

ALASKA LEGISLATURE SPECIAL COMMITTEE FILES 8672

2277 SCOMM 94 SENATE SPECIAL COMMITTEE ON OIL & GAS, 1993-94

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SCOMM 94: SENATE SPECIAL COMMITTEE ON OIL & GAS, 1993-94

MEMBERS:

SENATOR LOREN LEMAN, CHAIR
SENATOR RICK HALFORD
SENATOR BERT SHARP
SENATOR AL ADAMS
SENATOR JUDITH SALO

Established by SR 1, 1993.

Contents: 15 files. 20 cassettes also available of hearings held
2/9/93 - 3/1/94.

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1. CONFIRMATION: BABCOCK - AOGCC
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3. GROUP INSURANCE POOLING
4. J. DARLEY, PRES. BP (ALASKA) - TESTIMONY,
3/2/93
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8. SB 150
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SCOMM

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Official Business

Alaska State Legislature

SENATE SPECIAL COMMITTEE ON OIL & GAS

State Capitol
Juneau, AK 99801-1182

March 1, 1994

The Honorable Rick Halford
President of the Senate
State Capitol
Juneau, Alaska 99801-1182

Dear Mr. President:

In accordance with AS 39.05.080, the Senate Special Committee on Oil and Gas reviewed the following with regard to confirmation of the Governor's appointment:

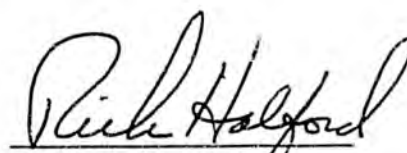
ALASKA OIL AND GAS CONSERVATION COMMISSION

Tuckerman A. Babcock - Palmer

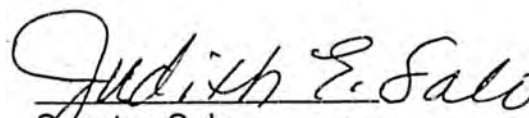
There were no stated objections to the confirmation of the named individual by committee members. This does not reflect an intent by any of the members to vote for or against him during any further sessions.

Respectfully,


Senator Leman, Chairman


Senator Halford


Senator Sharp


Senator Salo

 - Applicant NOT
Senator Adams
Qualified

*Tuckerman A. Babcock
HC01 Box 6219 C
Palmer, AK 99645
(907) 746-7632*

*Born October 24, 1960 in Caracas, Venezuela
Moved to Alaska in January 1966
Lived in Ketchikan, Anchorage, Bethel, Wasilla and Juneau*

*Married to Kimberly J. Minckler, September 1982
Our children are Alexandra, 1987; Teddy, 1989; and Balin, 1991*

*Graduated from Steller Alternative High School, Anchorage, Alaska,
1978
Graduated from Wesleyan University, Middletown, Connecticut 1979-
1981, with B.A. in Government 1983
Attended Lewis and Clark College, Portland, Oregon, 1981-1983
Attended the College of William and Mary, Williamsburg, Virginia
1985-1986 and did graduate work in International Relations*

*Clerk, Division of Elections, Anchorage, Alaska 1978-79
Administrative Assistant, 13th Alaska Legislature (2nd Session)
Administrative Assistant, 14th Alaska Legislature (1st Session)
Administrative Assistant, 15th Alaska Legislature
Administrative Assistant, 16th Alaska Legislature
Director, Reapportionment Board, 1991, Office of the Governor
Director, Constituent Relations, 1991, Office of the Governor
Director, Boards & Commissions, 1991-1993, Office of the Governor
Commissioner, Oil and Gas Conservation Commission, June 1993*

*Former Member, Board of the Constitution Forum, Wasilla, Alaska
Former Member and Chair, Matanuska-Susitna Health Planning Council
Bull Moose Party candidate for the House of Representatives, 1988
Republican Party nominee for the House of Representatives, 1990*

*Hiking, fishing, reading history, discussing philosophy, gardening and
swimming are some activities enjoyed*



OFFICIAL BUSINESS

Alaska State Legislature
Senate
Office of the Secretary

STATE CAPITOL
JUNEAU, ALASKA 99801-1182
(907) 465-3701
FAX: 465-2832

February 9, 1994

MEMORANDUM

TO: Senator Leman, Chair
Senate Special Committee on Oil and Gas

FROM: Nancy Quinto *NQ*
Secretary of the Senate

SUBJECT: Governor's Confirmations

Pursuant to AS 39.05.080, President Halford has referred the following name for legislative confirmation to your committee for a hearing, recommendation and report:

Alaska Oil and Gas Conservation Commission

Tuckerman A. Babcock - Palmer

Appointed: 06/01/93; Expires: 12/31/96

NQ/hv

Resume Attached

SCOMM

94:2



Official Business

Alaska State Legislature

SENATE

State Capitol
Juneau, Alaska 99801-1182
(907) 465-3701

February 23, 1993

The Honorable Rick Halford
President of the Senate
State Capitol
Juneau, AK 99811-1182

Dear Mr. President:

In accordance with AS 39.05.080, the Senate Special Committee on Oil and Gas Committee reviewed the following with regard to confirmation of the Governor's appointment:

Alaska Oil and Gas Conservation Committee
David W. Johnston - Anchorage

and reports their recommendations as follows:

Respectfully,

Barry A. Leman confirm
Senator Leman, Chair

Rick Halford
Senator Halford

Best Sharp - confirm
Senator Sharp

Al Adams - confirm
Senator Adams

Judith E. Salo - confirm
Senator Salo



OFFICIAL BUSINESS

Alaska State Legislature

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STATE CAPITOL
JUNEAU, ALASKA 99801-1182
(907) 465-3701
FAX: 465-2832

February 10, 1993

MEMORANDUM

TO: Senator Leman, Chair
Senate Special Committee on Oil and Gas

FROM: Nancy Quinton
Secretary of the Senate

SUBJECT: Governor's Confirmations

Pursuant to AS 39.05.080, President Halford has referred the following names for legislative confirmation to your committee for a hearing, recommendation and report:

Alaska Oil and Gas Conservation Commission

David W. Johnston - Anchorage

Appointed 01/19/89 Reappointed 12/31/92 Expires 12/31/98

NQ/hc

Attachment

RESUME

DAVID W. JOHNSTON
320 Mariner Drive
Anchorage, AK 99515

Phone: (907) 345-5450 (Home)
279-1433 (Work)

EXPERIENCE:

Commissioner/Chairman (January 1989 to present)

Alaska Oil and Gas Conservation Commission, 3001 Porcupine Drive, Anchorage, Alaska 99501

Appointed Commissioner January 1989, appointed Chairman November 1990. Manage independent quasi-judicial agency of state responsible for prevention of waste, protection of correlative rights and realization of ultimate recovery. Oversee oil and gas drilling, development and production, reservoir depletion and metering operations on all lands subject to the state's police powers. Administer Underground Injection Control (UIC) program for oil and gas wells. Hold public hearings, adjudicate decisions affecting reservoir depletion and mineral ownership. Represent agency before Legislative hearings and in meetings with other government agencies, concerned organizations and the press. Direct staff of 22, composed of engineers, geologists, field inspectors and support staff; manage budget of \$1.8 million.

Serve as Alaska's Associate Representative to the Interstate Oil and Gas Compact Commission. Appointed Chairman of the IO&GCC's Energy Resources Committee, by Governor Bangert, Utah, in 1990, reappointed by Governor Walters, Oklahoma, in 1991.

Natural Resource Manager (September 1984 to January 1989)

Geologist III (January 1981 to September 1984)

Alaska Department of Natural Resources, Division of Oil and Gas, 3601 'C' Street, Anchorage, Alaska 99510

Managed division's environmental analysis unit for oil and gas leasing. Developed lease stipulations and permit terms, negotiated environmental provisions with other state and local agencies. Oversaw publication of state's Best Interest Findings, ACMP consistency determinations, and Five-Year Oil and Gas Leasing Program. Managed state's geophysical seismic exploration permit program, including data acquisition. Supported governor's and DNR commissioner's work with IO&GCC. Directed staff of four.

Manage Own Business (January 1979 to January 1981)

Fairbanks, Alaska

Building, specializing in natural log construction. Provided expertise in Arctic construction, evaluated soils for foundation design, prepared estimates, assisted clients in obtaining financing. Constructed unit, including all electrical, plumbing, heating, and finish work. Concurrently work on Masters degree at University of Fairbanks.

