

ALASKA LEGISLATURE COMMITTEE FILES 1983-1986 86/2

4197 SLAB SB 437 - SB 455

1077



# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith  
Signature of Camera Operator

11/24/89  
Date

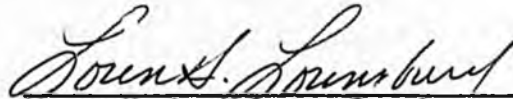
S B

4 5 7

SB 437: "An Act relating to the practice of dentistry."

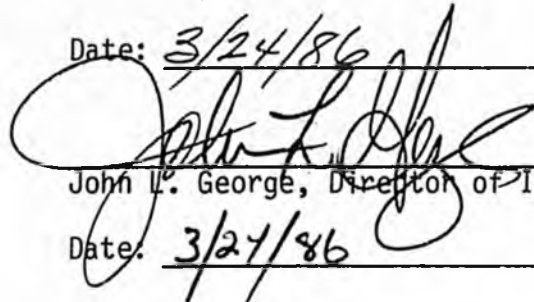
This legislation provides for the licensing of denturists.

Sections 7, 8, and 9 of this bill amend the Insurance Code to reflect the licensing of denturists. The sections impacted are primarily designed to prevent unfair discrimination against specified health care providers which, with this bill, would include denturists. We have no objection to this legislation.



Loren H. Louisbury, Commissioner  
Department of Commerce & Economic  
Development

Date: 3/24/86



John L. George, Director of Insurance

Date: 3/27/86

SB 437: An Act relating to the practice of dentistry.

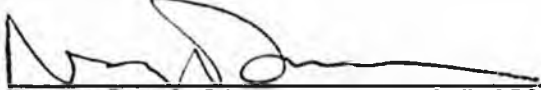
The bill specifies criteria for licensure and charges the department with the responsibility to administer the licensing function.

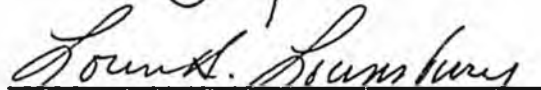
The Department of Commerce and Economic Development, Division of Occupational Licensing is opposed to this bill. The department feels the bill is premature and the department is opposed to accepting responsibility for licensing a health profession without a board. If the bill were to be enacted, we would recommend that the licensing of denturists and dentistry interns be the responsibility of the Board of Dental Examiners, with the staff support of the Division of Occupational Licensing. Attached are technical amendments which would make the language of the bill conform to that of current licensing statutes.

Discussions with dentists, one of who is a member of the Board of Dental Examiners, indicate that licensing of denturists might not be the best interest of the public as the bill is written. Information received indicates that the practice of dentistry requires minimal education in many aspects of the provision of dental care. For example, dentistry programs do not provide training in biological and physiological aspects of patient care, including life saving devices and techniques. Therefore, according to the dentists, a denturist may be proficient in the making of dentures; however, if dentures are prepared without taking into consideration the results of a dental examination patient care could be at a sub-standard level and could result in oral cancer, jaw problems and other complications.

The services of dentistry may appeal to the general public as a cost-savings measure. However, the public is unlikely to be aware of the differing standard of dental care being provided by denturists as opposed to dentists. One means for overcoming these objections and potential public protection problems would be to require a complete dental examination by a dentist prior to providing dentistry services. This has been suggested to the Division by members of the dental community.

Information received from an out-of-state denturist in support of licensing legislation stated that at the present time there are no practicing denturists in the State of Alaska. However, passage of licensing legislation would attract interest of at least two out-of-state practitioners. Because of the small number of practitioners involved, costs to administer the licensing are low, although a dentistry examination would need to be developed or procured. However, the absence of public demand for licensing of this occupation indicates that government regulation is not required at this time.

  
Nancy Dunn, Director 465-2534  
Division of Occupational Licensing  
Date: 4/29/86

  
Loren H. Lounsbury, Commissioner  
Department of Commerce and  
Economic Development  
Date: 7/27/86

PROPOSED AMENDMENTS TO SB 437  
An Act relating to the practice of denturistry.

