appropriation: Workers' Compensation
Allocation: Fishermen's Fund
OMB Component Number: 343

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2019	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2019 Request	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OPERATING EXPENDITURES	FY 2019	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits	18.9		18.9	18.9	18.9	18.9	18.9
Miscellaneous							
Total Operating	18.9	0.0	18.9	18.9	18.9	18.9	18.9

Fund Source (Operating Only)

1032 Fish Fund (DGF)	18.9		18.9	18.9	18.9	18.9	18.9
Total	18.9	0.0	18.9	18.9	18.9	18.9	18.9

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2018) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2019) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

Prepared By:	Marie Marx, Director	Phone:	(907)465-6060
Division:	Workers' Compensation	Date:	03/02/2018
Approved By:	Greg Cashen, Acting Commissioner	Date:	03/02/18
Agency:	Department of Labor and Workforce Development		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2018 LEGISLATIVE SESSION

BILL NO. HB 379

Analysis

Current law, AS 23.35.145, provides that if a fisherman files a claim against both the Fishermen's Fund and the vessel owner's protection and indemnity (P&I) insurance policy, the vessel owner may be reimbursed the lower of 1) 50% of the P&I insurance policy deductible or 2) \$5,000.

This legislation will allow a vessel owner to be reimbursed the lower of 1) 100% of the P&I insurance policy deductible or 2) \$5,000.

Over the past four fiscal years, there has been an average of seven vessel owner claims approved per year, with an average reimbursement of \$2,300 per claim. Increased fund liability reflected in this fiscal note assumes an average of \$5,000 per claim, for a total liability increase estimated to be \$18,900 per fiscal year. There is sufficient revenue in the fund to cover the increased liability.



UNITED FISHERMEN OF ALASKA

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Email: ufa@ufafish.org **Website:** www.ufafish.org

March 4, 2018

Representative Dan Ortiz
Alaska House of Representatives
State Capitol Room 513
Juneau, Alaska 99801

Re: Support of Fishermen's Fund Legislation: HB 379

Dear Representative Ortiz,

First, thank you for attending our recent membership meeting. We appreciate your time reviewing legislation important to our members, including HB 379.

UFA respectfully submits the following letter in support of HB 379 – “An Act relating to claims against protection and indemnity insurance policies of vessel owners.”

HB 379 amends AS § 23.35.145, which allows a commercial fishing owner/employer to recover from the Fishermen's Fund (“Fund”) fifty percent (50%) of the owner's protection and indemnity insurance deductible in cases where an injured crewmember files a claim for benefits with the Fund and the owner's insurance. If enacted into law, HB 379 would allow a vessel owner to recover the full amount of the insurance deductible, or an amount not to exceed \$5,000.

HB 379 provides an additional incentive to commercial fishing vessel owners to obtain protection and indemnity insurance to fully cover a crewmember's medical expenses in the event of an injury sustained while in the service of the vessel instead of relying on the Fund, which is meant to be the payee of last resort.

Thank you for your consideration and your interest in issues affecting the commercial fishing industry in Alaska.

Kind Regards,

Jerry McCune
President

Frances H. Leach
Executive Director

CC: Rep. Louise Stutes: Chair, House Fisheries Committee



PSVOA

PURSE SEINE VESSEL OWNERS' ASSOCIATION

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February 26, 2018

Representative Dan Ortiz
Alaska House of Representatives
State Capitol Room 513
Juneau AK, 99801

Re : Fishermen's Fund Legislation: HB 379

Dear Representative Ortiz:

On behalf of the Purse Seine Vessel Owners Association ("PSVOA"), I am writing to express our strong support for HB 379.

PSVOA is the largest fishing association on the West Coast representing small boat owners operating in a wide spectrum of fisheries, including state and federally managed fisheries in Alaska and the West Coast. By far, the most common fishery among PSVOA members is the Alaska salmon seine fishery.

PSVOA strongly supports HB 379, which amends AS § 23.35.145. Current law limits the amount of the benefit received by a commercial fishing vessel owner from the Fund to fifty percent (50%) of the owner's insurance deductible in cases where an injured crewmember files a claim for benefits with the Fund. HB 379 increases the owner's benefit to the full amount of the insurance deductible. HB 379 will provide additional financial incentive for vessel owners to obtain insurance to fully cover crewmembers in the event of an injury or illness at sea.

Thank you for sponsoring HB 379.

Very truly yours,

/s/ Robert Kehoe

Robert Kehoe, Executive Director