Geologist (October 1975 to January 1979)

R&M Consultants, Inc., Box 2630, Fairbanks, Alaska

Drill rig geologist primarily devoted to soils and permafrost investigations, material site evaluation, and geotechnical studies. Responsible for geologic logging of drill boring and collecting of core samples. Worked on numerous projects throughout state, including Trans-Alaska Pipeline. Promoted to head of R&M field operations on subsurface investigation on Northwest Gas Line right-of-way. Additional experience in hard rock geology, mineral prospecting and aerial reconnaissance.

Geologist (September 1975 to October 1975)

U.S. Forest Service, Fort Missoula, Missoula, Montana

Researched geology and mining history of forest service lands to determine mineral potential.

EDUCATION: University of Alaska, Fairbanks

Master of Science in Engineering/Science Management – 1985

Montana State University, Bozeman

Bachelor of Science in Geology – 1974

TECHNICAL: Society of Petroleum Engineers – Production Analysis

Oxford University, College of Petroleum Studies – Crude Oil Supply,
Transportation, Trading, and Refining

American Association of Petroleum Geologists – Petroleum Exploration

Schlumberger – Production Well Log Analysis

University of Alaska – Well Log Analysis

IED – Seismic Exploration

EROS – Remote Sensing

OTHER: Mediation Institute – Dispute Resolution

Batten Seminar – Negotiation

REFERENCES: Available on request

SCOMM

94:3

Ray Gillespie
Gillespie & Associates
Lobbying & Governmental Affairs



10390 Mendenhall Loop Road
Juneau, Alaska 99801
Telephone: (907) 463-3375
Fax: (907) 463-5522

MEMORANDUM

TO: Senate and House Oil and Gas Committees

DATE: February 10, 1992

FROM:  Ray Gillespie, for Crowley Maritime, Delta Western and Petro Marine

RE: Marine Pollution Insurance Problems

This will outline three problems non-crude carriers and operators are experiencing in obtaining marine pollution insurance to satisfy the financial responsibility and "direct action" provisions of Alaska law.

Briefly, these problems are:

1. Confusion created by apparent inconsistencies between statute and regulations concerning insurer liability/exposure when issuing a policy meeting the specific requirements of financial responsibilities statutes.
2. P&I club and insurance coverage with "direct action" endorsement is virtually unavailable to most Alaska operators in the present commercial insurance or P&I club market.
3. Whether D.E.C. has statutory authority to grant conditional operating permits to operators who have met the financial responsibility requirement dollar amounts, but can not satisfy the "direct action" endorsement due to its unavailability.

I.

LIABILITY LIMIT/EXPOSURE OF INSURERS OR GUARANTORS.

Environmental Conservation Regulation, 18 AAC 75.230 (b), requires a policy of insurance certificate or binder to carry an endorsement which reads in part as follows:

"Any other provision of this policy notwithstanding: (1) this policy insures against any liability the insured may incur under Alaska Statute 46.04.040 (i), or any provision cited in it as a result of an unlawful discharge of oil within or affecting Alaska lands or waters within the territorial jurisdiction of the State of Alaska; however, the insurer's liability does not exceed the limits of coverage set out in Section _____ of this policy...." (emphasis added)

Alaska Statute 46.04.040 (i) reads as follows:

"Financial responsibility under this section extends to loss compensable under AS 46.03.760 (e) or 46.03.822 and an assessment under AS 46.03.758, 46.03.759, 46.03.760 (a) or 46.04.030 (g)."

This statute in combination with 18 AAC 75.230 (b) has led P&I clubs and insurance underwriters to conclude that their exposure under a policy may not be limited to the face amount of the policy even though it meets the other monetary requirements for financial responsibility (AS 46.04.030 (k)). In other words, because statutes generally supersede any inconsistent regulation, insurers have advised operators that the potential for unlimited liability and the uncertainty of a judicial interpretation of these statutes and regulations prevents insurance underwriters and P&I clubs from writing the insurance with the required endorsement.

II.

"DIRECT ACTION" PROBLEM

AS 46.04.040 (e) reads in part as follows:

"An action brought under AS 46.03.758, 46.03.759, 46.03.760 (a) or (e), 46.03.822, or AS 46.04.030 (g) may be brought in a state court directly against the insurer, the group, or any person providing evidence of financial responsibility. The applicant, and insurer, surety, guarantor, person furnishing an approved letter of credit, or other group or person providing proof of financial responsibility approved by the department shall appoint an agent or service of process in the state...." (emphasis added)

This provision requires that any insurer or P&I club submit directly to the Alaska jurisdiction and be subject directly to legal action against it in Alaska courts without first proceeding against the spilling operator. The State of Alaska or private party can, under this provision, proceed directly in Alaska courts against the insurer. Typically, P&I club coverage is an indemnity policy, which first requires a provable loss against the operator before the P&I club pays that loss. This is the so-called "direct action" provision which prevents many operators from securing coverage meeting the requirements of Alaska Statutes.

In the States of Washington and California recently enacted financial responsibility statutes do not require the "direct action" endorsement. In essence, California and Washington simply allow for P&I club and insurance coverage which meets the monetary financial responsibility requirements and requires no other showing of a "direct action" endorsement.

III.

UNCERTAINTY OF D.E.C. AUTHORITY TO ISSUE CONDITIONAL OPERATING PERMITS WHERE DIRECT ACTION ENDORSEMENTS ARE NOT AVAILABLE.

AS 46.04.040 (1) provides that under certain circumstances DEC may issue permits to an operator who has proof of financial

responsibility without the "direct action" endorsement. This provision has been interpreted as authority to issue conditional permits only upon proof of at least \$50 million in insurance or other financial responsibility which has the direct action endorsement. Since the maximum financial responsibility coverage for a non-crude operator (tank vessel and barges) is \$35 million under AS 46.04.040 (c) (2), the waiver or conditional permit provisions of subsection (1) is not available to them.

The D.E.C. has, however, been issuing conditional permits to non-crude operators which have complied with the monetary financial responsibility requirements, but are unable to get such coverage with the "direct action" endorsement. The "direct action" endorsement is unavailable in the market place to some, if not most, non-crude operators. Due to the commercial unavailability of financial responsibility with the required endorsement, the DEC is in the unpleasant predicament of denying operating permits to established responsible carriers who have been doing business in Alaska for years. Denial of such operating permits because of commercial unavailability of "direct action" endorsement is potentially devastating and would likely eliminate most non-crude refined product delivery to many Alaskan communities.

This provision should be revisited by the Legislature to reflect the realities of the insurance market and availability of coverage. As of last week, D.E.C. has suspended any Conditional Permits.

IV.

SUGGESTED SOLUTIONS

Legislation which:

1. Places explicit language in statute which limits the exposure of an insurer or P&I club to the face amount of the policy;
2. Eliminates the "direct action" requirement;
3. Provides a substitute mechanism to "direct action" which satisfies the State of Alaska and yet recognizes the realities of the available insurance or P&I club coverage;

4. Clarifies D.E.C. authority to grant conditional operating permits to non-crude operators who have otherwise complied with the monetary requirements for financial responsibility; or

5. Combination of the above.



OFFICIAL BUSINESS

Alaska State Legislature

Senate

Office of the Secretary

STATE CAPITOL
JUNEAU, ALASKA 99801-1182
(907) 465-3701
FAX: 465-2832

February 3, 1993

MEMORANDUM

TO: Senator Leman, Chair
Senate Special Committee on Oil and Gas

FROM: Nancy Quinto *NQ*
Secretary of the Senate

SUBJECT: Report on Insurance Pooling

President Halford has referred to your committee for review the Report of Insurance Pooling from Gordon S. Harrison, Director, Legislative Research Agency as requested by the Letter of Intent, Chapter 102, SLA 92.

NQ/hc

Attachment

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INDEMNITY, BOND, GUARANTEE, PERSON FURNISHING A LETTER OF CREDIT, OR OTHER GROUP OR PERSON PROVIDING PROOF OF FINANCIAL RESPONSIBILITY ON BEHALF OF AN APPLICANT UNDER THIS SECTION; "THIRD PARTY INSURER" DOES NOT INCLUDE THE APPLICANT.