Throughout the bill, the terms certificate, license and registration are used interchangeably. To be consistent with the intent of the legislation in establishing licensure, and given that each individual term is a separate method of regulation, the terms licensing or licensure should be used.

Page 3, line 27: Delete "certificate of registration" and insert "License"

Page 4, lines 5 and 6: Delete "or will have graduated by the date of the examination". Arrangements for examinations must be made in advance to order the exams, arrange for exam sites and public notice the examinations. It is administratively difficult to verify graduation credentials at the last minute and particularly on the day of the examination.

Page 5, line 17: Delete "and a certificate of registration"

Page 5, line 18: Add "...applicant who meets the requirements of 08.87.020(a)(3) and pays..."

Page 5, line 19: Delete "and certificate"

Page 5, lines 27 and 28: Delete "certificate of registration" and insert "license".

Page 5 line 29: Delete "licensee's registration certificate" and insert "license".

Page 6, lines 1 - 7: Amend to read:

"occupational licensing shall mail a form for renewal [OF THE CERTIFICATE] to each licensed denturist. Failure to receive the renewal [REGISTRATION] form does not exempt a licensee from renewing the license [CERTIFICATE].

(b) A licensee who practices in an established office with an address other than the address shown on the license [FOR WHICH THE LICENSEE'S REGISTRATION CERTIFICATE IS ISSUED] shall obtain a branch office registration [CERTIFICATE] for each office.

Page 6, lines 8 - 11: Amend to read:

(c) The department may not renew a branch office registration [CERTIFICATE] and shall revoke the license of a denturist who fails to renew the registration and license prior to the expiration date [APPLY FOR RENEWAL OF CERTIFICATION WITHIN ONE YEAR OF EXPIRATION].

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

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: SB 437  
 Title: Relating to the practice of dentistry

Sponsor: Kerttula  
 Requester: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Commerce & Economic Development  
 BRU: Insurance

Components: Public Protection

**EXPENDITURES / REVENUES : (Thousands of Dollars)**

| OPERATING              | FY 86      | FY 87      | FY 88      | FY 89      | FY 90      | FY 91      |
|------------------------|------------|------------|------------|------------|------------|------------|
| PERSONAL SERVICES      |            |            |            |            |            |            |
| TRAVEL                 |            |            |            |            |            |            |
| CONTRACTUAL            |            |            |            |            |            |            |
| SUPPLIES               |            |            |            |            |            |            |
| EQUIPMENT              |            |            |            |            |            |            |
| LAND & STRUCTURES      |            |            |            |            |            |            |
| GRANTS, CLAIMS         |            |            |            |            |            |            |
| MISCELLANEOUS          |            |            |            |            |            |            |
| <b>TOTAL OPERATING</b> | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> |

|         |     |     |     |     |     |     |
|---------|-----|-----|-----|-----|-----|-----|
| CAPITAL | -0- | -0- | -0- | -0- | -0- | -0- |
|---------|-----|-----|-----|-----|-----|-----|

|         |     |     |     |     |     |     |
|---------|-----|-----|-----|-----|-----|-----|
| REVENUE | -0- | -0- | -0- | -0- | -0- | -0- |
|---------|-----|-----|-----|-----|-----|-----|

**FUNDING: (Thousands of dollars)**

|               |            |            |            |            |            |            |
|---------------|------------|------------|------------|------------|------------|------------|
| GENERAL FUND  |            |            |            |            |            |            |
| FEDERAL FUNDS |            |            |            |            |            |            |
| OTHER         |            |            |            |            |            |            |
| <b>TOTAL</b>  | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> | <b>-0-</b> |

**POSITIONS:**

|           |     |     |     |     |     |     |
|-----------|-----|-----|-----|-----|-----|-----|
| FULLTIME  | -0- | -0- | -0- | -0- | -0- | -0- |
| PARTTIME  |     |     |     |     |     |     |
| TEMPORARY |     |     |     |     |     |     |

**ANALYSIS:** Attach a separate page if necessary.

Prepared by: John L. George, Director  
 Division: Division of Insurance

Phone: 465-2515  
 Date: March 19, 1986

Approved by Commissioner: [Signature]  
 Agency: Commerce and Economic Development