* SEC. 2. TEMPORARY LAW APPLICABLE TO NONCRUDE OIL OPERATIONS. NOTWITHSTANDING AS 46.04.040, THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION MAY, WITH RESPECT TO NONCRUDE OIL OPERATIONS, APPROVE PROOF OF FINANCIAL RESPONSIBILITY BY A PERSON, OTHER THAN THE APPLICANT, WHO DOES NOT AGREE TO BE SUBJECT TO A DIRECT ACTION IN THE STATE OR TO APPOINT AN AGENT FOR SERVICE OF PROCESS IF THE APPLICANT

(1) PROVIDES PROOF OF FINANCIAL RESPONSIBILITY IN THE FORM AND AMOUNTS OTHERWISE REQUIRED AND (2) AT 46.04.040.

(2) PROVIDES A SWORN STATEMENT THAT THE APPLICANT IS ACCOUNTABLE TO THE DEPARTMENT.

(3) ATTESTS THAT THE APPLICANT HAS DILIGENTLY ATTEMPTED TO OBTAIN A FORM OF PROOF

OF FINANCIAL RESPONSIBILITY THAT WOULD PROVIDE FOR A DIRECT ACTION AND APPOINTMENT OF AN AGENT FOR SERVICE OF PROCESS,

(4) DESCRIBES THE STEPS THE APPLICANT HAS TAKEN TO OBTAIN A FORM OF PROOF OF FINANCIAL RESPONSIBILITY THAT WOULD PROVIDE FOR A DIRECT ACTION AND APPOINTMENT OF AN AGENT FOR SERVICE OF PROCESS,

(5) STATES THAT A FORM OF PROOF OF FINANCIAL RESPONSIBILITY THAT WOULD PROVIDE FOR A DIRECT ACTION AND APPOINTMENT OF AN AGENT FOR SERVICE OF PROCESS IS UNAVAILABLE TO THE APPLICANT,

(6) CONTINUES DILIGENT EFFORTS TO OBTAIN A FORM OF PROOF OF FINANCIAL RESPONSIBILITY THAT WOULD PROVIDE FOR A DIRECT ACTION AND APPOINTMENT OF AN AGENT FOR SERVICE OF PROCESS AND PROVIDES A SWORN STATEMENT EVERY SIX MONTHS THAT IS ACCEPTABLE TO THE DEPARTMENT, CONTAINING THE INFORMATION REQUIRED IN (2) OF THIS SECTION.

* SEC. 3. RATIFICATION OF PREVIOUS EXEMPTIONS GIVEN BY DEPARTMENT OF ENVIRONMENTAL CONSERVATION TO NONCRUDE OIL OPERATIONS. NOTWITHSTANDING

AS 46.04.040, THE DEPARTMENT OF ENVIRONMENTAL CONSERVATION MAY, WITH RESPECT TO NONCRUDE OIL OPERATIONS, APPROVE PROOF OF FINANCIAL RESPONSIBILITY BY A PERSON, OTHER THAN THE APPLICANT, WHO DOES NOT AGREE TO BE SUBJECT TO A DIRECT ACTION IN THE STATE OR TO APPOINT AN AGENT FOR SERVICE OF PROCESS IF THE APPLICANT, BEFORE JUNE 1, 1992,

(1) PROVIDES PROOF OF FINANCIAL RESPONSIBILITY IN THE FORM AND AMOUNTS OTHERWISE REQUIRED UNDER AS 46.04.040,

(2) ATTESTS IN A STATEMENT TO THE DEPARTMENT THAT THE APPLICANT HAS DILIGENTLY ATTEMPTED TO OBTAIN A FORM OF PROOF OF FINANCIAL RESPONSIBILITY THAT WOULD

PROVIDE FOR A DIRECT ACTION AND APPOINTMENT
OF AN AGENT FOR SERVICE OF PROCESS AND THAT THIS FORM OF PROOF IS
UNAVAILABLE TO THE APPLICANT.

497. APPLICANT TO CONTINUE EXISTENT EFFORTS TO OBTAIN A FORM OF PROOF
OF FINANCIAL RESPONSIBILITY.

THAT NOW I PROVIDE FOR A DIRECT ACTION AND APPOINTMENT OF AN AGENT
FOR SERVICE OF PROCESS.

6 SEC. 1. SECTION 3 OF THIS ACT IS RETROACTIVE TO JUNE 1, 1991.

7 SEC. 2. IN THIS ACT "AND" EFFECT AFTER JUNE 1, 1992. SEC. 2 OF
THIS ACT IS RETROACTIVE TO JUNE 1, 1992.

8 SEC. 3. SECTION 2 OF THIS ACT IS REPLACED JUNE 1, 1994.

9 SEC. 7. THIS ACT TAKES EFFECT IMMEDIATELY UNDER AS

1000

Alaska State Legislature

Legislative Research Agency



130 Seward Street, Suite 218
Juneau, Alaska 99801-2196

Phone: (907) 465-3991
Fax: (907) 463-3351

February 1, 1993

MEMORANDUM

TO: ✓ Senate President Rick Halford
House Speaker Ramona Barnes

FROM: Gordon S. Harrison *gsh*
Director

RE: **Report on Insurance Pooling Requested by Senate Bill 405 (Seventeenth Legislature)**
Research Request 93.026

Senate Bill 405 of last session, "An Act relating to evidence of financial responsibility provided by persons who conduct oil operations. . ." included a letter of intent stating "The Department of Environmental Conservation and the Legislative Research Agency shall research the possibility of group pooling for the purpose of meeting the state's financial responsibility requirements for the oil spill pollution coverage for non-crude operators, and shall report back to the Legislature with their findings and recommendations by February 1, 1993."

Transmitted herewith is that report. It represents the joint efforts of the Legislative Research Agency and the Department of Environmental Conservation, with additional review by the Division of Risk Management, Department of Administration and the Division of Insurance, Department of Commerce and Economic Development.

Attachment

cc: Chief Clerk
Senate Secretary

Report to the Legislature

Group Pooling to Meet
State Financial Responsibility Requirements
for Noncrude Operators

January 29, 1993

INTRODUCTION

The Alaska Department of Environmental Conservation (DEC) administers AS 46.04.040, which requires operators transporting or storing noncrude oil products to demonstrate financial responsibility as evidence of their ability to compensate for cleanup and losses in the event of an oil products spill. Subsection (e) identifies the permissible means for demonstrating financial responsibility:

(e) Financial responsibility may be demonstrated by (1) self-insurance, (2) insurance, (3) surety, (4) guarantee, (5) letter of credit approved by the department, or (6) other proof of financial responsibility approved by the department, including proof of financial responsibility provided by a group of insured who have agreed to cover pollution risks of members of the group under terms the department may prescribe.

Alaska Statute 46.04.040(e) further qualifies the showing of financial responsibility. In particular, it states that "an action. . . may be brought in a state court **directly** against the insurer, the group, or another person providing evidence of financial responsibility" (emphasis added), which means that damaged parties preserve the right to sue the insurance underwriter or other financial backer in an Alaska court. This is called the *direct action* clause and it has been part of the required proof of financial responsibility since 1980 when Alaska statutes were revised to conform with the federal Water Pollution Control Act.

Following the *Exxon Valdez* oil spill, and the enactment of the federal Oil Pollution Act of 1990, insurance underwriters became alarmed at the liability judgments they believed they were exposed to in state courts and, with few exceptions, refused to write *direct action* clauses into their policies. Most preferred the past practice of jurisdiction in home state, admiralty, or even international court. ^{contains DA clause?}

In 1992 the Alaska Legislature passed Senate Bill 405 (SB 405), which permits DEC to temporarily suspend the requirement for a *direct action* clause in noncrude operators' insurance policies provided the policies meet all other requirements. The waiver expires July 1, 1994, and a note attached to SB 405 requests DEC and the Legislative Research Agency

(LRA) to review *insurance pooling* as an alternative means of meeting financial responsibility requirements. The two agencies are to report their findings and conclusions to the Legislature by February 1, 1993.