Date: March 19, 1986

Distribution (by Agency preparing fiscal note):

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

APR 3 1986

ARTHUR R. RORAFF, D.D.S., M.S.  
DIPLOMATE, AMERICAN BOARD OF PROSTHODONTICS  
FELLOW, AMERICAN COLLEGE OF PROSTHODONTISTS

March 25, 1986

Senator Fred Zharoff:  
Senate Labor and Commerce Committee  
Room 121 Capitol  
Juneau, Alaska 99811

RE: Senate Bill #437, "An Act relating to the practice of dentistry"

Dear Senator Zharoff:

I believe this bill will cause irreversible harm to the health of many Alaskans. Some of this harm will occur over a period of years, caused by people with insufficient knowledge and skill to evaluate, plan, and provide an adequate health care service.

As the only Diplomate of the American Board of Prosthodontics in private practice in Alaska, a specialist in denture services for over 25 years, and a dentist for over 30 years, I am strongly opposed to this bill for the following reasons:

1. Excellent denture service is already being provided by an abundance of available, fully qualified, well-trained, licensed dentists practicing in Alaska.
2. Senior citizens requiring denture services almost always present complicating geriatric problems which necessitate special care and treatment.

In conjunction with my position as an Associate Director, Dental Programs, at Anchorage Community College, it is my privilege to examine patients who request care through Mabel T. Caverly Senior Citizen Center. I estimate about 80% of these patients require prosthodontic care; most of this prosthodontic care is so difficult and complicated it would challenge advanced graduate students in leading dental colleges. Much of this required care that I observe needs to be accomplished in a team with other specialists, including physicians, and all other dental specialists. Many require corrective surgery for problems caused by old dentures. These patients have special problems which cannot be treated by laboratory technicians, or anyone with minimal training. Incidentally, my time for these services at Anchorage Community College is being provided free.

3. The courses to provide denture service taken by dentists during dental school are the minimum considered necessary.

The long dental school curriculum is designed to provide sufficient education so a doctor can safely and reliably treat routine patients. This curriculum not only includes many intense pre-dental school basic science requirements, but also two years of preclinical physiologic sciences in dental school, many times in the same classes with medical students. And only then, with this understanding and knowledge, do dental students begin treating patients under supervision.

4. The clinical care of prosthodontic patients is far different and exceedingly more complex than the laboratory procedures; the relatively routine laboratory phase of denture construction must not be confused with the far more complex clinical phases.

Each prosthodontic patient has a great variation in individual problems, and there are many scientific methods and concepts from which the dentist selects to address them. Not only must this evaluation and treatment plan be accomplished, but each step of treatment must be precisely executed with skill, care, and judgment. Even dental specialists, with ten or more years of college education, realize this on a daily basis. People who believe that complete dentures are constructed by making a simple impression, then forwarding it to a laboratory for the remaining procedures of construction, have not been told the truth. Anyone attempting to convey the concept that a laboratory technician, or "denturist," is adequately trained to provide clinical prosthodontic care is guilty of a cruel hoax.

5. My experience in clinical prosthodontics strongly indicates that we do not need more providers with even less experience than dentists, but more dentists with more advanced training and experience.

The passage of this bill would be a big step backwards in this age of rapid scientific and high-tech progress. It would not update anything, but rather eliminate the requirement to utilize basic medical knowledge.

6. Certified Dental Technicians, and other dental laboratory technicians, have for years provided an excellent service to all Alaskans through and under the authorizations of licensed dentists.

Nearly all dental laboratory technicians serve dental health very conscientiously, but recognize they are not qualified to safely and competently treat patients. The laboratory technician works with a knowledge of dental materials, laboratory instruments, and artistic concepts in support of a prescription and authorization of a dentist.

The American Dental Association approves of the program of education, experience, and testing necessary to become a Certified Dental Technician. However, these technicians are not qualified to evaluate, diagnose, treat, or directly provide care for patients. In general, this group opposes "denturism." Actually, anyone can become a non-certified dental laboratory technician without any course, training, or license at all. Not even a high school diploma is required!