SUMMARY OF FINDINGS

Representatives of DEC, LRA and the Division of Insurance in the Department of Commerce and Economic Development (DCED) reviewed the comments and actions of present operators, and considered a range of alternatives. These are more fully described in the body of this report and its attachments. Key findings are summarized below:

- The State of Alaska can protect its resources more effectively by spending on programs to ensure the safe handling of noncrude products rather than on programs that indemnify the state against the risks of unsafe handling.
- Noncrude operators with most of their assets in the state do not pose as large a risk of avoiding direct action as itinerant vessels registered offshore.
- Group pooling among noncrude operators is unlikely to create competitively priced insurance. Too few operators are in the same risk and credit class for a pool to operate successfully without the participation of a major credit, such as the State of Alaska itself, or forced participation of larger private operators now providing self-insurance.
- The private insurance market continues to evolve in the face of post-*Exxon Valdez* oil spills occurring worldwide. One company has resumed writing *direct action* policies to Alaska noncrude operators, and the department is working with others to develop additional policies.

RECOMMENDATIONS

In view of the emergence of new private insurance products, we recommend:

- The *direct action* requirement should be retained.
- No action on insurance pooling at this time. If operators cannot acquire private policies at competitive prices by the end of this calendar year, then additional action by the state may be justified.

In the meantime, the Department of Environmental Conservation will continue to monitor new policy offerings, particularly those meeting *direct action* requirements, and inform operators of their availability.

BACKGROUND

Proof of financial responsibility is required of any operator in Alaska who stores or transports 10,000 barrels or more of noncrude products (this amount is enough to fill about 750 home heating tanks). There are 72 such operators in Alaska. This number does not include crude oil producers, refiners, terminals, and transporters that may also handle noncrude products. The latter were excluded because they are subject to higher financial requirements. Of the 72 noncrude operators:

- 9 companies are exempt because they are federal facilities or oil clean-up vessels;
- 29 companies self-insure, purchase surety bonds, obtain a letter of credit, or are guaranteed by others;
- 31 purchase insurance to demonstrate financial responsibility;
 - 6 companies have policies containing *direct action* clauses
 - 25 have applied for and been granted waivers from the requirement for *direct action* clauses in their policies; and
- 2 have not yet made suitable proof of financial responsibility.

The foregoing suggests that half the Alaska noncrude operators purchase insurance to prove financial responsibility and that three-quarters of these seek waivers of the direct action clause. An examination of the six companies that have secured policies with *direct action clauses* shows that:

- All are shore-based oil terminal operators;
- Three are electric utilities acquiring insurance through ARECA Insurance Management, Inc. This is the Alaska Rural Electric Cooperative Association's pooled insurance coverage available only to members; and
- Of the remaining three, one is the major terminal operator and fuel supplier to the Anchorage International Airport, and the other two are related terminal operators in Norton Sound covered under a single policy. The policy was brokered by Gene Sause & Company, Oregon, but the underwriter is Lloyds of London (the first instance of a Lloyds company writing a direct action policy in the post-*Exxon Valdez* era).

Thus, there is only one policy currently providing approved coverage to a small terminal operator in Alaska. This represents tangible change in the insurance market, i.e., going from none to one, but it also underscores the additional time needed if insurance with *direct action* clauses is to become generally available.

The Department of Environmental Conservation sent questionnaires to the 25 operators that purchased insurance to meet their financial responsibility requirements and were not able to obtain a policy with a *direct action* clause. The questionnaire and detailed summary from 13 respondents are attached to this report and summarized below:

- All companies cited the *direct action* clause as a primary difficulty in obtaining insurance, and most also cited the *service of process* clause as well. This clause requires insurance companies to have a qualified agent in Alaska for the purpose of receiving court papers.
- Only a few cited cost as the determining factor in obtaining insurance. Most believed policies with *direct action* and *service of process* clauses were not available at any price. A few noted the cost of increased deductibles and the expense of changing carriers due to the new survey work required.
- Companies cited good experience, i.e., a good loss record, as more important to the insurance industry than new spill response or pollution prevention measures put in place at this time. Not surprising under these circumstances, only a few operators have considered adding new spill control measures to lower their insurance costs.
- Most companies would be willing to join a State-approved insurance pool if it promised lower costs. Some cited past failures and doubted cost savings could be realized. Two suggested taxes on refined products as a means to finance an insurance pool.

Suggestions by the respondents favored legislative action amending the requirement for *direct action* and *service of process* clauses in approved insurance.

GROUP POOLING

At the time of passage of SB 405, the formation of a pool among operators was proposed as an alternative for those having difficulty obtaining insurance with a *direct action* clause. The measure was not well understood at the time and the legislature requested additional study during the interim. This report is a response to that request for additional study.

A pool could be formed among the private firms who need coverage (reciprocal insurance pool), or could involve the state government as a participant (state-sponsored pool). These and other insurance alternatives are discussed below.

Reciprocal Insurance Pool

A reciprocal insurance pool combines the capital of its members to insure against their individual risks. If the capital is sufficient and the risks well distributed, a reciprocal insurance pool can be an efficient insurance provider.

Alaska statutes 21.75 and AS 21.12 regulate the capital required by private pools formed in the state. Single policies may not exceed 10 percent of paid-in capital and surplus. In addition, the terms of such policies must be actuarially sound. The 10 percent rule currently applies to shore-based, noncrude storage terminals and most likely to barge operators as well.¹

Operators interested in a reciprocal insurance pool may have difficulty meeting the capital requirements. The highly capitalized operators can afford to self-insure, and those with special relationships to highly capitalized companies (e.g., subsidiaries or monetary affiliations) will prefer to be guaranteed by them. It is the remaining smaller, independent operators who are candidates for joining a pool, and they are too few and have too few financial resources to form a viable insurance pool.

Another solution would be to lower or waive altogether the 10 percent capital requirements. However, this increases the risk that the pool will not be able to meet its obligations in the event of a major spill. It may also adversely affect the regulation of other insurance pools in Alaska.

Most examples of successful private insurance pools in Alaska are those formed by public municipalities, school districts, or utilities. The ARECA Insurance Management, Inc., is an example of a successful insurance pool in Alaska. Another is the Alaska Municipal League Joint Insurance Association, Inc. (AML/JIA), which is a reciprocal pool among municipalities in Alaska specifically exempted from state insurance regulation. These pools have successfully shifted risks from individual entities to the pool. Public entities have the numbers, capital, and risk levels to make group pooling work; the few, relatively small noncrude operators probably do not.

Another approach would be for the operators to organize a "Risk-Retention Group," a special type of reciprocal pool. Risk-retention groups were authorized under liberal 1986 federal statutes that allowed a group to be formed in any state with low capital and regulatory requirements (such as Vermont) and then write insurance in other states free from their regulation.

However following a pattern of poor experiences with risk-retention groups, states which formerly had low capital requirements now require such groups to enforce the requirements

¹Under Alaska law the "wet marine and transportation insurance" definition could possibly be used to classify barges as high sea vessels. This would subject them to Admiralty law outside of state jurisdiction.

actuarially sound plans, and sufficient capital to meet their risks. In other words, there is now little advantage or incentive to form a risk-retention group.

State-Sponsored Insurance Pool

Another solution to the problem of there being insufficient capital for a successful pool is to seek a "benefactor." The State appears to be the obvious "benefactor" for this grant or loan, especially if the overall costs of the pool are to remain within reach of the participants.

The one experience with a state-sponsored pool in Alaska is the former Medical Insurance Corporation of Alaska (MICA) which was a state-chartered medical malpractice insurance pool. It was tested only briefly as an effective insurance pool, however, because the IRS held that this type of state-sponsored corporate pool benefited only a small class of private business and denied it tax-exempt status. This pool was eventually sold to a private insurer.²

A state-sponsored pool could be set up in Alaska or even in another state with more liberal insurance laws. Receipt of dedicated premium funds may not be legal for the state, however, and the appropriation of seed capital is probably not feasible in any case under current fiscal conditions. A loan by the state would require protection from exceptional risks, which raises the question of one state agency having to insure itself from actions brought against it by another agency of the state. There is also the additional factor of overhead cost that must be included in the organization of a pool, especially one with a small number of members. For these reasons, a state-sponsored pool was not considered feasible.

OTHER INSURANCE APPROACHES

The option of the operators forming a mutual insurance company, either in Alaska, or another state was considered by the agencies. A "mutual" company is owned by its policy holders rather than shareholders. It differs from a reciprocal pool in that it is held to a higher regulatory standard and as a company, may write policies outside its original pool. However, regardless of the "form" of the insurance provider, the issue of "substance" remains: the capital verses risk ratio must be adequate to provide reasonable coverage.

Other variations were also considered, one of which was termed the "Greenland Plan." In Greenland, the government obtains a blanket uninsured motorist policy for all its citizens from a private entity and then charges the cost of that policy back to the licensed motorists on a pro-rata basis.

²While it was operating, however, it functioned as an important source of medical malpractice insurance to many doctors and health care providers in Alaska. Its success allowed it to be sold to a private insurance company (NORCAL), and the reserves were distributed to its clientele.

Application of the "Greenland Plan" concept to Alaskan noncrude operators would require expanding the coverage to include as many operators as possible and perhaps enabling the state to use the spill reserve portion of the Oil and Hazardous Substance Spill Response Fund for purchase of a catastrophic spill insurance policy. Due to the many other proposed uses of this fund now being discussed, this option was not investigated in detail for this report.

Private Insurance Alternatives

The private insurance industry is addressing some of Alaska's noncrude operator demands on its own initiative. A policy containing a *direct action* clause has been written by Lloyds for two related operators in Norton Sound. This may be an aberration or it may signal the end of the insurance industry's aversion to these policies in the post-*Exxon Valdez* world.

Also, the insurance industry is developing a co-insurance policy aimed at satisfying the *direct action* provision as a supplement to insurance already in force. Draft policies have been submitted to DEC and the Department of Law. Should a reasonably priced product result, then this private insurance would be preferred to any of the pooling alternatives.

Private market availability of direct action insurance may also depend on meetings now underway between the London-based insurance underwriters and federal administrators of the Oil Pollution Act of 1990 (OPA 90). Although states have the right to set their own standards, a federal decision to retain the *direct action* provisions in OPA 90 will clarify federal intent and could make new private insurance policies more available.

TOWARD A LONG-TERM SOLUTION

Ultimately, lower insurance costs depend on effective oil spill prevention and response measures. The close relationship of insurance, prevention and response is perhaps best illustrated by the Philadelphia Fire Department, which only responds to fires in buildings having placards certifying that the building has both fire insurance and prevention or damage mitigation measures in place. The result is a few burned buildings but also excellent fire prevention and early detection, and low fire insurance costs.

The DEC seeks to emphasize state-of-the-art prevention and response so that private insurance products will be priced to reflect an underwriter's lower risk of a claim due to Alaska's rigorous oil spill prevention and contingency planning standards.

**Noncrude Operators Filing Insurance
Request for Waiver of Direct Action Clause**

Seacor Marine, Inc.

~~Conditional approval:~~ M/V Mustang, cap. 1,119 bbls. x \$100. operating in Cook Inlet as supply vessel, in emergency may transport fuel as cargo. Ins. does not meet requirements.

Saupe Enterprises Inc. dba Chevron Dist

~~Conditional approval:~~ Chevron Bulk Plant (Fairbanks), cap. 39,300 bbls. x \$25. = \$982,500., Insurance not approved. Quarterly reports not needed

Nushagak Electric Cooperative, Inc.

~~Conditional approval:~~ Storage cap. = 25,333 bbls X \$25 = \$633,325. insurance does not have endorsement.

Sitka Fuels, Inc.

~~Conditional approval:~~ terminal cap. 12,857 bbls. x \$25. = \$321,425.

Insurance does not have endorsement.

Harbor Ent. dba Petro Marine Services

~~Conditional approval:~~ Terminals:

(Dutch Harbor) Main Plant/Resoff Dock cap. 61,058 bbls. x \$25. = 1,526,450., Ballyhoo Dock cap. 58,496 bbls., (Seward Main Plant/Shoreside Petroleum 38,120 bbls., (Kodiak) Main Plant 45,841 bbls., Westward Seafoods Bulk Plant 18,379 bbls. Insurance does not have endorsement. contact Carol Lindsey at P.O. Box 389, Seward, 99664 for financial reports.

Island Providers Trnsp. (Olsen Ent.)

~~Conditional Approval:~~ M/V Lady Nina cap. 425 bbls. x \$100. = \$42,500 no insurance endorsement.

Alaska Pulp Corporation

~~Conditional approval:~~ APC fuel storage in Sitka, cap. 72,705 bbls. x \$25 APC has a bond in amount of \$1 mil., Ins. does not have required endorsement.

Moody's Sea Lighterage Inc.

~~Conditional approval:~~ barges SEA LITE 1-cap. 2,976 bbls., ST 20 -cap. 5,513 bbls. x \$25. no endorsement for insurance,

Bering Sea Fisheries

~~Conditional approval:~~ barge KING SALMON cap. 10,000 bbl. X \$100.

Insurance does not have endorsement.

Boyer Towing, Inc.

~~Conditional Approval:~~ barges;

CALLAPOOYA, cap. 15,500 bbls. x \$100., KOOTZNAHOO, cap. 3,500 bbls. P&I does not meet State approval.

Bethel Fuel Sales, Inc.

~~Conditional approval:~~ Fuel plant in Bethel, storage cap. 190,476 bbls. X \$25 per barrel = \$4,761,900.

Kodiak Oil Sales, Inc.

~~Conditional approval:~~ Bulk Plant-cap. 40,400 bbls. x \$25., no ins. endorsement. Received insurance certificate 11/92.

Alaska Marine Charters, Inc.

~~Conditional approval:~~ barge

	INVESTIGATOR, cap. 14,600 x \$100. policy does not meet reqs. Need copy of entire policy.
Lutak Petroleum, J.U. dba Totem Oil Co.	+Conditional Approval: Tank farm, cap. 77,143 bbls x \$25. Insurance does not contain endorsement.
Anderes Oil Company	+Conditional approval: Ketchikan Terminal 21,682 bbl. x \$25.
UIC Construction, Inc.	+Conditional approval: UICC/NAR1 Tank Farm, cap. 11,824 bbls. x \$25 no insurance endorsement, Quarterly financial reports not needed. Self-insurance by parent company Ukpeagvik Inupiat Corp.
Kugkaktlik Limited (Kipnuk Fuel Co.)	+Conditional approval: barge CHALIN, cap. 2,182 bbls. x \$100. = 218,200. no operating 10/15/91 thru 5/15/92. no coverage for deductible, contact James T. Brennan, 1227 West 9th Ave. #300, Anchorage 99501- 3218 , 907- 279-5528
Terminal Oil Sales, Inc.	+Conditional approved: Fuel terminal i Homer, cap. 26,296 bbls. x \$25. No ins endorsement.
Smith Lighterage Co., Inc.	+Conditional approved: barges Ray'sons cap. 3023.81 bbls X \$100 = \$302,381 an Skip I, cap. 1309.52 bbls. Insurance not approved. vessels operate only fro May through October.
Samson Tug & Barge Co., Inc.	+Conditional approval: Barge ANNAHOOTZ cap. 37,532 bbls. x \$100 = \$3,753,20+ No insurance endorsement
Brix Maritime Co.	+Conditional approved: Barges; SITKA cap. 22,000 bbls. x \$100., PALMER cap. 20,000 bbls. Insurance not approved
Yutana Barge Lines, Inc.	+Conditional approved: barges; RW12 cap. 850 bbls., RW11 cap. 4675, RW10 cap. 6591, RW9 cap. 4000, RW8 cap. 4168, RW7 cap. 1358, OB2 cap. 3349, OB cap. 7369, OB4 cap. 7369, OB5 cap. 7369, OB6 cap. 7369, Frank Turner #1 cap. 1131, Polaris #6 cap. 818 and Stewart cap. 2602. P&I coverage not approved,
Orca Oil Co., Inc.	+Conditional approved: Cordova Bulk Plant, cap. 35,847 bbls. X \$25 = \$894,175 no insurance endorsement.
Forty Niner Transportation, Inc.	+Conditional approval: barges FNT-340-1, cap. 72,000bbls. and FNT 180-1 cap. 14,804. Insurance not approved.
Ocean Marine Services	+Conditional approved: M/V Monarch cap 1600 bbls., to transfer fuel to offshore facility. No insurance endorsement.
Northland Services, Inc.	+Conditional approved: barge KVICHAK TRADER, cap. 5675 bbls. x \$100. Insurance not approved,
Unalakleet Native Corp.	-Not Approved: fuel storage facility a Unalakleet, storage capacity over 10,000 bbls., (Jerry Reichlin, Attorney

Questionnaire and Responses

STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

DIVISION OF SPILL PREVENTION AND RESPONSE
410 Willoughby Avenue, Suite 105
Juneau, AK 99801-1795

Telephone: (907) 465-5228
Fax: (907) 465-5245

December 4, 1992

COPY

Dear Mr.