7. "Denturist," "denturism," and "denturity" are words fabricated by a small group of dental laboratory technicians without a dental degree or license, who desire to independently and directly treat patients without the supervision of established laws, or proven professional dental standards.

Some "denturists" have gained trial-and-error, on-the-job training somewhere, sometimes by illegally practicing dentistry. This is an obsolete professional education system similar to the preceptorships utilized a hundred or more years ago to train dentists. Courses that some "denturists" profess to have taken are short, elementary, and academically inferior to nursing school programs.

ARTHUR R. RORAFF, D.D.S., M.S.  
DIPLOMATE, AMERICAN BOARD OF PROSTHOJONICS  
FELLOW, AMERICAN COLLEGE OF PROSTHODONTISTS

8. Neither the American Dental Association, nor any of it's affiliated societies, recognize, approve, examine, or accredit any "denturist" organization, group, school, or individual.

No one is "board certified by the American Dental Association" because the Association does not issue any such certificates.

The American Academy of Denturity is of questionable credentials because I have yet to find anyone who has heard of it.

Any schools of "denturity," if any exist, are of questionable nature because there is no one to examine their credentials, or certify their programs.

9. "Denturity" and "denturism" are being promoted purely under the innuendo and mirage of economic advantage for the people of Alaska.

Consumer and access-advocacy groups sometimes comment "We can't afford dentists because they charge so much." Most likely this attitude occurs because many patients are not aware of the complexities of modern dental care, not aware of what happens "behind the scenes," and not aware of the great overhead expense. The fact is that anyone providing prosthodontic services will have the same overhead --- utilities, rent, salaries, supplies, etc.--- which consume the major portion of a gross income. Therefore, it is not likely that consumer cost can be any different under "denturism," unless the proponents of this bill advocate either providing substandard care, or donating services with minimal net income.

Despite denture service fees that are considered high by many lay people, there are numerous general dentists, even with all their excellent education, who prefer not to treat edentulous patients in their practices. This is solely because the challenges and complexities of complete denture care and treatment frequently make it financially unrewarding, or at least unpredictable. With that as a fact, it makes no sense whatsoever to delegate denture treatment problems to a person with pathetically little education in patient health care.

10. A removable partial denture can rarely be properly designed and constructed without altering the shape of soft tissue or tooth structure.

"Denturists" must not and cannot alter or cut teeth or soft tissue. Therefore, it can only be concluded "denturists" intend to routinely provide removable partial dentures which are inadequately designed and prepared.

The above views are my own opinions, gained from experience in the practice of prosthodontics. I believe they are essentially correct information, and serve as a guide to help retain good dental and general health for Alaskans.

Thank you.

Sincerely,

  
Arthur R. Roraff, D.D.S., M.S.

MAR 10 1986

```

*****
*
* DELIVER TO: JPOM
*
* ORIGINAL
* SENT:          03/07/86  TIME: 14:30
* FROM:          JEAN MILLER
* SUBJECT:       POM
* PRINT DATE:   03/07/86  TIME: 14:30
*
*****

```

4

TO: SENATORS KERTTULA, ZHAROFF AND FAHRENKAMP

FROM: DR. BELTON S. STEPHENS  
 1020 WEST FIREWEED  
 ANCHORAGE, AK 99503      PHONE: 279-5481

SUBJECT: SB 437 - DENTURISM

I WISH TO EMPHATICALLY PROTEST THE PASSAGE OF SB 437 WHICH DEALS WITH DENTURIST LICENSING. EVEN THOUGH I, AS A MEMBER OF THE DENTAL COMMUNITY, AM AN ORAL SURGEON AND DO NOT MAKE DENTURES, I FEEL THAT TO PERMIT POORLY TRAINED LABORATORY TECHNICIANS WOULD BE VERY HARMFUL TO THE POPULATION AS A WHOLE.