Re: Financial Responsibility

Alaska Statute 46.04.040 requires that proof of financial ability to respond to an oil spill incident be submitted to and approved by the Department before operating an oil facility or vessel in the State. Some operators attempting to obtain insurance have reported problems by their insurers in meeting the requirements for direct action or for the appointment of an agent for service of process in the State.

In the spring of 1992, the Legislature passed SB 405 as temporary law:

"Chapter 102, 1992 Temporary and Special Acts

Section 2. - Temporary Law Applicable to Noncrude Oil Operations.

Notwithstanding AS 46.04.040, the Department of Environmental Conservation may, with respect to noncrude oil operations, approve proof of financial responsibility by a person, other than the applicant, who does not agree to be subject to direct action in the state or to appoint an agent for service of process if the applicant

(1) provides proof of financial responsibility in the form and amounts otherwise required under AS 46.04.040;

(2) provides a sworn statement that

(A) is acceptable to the department;

(B) attests that the applicant has diligently attempted to obtain a form of

proof of financial responsibility that would provide for a direct action and appointment of an agent for service of process;

(C) describes the steps the applicant has taken to obtain a form of proof of financial responsibility that would provide for a direct action and appointment of an agent for service of process;

(D) states that a form of proof of financial responsibility that would provide for a direct action and appointment of an agent for service of process is unavailable to the applicant;

(3) continues diligent efforts to obtain a form of proof of financial responsibility that would provide for a direct action and appointment of an agent for service of process and provides a sworn statement every six months that is acceptable to the department, containing the information required in (2) of this section."

(Note - Bold type has been added to highlight the main subjects of the law.)

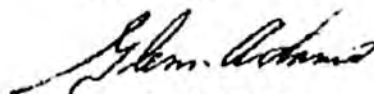
This temporary law gave the Department authority to grant "conditional approvals" for noncrude oil operators who could not meet requirements by other means listed in the statutes. Accompanying this legislation was a letter of intent directing the Department of Environmental Conservation and the Legislative Research Agency to study the possibility of group pooling for the purpose of meeting the state's financial responsibility requirements and to report their findings back to the Legislature.

You can assist the Department with the report to the Legislature by reviewing this temporary law and answering the questions on the attached questionnaire to the best of your ability.

Please return the completed questionnaire to my attention at the above address by December 31, 1992. If you have any questions please call me.

Thank you.

Sincerely,



Glenn Adams
Financial Responsibility

Enclosure: Financial Responsibility Questionnaire

g:\ipp\fr\section2.qst

FINANCIAL RESPONSIBILITY QUESTIONNAIRE

Questionnaire to assist the Department in identifying insurance issues affecting noncrude oil operators with existing conditional approvals and to help in providing recommendations to the Legislature on insurance pooling options and alternatives, as required in SB 405 Letter of Legislative Intent. Please use additional pages if necessary.

Questions:

- A. Name of operator/applicant?
Contact person?
- B. Name of current insurer/underwriter?
- C. Name of agent/company that obtained policy for you?
- D. What were the main difficulties in obtaining an insurance policy to meet State requirements? (please circle yes or no)
1. Meeting the Direct Action requirement? yes no
(AS 46.04.040(e) legal action may be brought directly against the insurer)
 2. Meeting the Service of Process requirement? yes no
(AS 46.04.040(e) agent must be appointed for service of process in the State)
 3. Was the cost of the insurance policy a determining factor? yes no
Please explain:
 4. Was the insurance deductible requirement under 18 AAC 75.250(d) a problem? yes no
Please explain:
 5. Was the cost of an insurance (property) survey to obtain a policy when changing companies or getting a new policy a factor? yes no
Please explain:

6. Was the past history of spills or claims, or the present physical condition of the facility or vessel a factor? yes no
Please explain:

E. Does the size of operator/applicant's business make a difference? yes no
Please explain:

F. Has your current insurance coverage on deck barges, tug boats or facilities stopped you from trying to get State approved coverage on oil barges because it might mean changing insurance coverage on all of your vessels, barges or facilities to another insurance company? yes no
Please explain:

G. Would you be willing to enter into a State approved insurance pool with companies similar to yours if it would save you money compared to obtaining individual insurance coverage of your own? yes no
Please explain:

H. Have you considered lowering the storage capacity of the facility or vessel to change the amount of proof required? yes no
Please explain:

I. Have you considered implementing additional pollution prevention or spill response measures to help lower the cost of the insurance premium? yes no

J. Would your insurer lower the amount of your insurance cost if your company showed pollution prevention or spill response measures were implemented? If so, what measures would the insurer expect?

K. Do you have any suggestions on improving the availability of insurance for vessels or facilities? yes no
Please attach additional pages if necessary.

L. Any other constructive suggestions or comments?

Please return the completed questionnaire to:

Glenn Adams
ADEC SPAR Division
410 Willoughby Avenue, Suite 105
Juneau, Alaska 99801-1795

Telephone (907) 465-5228
FAX (907) 465-5245

THANK YOU

FINANCIAL RESPONSIBILITY QUESTIONNAIRE RESULTS

January 21, 1993

*Form letter and questions attached
(13 reply)*

Quest1	Quest2	Quest3	Quest4	Quest5	Quest6	QuestE	QuestF	QuestG	QuestH	QuestI	QuestK	Notes	Frid#	Subject
yes	yes	no	yes	no	no	—	no	not sure	—	-?-	no	This operator thinks the problems are between the underwriters and the law makers, he does not think the operators have much to say about the insurance situation.	301	Barges
yes	no	no	no	no	no	no	no	no	no	no	yes	G. Cost savings would probably be short lived. Lack of competition would ultimately cost more & State directed coverage may not be compatible with other jurisdictional requirements. H. Lowering storage capacity does not satisfy needs of customers, would increase number of voyages, thus increasing exposure. I. Would make risk easier to insure but does not effect premium cost. J. (same as I.) K. eliminate direct action would make markets more available to operators. Suggest State work directly with insurance industry to make sure regulations are in line with available insurance coverages.	48	Barges
yes	no	no	—	no	no	no	no	yes	no	no	no	—	11	Barges
yes	yes	no	no	no	no	yes	no	yes	no	no	yes	E. Does not have capital, assets or total worth for self-insurance or bonding. I. Not necessary or an alternative. Currently do all possible. J. Not an available alternative. Existing insurance is as low as possible. K. drop direct action requirement. L. Impose a fuel tax for a State approved insurance pool for noncrude. ✓	185	Vessel
yes	yes	no	no	no	no	no	—	no	—	yes	no	—	28	Barges
yes	yes	no	no	no	no	no	no	yes	no	no	—	G. Would consider entering depending on terms. I. Lowering insurance cost is second to spill prevention. J. We are generally a freight carrier rather than oil, additional prevention measures would at best only modest	117	Barges

reduction in insurance cost. More
impact would be continuing favorable
loss experience. K. There are now four ✓
available markets for marine
insurance, availability does not seem
to be a problem. Meeting the
stringent requirements of law is more
an issue for none of the sources can
comply with all terms. L. Legislators
and underwriters should work together
to seek realistic legislation wherein
requirements can be satisfied within a
competative marketplace. A State ✓
approved insurance pool should be a
last resort solution.

FINANCIAL RESPONSIBILITY QUESTIONNAIRE RESULTS

January 21, 1993

Quest1	Quest2	Quest3	Quest4	Quest5	Quest6	QuestE	QuestF	QuestG	QuestH	QuestI	QuestK	Notes	FRid#	Subject
yes	yes	yes	yes	yes	no	yes	no	yes	no	yes	yes	E. Premium cost based on annual volume .I. & J. Have always done this. K. State should avoid un-necessary regulations that restrict companies from participating in the pollution liability market. L. State should avoid excessive regulations which create additional cost per gallon to consumer.	62	Termin
yes	no	no	no	no	no	no	no	yes	no	no	no	J. Insurance is in place now and rates are lowest possible.	252	Termin
yes	yes	no	no	no	no	no	—	no	no	no	yes	G. Every pool I have seen up to this ✓ point has failed. H. We would have to cut storage to a point where we could not run our business. I&J. Insurance co. said it would not make a difference. K. Change the law to eliminate direct action, I have been told that direct action is much more necessary for vessels than terminals. It is ridiculous to have requirements that no insurance company will agree to.	142	Termin

FINANCIAL RESPONSIBILITY QUESTIONNAIRE RESULTS

January 21, 1993

Quest1	Quest2	Quest3	Quest4	Quest5	Quest6	QuestE	QuestF	QuestG	QuestH	QuestI	QuestK	Notes	FRid#	Subjec
yes	yes	—	yes	yes	no	no	—	yes	—	—	yes	182. Very difficult to find insurance to provide this coverage. 3. Cost of coverage has increased dramatically last three years. 4. All policies carry a large deductible, in most cases it can't be bought back. 5. Not at this time but if insurance changed a full survey would cost nearly \$10,000. 6. We do not have an adverse loss record. E. Premiums rated on a cost per gallon basis G. Yes if cost effective and would meet State requirements H. This is an option we may have to exercise in future if insurance cost continue to rise I. The cost/reward ratio is not worth considering at this time J. We are already receiving a preferred rate, cost still too high K. Amend the statutes governing pollution liability. Specifically address the difference between crude and processed products and their relationship to the environment. L. State could impose a tax similar to LUST tax on all refined products for funding equipment pools and a State insurance program, each facility to be required to carry a \$25,000 policy to cover deductible of a State group policy. it would be more practical to spend money on facility prevention and upgrading than on insurance with no hope of a return. E. We are small business with one barge, suggest separate requirements for small noncrude operator J. I believe so.	104	Termin
yes	yes	no	no	—	no	yes	no	yes	no	no	no	E. We are small business with one barge, suggest separate requirements for small noncrude operator J. I believe so.	105	Barges
yes	yes	no	no	no	no	no	no	yes	no	no	no	—	70	Termin

FINANCIAL RESPONSIBILITY QUESTIONNAIRE RESULTS

January 21, 1993

Quest1	Quest2	Quest3	Quest4	Quest5	Quest6	QuestE	QuestF	QuestG	QuestH	QuestI	QuestK	Notes	FRid#	Subjec
yes	yes	yes	yes	no	yes	yes	—	yes	yes	yes	yes	1. Direct action coverage not available 2. Insurer refuses to provide in-state service agent 3. We have only found one provide of insurance, no competition, high cost 4. Deductible increased from \$10,000 to \$50,000 5. If we change carriers the cost of survey would be an immense burden 6. Statutory requirements ave created the unavailability of coverage E. Most of competitors have smaller storage capacity (exempt) and do not have these costs, we cannot remain competative in our market F. N/A do not have barges G. Would be delighted to have any alternative to eliminate or reduce financial burden H. Currently reviewing infrastructure to see if reducing storage would be feasible I. Have spent \$ on equipment and training but it will not cause any reduction in premium cost J. Indications from insurers, no cost decreases to occure K. We believe any improvement will come only if the statutory requirements are significantly reduced. Current regulations may be appropriate for an Alyeska or an Exxon but are virtually unattainable for a small land based distributor operation like ours L. All similar operations should have similar requirements. Financial responsibility requirements should be based on over-all volumes through-putted instead of storage capacity the way insurance companies set premiums.	109	Termin
13 YES	10 YES	2 YES	3 YES	2 YES	1 YES	4 YES	YES	9 YES	1 YES	3 YES	5 YES			
3 NO	10 NO	10 NO	9 NO	10 NO	12 NO	8 NO	9 NO	3 NO	9 NO	8 NO	6 NO			

Noncrude Operators

01/22/93

Complete Listing of Financial Responsibility Records

Financial Responsibility Company	Subject	Notes	frid	File Number	Proof Type
Alaska Electric Generation & Transmission	Terminal	*Approved: fuel storage facility in Soldotna, SOLDOTNA ONE, Cap. 15,476 bbls. X \$25 = \$386,900	0139	4.01.100	INSR
Alaska Marine Charters, Inc.	Vessel, barge	+Conditional approval: barge INVESTIGATOR, cap. 14,600 x \$100. policy does not meet reqs. Need copy of entire policy. need Sec. 2 affidavit June 93.	0111	4.01.074	INSR
Alaska Pulp Corporation	Terminal	+Conditional approval: APC fuel storage in Sitka, cap. 72,705 bbls. x \$25 APC has a bond in amount of \$1 mil., Ins. does not have required endorsement.	0010	4.01.005	INSR
Anchorage Fueling & Service Co.	Terminal, pipeline, NC	*Approved: Fuel terminal at Port of Anchorage cap. 550,000 bbls, pipeline from Port to Anchorage International Airport cap. 65,000 bbl, fuel storage at Airport Plant #2 cap. 20,000 bbl., Plant #3 cap. 41,190 bbl., Plant #5 cap. 8,426 bbl. = 676,624 bbls. x \$25. Insurance policy for three years.	0187	4.01.013	INSR
Anderes Oil Company	Terminal	+Conditional approval: Ketchikan Terminal 21,682 bbl. x \$25.	0244	4.01.061	INSR
Bering Sea Fisheries	Vessel, barge	+Conditional approval: barge KING SALMON cap. 10,000 bbl. X \$100. Insurance does not have endorsement.	0301	4.01.088	INSR
Bethel Fuel Sales, Inc.	Terminal	+Conditional approval: Fuel plant in Bethel, storage cap. 190,476 bbls. X \$25 per barrel = \$4,761,900.	0148	4.01.108	INSR
Boyer Towing, Inc.	Vessel, barge	+Conditional Approval: barges; CALLAPOOYA, cap. 15,500 bbls. x \$100., KOOTZNAHOO, cap. 3,500 bbls. P&I does not meet State approval.	0028	4.01.025	OTHR
Brice Inc., Marine Division	Terminal, barge	*Approved exempt: Oil barge OBS 4000, classified as an oil terminal with under 10,000 bbls. storage capacity.	0152	4.01.112	EXPT

01/22/93

Complete Listing of Financial Responsibility Records

Financial Responsibility Company	Subject	Notes	frid	File Number	Proof Type
Brix Maritime Co.	Vessel, barge	+Conditional approved: Barges; SITKA cap. 22,000 bbls. x \$100., PALMER cap. 20,000 bbls. Insurance not approved, see 35a for policy.	0048	4.01.036	INSR
City of Galena	Terminal	*Approved: Galena Electric Utility, Power House, cap. = 14,762 bbls. x \$25. = \$369,050. = \$1m min. Contact : Tony Ranon for reports.	0159	4.01.119	SELF
City of Saint Paul	Terminal	*Approved: Bulk Fuel Facility, cap. 42,857 bbls. x \$25. per bbl.	0235	4.01.150	SELF
Cominco Alaska, Inc. (Red Dog Mine)	Terminal	*Approved: Red Dog Portsite- cap. 204,000 bbls. x \$100 = 20,400,000, Minesite- cap. 9,000 bbls. (exempt)	0171	4.01.131	SELF
Crowley Marine Services, Inc.	Vessel, barge	=Pending: barges: B&R 5, B&R 80-1, B&R 80-2, B&R 80-3, 120-1, 120-2, 160-1, 160-4, BC 151, BC 151, UT 154, 210, 211, 212, 213, 218, 255, 312-3, ARCTIC CHALLENGER, PAC 570, CORDOVA, NIKISKI, Mckinley, PALMER, KETCHIKAN, KODIAK JUNEAU, 101, 450-2, 450-3, 450-4, 450-6, 450-7, 450-8, 450-9, 450-11, UT 10, 250-10, NAPAMUTE, EEK, ORCA NO.2, OIL NO.1, 450-10, 16, 18, 254, CINNABAR, LB-1, 500-2, Oahu. (largest is 149,726 bbls. x \$100 = 14,972,600). Effective 9/8/92 barge # 254 guaranteed by ARCO for full amount to transport crude oil.	0192	4.01.016	INSR
Crowley Marine Services, Inc.	Terminals	=Pending: CAPTAINS BAY TANK FARM, cap. 60,000 bbls. KOTZEBUE TANK FARM, cap. 146,916 bbls. X \$25 = \$3,672,900. NOME TANK FARM, cap. 145,000 bbls. Approval Certificates expire 6/1/93.	0191	4.01.016a	INSR

01/22/93

Complete Listing of Financial Responsibility Records

Financial Responsibility Company	Subject	Notes	frid	File Number	Proof Type
F.I.L. (U.S.) Inc. - Alaska	Terminal	*Approved: Fuel terminals in Ketchikan, cap. 161,430 bbls, Sitka cap. 20,390 bbls., Haines, cap. 25,508 bbls., Skagway, cap. 234,625 x \$25.=5,865,625., Petersburg, cap. 11,358; Craig and Wrangel are exempt under 10,000 bbls.	0076	4.01.052b	SELF
F.I.L. (U.S.) Inc. - Alaska	Vessel, tanker, barge	*Approved: M/V Frank H. Brown, cap. 48,000 bbls. x \$100. = \$4,800,000., oil barge Alaska Spirit, cap. 24,000 bbls. covered by form B.	0077	4.01.052a	SELF
Forty Winer Transportation, Inc.	Vessel, barge	+Conditional approved: barges FNT-340-1, cap. 72,000bbls. and FNT 180-1 cap. 14,804. Insurance not approved.	0169	4.01.129	INSR
Foss Maritime Company	Vessel, barge	*Approved: barges. FOSS 255, cap. 42,000; FOSS 256, 43,430 bbls.x \$110. SEA 76,11,800, Hanalei 27,120; FOSS ENERGIZER and Z-BIG-1 are spill response contracted to Alyeska.	0201	4.01.022	SELF
Frosty Fuel Inc.	Terminal	*Approved: Frosty Fuel Co. at Cold Bay-cap. 95,238 bbls.x \$25 = \$2,380,950; exempt facilities under: 10,000 bbls.: Sand Point 9,206 gal., Dutch Harbor 20,167 gal., ST. Paul 10,110 gal.and Port Heiden 333,904 gal.	0051	4.01.038	SELF
Golden Valley Electric Assn. Inc.	Terminal, NC pipeline	*Approved: North Pole Generation Station, cap. 300,000 bbls. x \$25= Submitted Annual report and form 6. Pipeline from Petro Star Refinery.	0154	4.01.114	SELF

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Financial Responsibility Company	Subject	Notes	frid	File Number	Proof Type
Harbor Ent.dba Petro Marine Services	Terminal	+Conditional approval: Terminals: (Dutch Harbor) Main Plant/Resoff Dock cap. 61,058 bbls. x \$25.= 1,526,450., Ballyhoo Dock cap.58,496 bbls.,(Seward) Main Plant/Shoreside Petroleum 38,120 bbls., (Kodiak) Main Plant 45,841 bbls., Westward Seafoods Bulk Plant 18,379 bbls. Insurance does not have endorsement. contact Carol Lindsey at P.O. Box 389, Seward, 99664 for financial reports.	0125	4.01.087a	INSR
International Marine Carriers, Inc.	Vessel, tanker	*Approved exempt: vessels USNS SEALIFT ANTARCTIC, ARABIAN SEA, ARCTIC, ATLANTIC, CARIBBEAN, CHINA SEA, INDIAN OCEAN, MEDITERRANEAN and PACIFIC storage capacity ea.185,000 bbls.	0079	4.01.054c	EXPT
Island Providers Trnsp. (Olsen Ent.)	Vessel, self-propelled landing craft	+Conditional Approval: M/V Lady Nina cap. 425 bbls. x \$100.= \$42,500 no insurance endorsement.	0185	4.01.146	INSR
Ketchikan Pulp Co.	Terminal	*Approved: Pulp Mill fuel storage facilities, cap. 55,602 bbls x \$25 = \$1,390,050. Affidavits only, quarterly reports not needed.	0035	4.01.028	SELF
Klukwan Forest Products, Inc.	Terminal	*Approved: Highland Resources Inc. bulk fuel facility, cap. 55,000 bbls. x \$25.	0167	4.01.127	SELF
Klukwan Forest Products, Inc.	Vessel, barge	*Approved: barge Chilkat Warrior cap. 36,700 bbls. x \$100. formerly under North Pacific Expediting, Inc.	0298	4.01.127a	SELF
Kodiak Oil Sales, Inc.	Terminal	+Conditional approval: Bulk Plant-cap. 40,400 bbls. x \$25., no ins. endorsement. Received insurance certificate 11/92.	0142	4.01.102	INSR
Kotzebue Electric Assn., Inc.	Terminal	*Approved: fuel storage facility, cap. 51,382 bbls. x \$25 = \$1,284,550.00	0144	4.01.104	INSR

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Kugkaktlik Limited (Kipnuk Fuel Co.)	Vessel, barge	+Conditional approval: barge CHALIN, cap. 2,182 bbls. x \$100. = 218,200. not operating 10/15/91 thru 5/15/92. no coverage for deductible, contact James T. Brennan, 1227 West 9th Ave. #300, Anchorage 99501- 3218 , 907- 279-5528 .	0105	4.01.071	INSR
Lutak Petroleum, J.U. dba Totem Oil Co.	Terminal	+Conditional Approval: Tank farm, cap. 77,143 bbls x \$25. Insurance does not contain endorsement.	0252	4.01.153	INSR
Mapco Alaska Petroleum, Inc.	Vessel, tanker NC spot charter	*Approved: self-insurance coverage for spot charter vessels as needed. Aprvd.vessels: TORM GYDA 7/12/92, URZHUM 8/27/92, EMMA MAERSK 9/21/92, KILCHEM MEDITERRANEAN 10/7/92, EMMA MAERSK 10/26/92, TEAM HADA 12/5/92, ROVER 12/26/92,	0114	4.01.076b	GRTY
Marathon Oil Company	Vessel, tanker NC LNG	*Approved: LNG vessels ARCTIC TOKYO, POLAR ALASKA, cap.439,000 bbls. each.	0044	4.01.033b	GRTY
Moody's Sea Lighterage Inc.	Vessel, barge	+Conditional approval: barges SEA LITE 1-cap. 2,976 bbls., ST 20 -cap. 5,513 bbls..x.\$25. no endorsement for insurance,	0101	4.01.067	INSR
Municipality of Anchorage, Light & Power	Terminal	*Approved: George M. Sullivan Power Plant, cap. 23,810 bbls. x \$25 = \$595,250 = min. amt.	0122	4.01.084	SELF
Naknek Electric Association, Inc.	Terminal	*Approved: NEA fuel storage facilities in Naknek, storage cap. 39,619 bbls. x \$25.	0116	4.01.078	INSR
Nome Joint Utility System	Terminal	*Approved: Tank Farms #1,#2,#3,#4 all have storage capacity each of 20,071 bbls. = 80,284 X \$25 = \$2,007,100. Quarterly reports not needed only annual report and quarterly affidavits.	0143	4.01.103	SELF

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North Slope Borough	Terminal	*Approved: Barrow Block "B" Tank Farm 23,810 bbls., Wainwright Generator Plant 11,905 bbls., Point Hope Tank Farm 29,762 bbls. No quarterly financial report needed.	7786	4.01.116	SELF
Northland Services, Inc.	Vessel, barge	+Conditional approved: barge KVICHAK TRADER, cap. 5675 bbls.x \$100. Insurance not approved,	0117	4.01.079	INSR
Nushagak Electric Cooperative, Inc.	Terminal	+Conditional approval: Storage cap. = 25,333 bbls X \$25 = \$633,325. insurance certificate does not have endorsement, need copy of policy, they have not receive copy of renewal insurance yet, reaffirmation of Sect 2 statement 12/28/92.	0134	4.01.095	INSR
Ocean Marine Services	Vessel, tanker	+Conditional approved: M/V Monarch cap. 1600 bbls., to transfer fuel to offshore facility. No insurance endorsement.	0284	4.01.161	INSR
Offshore Fuel JV	Terminal	*Approved: Oil terminal Captain's Bay, Dutch Harbor. storage cap. 33,500 bbls. Currently joint venture with Delta Western will change on May 1, 1993.	0309	4.01.170	SELF
Orca Oil Co., Inc.	Terminal	+Conditional approved: Cordova Bulk Plant, cap. 35,847 bbls. X \$25 = \$894,175 no insurance endorsement.	0128	4.01.089	INSR
Peter Pan Seafoods, Inc.	Terminal	*Approved: Fuel Terminal in King Cove, cap. 12,400 bbls. X \$25 = \$310,000. no quarterly financial report needed.	0163	4.01.123	SELF
Samson Tug & Barge Co., Inc.	Vessel, barge	+Conditional approval: Barge ANNAHOOTZ, cap. 37,532 bbls. x \$100 = \$3,753,200 No insurance endorsement	0053	4.01.040	INSR