U  
 0  
 1

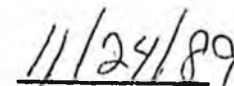




# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

  
Signature of Camera Operator

  
Date

S B

4 4 2

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

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: SB 442  
 Title: "An Act relating to . . .  
 . . . line insurance"

Sponsor: Senator Eliason  
 Requester: Senator Zharoff  
 Date of Request: 3/6/86

**FISCAL DETAIL**

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

Components: Operations

**EXPENDITURES / REVENUES : (Thousands of Dollars)**

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

|         |  |     |     |     |     |     |
|---------|--|-----|-----|-----|-----|-----|
| CAPITAL |  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|---------|--|-----|-----|-----|-----|-----|

|         |  |     |     |     |     |     |
|---------|--|-----|-----|-----|-----|-----|
| REVENUE |  | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|---------|--|-----|-----|-----|-----|-----|

**FUNDING: (Thousands of dollars)**

|               |  |       |     |     |     |     |
|---------------|--|-------|-----|-----|-----|-----|
| GENERAL FUND  |  | 104.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| FEDERAL FUNDS |  |       |     |     |     |     |
| OTHER         |  |       |     |     |     |     |
| <b>TOTAL</b>  |  | 104.0 | 0.0 | 0.0 | 0.0 | 0.0 |

**POSITIONS:**

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

**ANALYSIS:** Attach a separate page if necessary.

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

Prepared by: Paul Troeh, Deputy Director  
 Division: Insurance

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

Approved by Commissioner: G. Gregory Baka  
 Agency: Commerce and Economic Development

Date: 3/7/86

**Distribution (by Agency preparing fiscal note):**

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

## CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 442

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



**STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
BILL ANALYSIS**

|  |                       |   |                            |
|--|-----------------------|---|----------------------------|
| DEPARTMENT<br>Commerce & Econ. Dev.                | DIVISION<br>Insurance | BILL NUMBER<br>SB 442   | SPONSOR<br>Senator Eliason |
| DEPARTMENT POSITION<br><br>In favor (with funding) |                       |   |                            |
| PREPARED BY<br>Paul Troeh, Deputy Director         | DATE                  | COMMISSIONER'S SIGNATURE<br><i>G. J. Baker, Deputy Commissioner</i> | DATE<br>3/07/86            |

**SUMMARY**

|  |   |
|--|---|
| OTHER AGENCIES AFFECTED BY BILL<br><br>(Business Loan, Accounting and Collections)           | CONSTITUENT GROUP(S) AFFECTED BY BILL<br><br>Fishing Industry |
| ORGANIZATIONAL SUPPORT FOR BILL<br><br>Commercial Fishing Industry<br>Financial Institutions | ORGANIZATIONAL OPPOSITION TO BILL<br><br>None known           |

FISCAL IMPACT:       NONE                       FISCAL NOTE ATTACHED

**BACKGROUND/LEGISLATIVE INTENT**

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

**ANALYSIS OF BILL/PROGRAM EFFECTS**

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

**AMENDMENTS PROPOSED**

None.

3649W3786a

PLEASE ATTACH A SEPARATE SHEET FOR ADDITIONAL COMMENTS OR ANALYSIS.

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

*active Finance*

*Paul True*  
*Jed Cochran*

1 IN THE SENATE

2

SENATE BILL NO. 442

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FOURTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

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

9

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

10

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

20

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

21

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

28

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

29

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



BY ELIASON

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

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

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

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

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

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

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

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

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

19 (2) obtaining reinsurers for the reciprocal insurer;

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

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

24 (5) managing the reciprocal insurer.

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

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

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

1 (5) "insolvent insurer" means an insurer

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

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

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

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

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

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

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



# North Pacific Fisheries Association, Inc.

---

---

HEADQUARTERS:

BOX 796 • HOMER ALASKA 99603

March 6, 1986

MAR 12 1986

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

Dear Fred:

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

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

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

Sincerely,

  
Phil McCrudden

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

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

CHAIRMAN'S INFORMATION: SB 442

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

FISCAL NOTE: 104.0

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



Official Business

# Alaska State Legislature

## Senate

### Committee on Labor & Commerce

Pouch V  
State Capitol  
Juneau, Alaska 99811

SB 442: Sectional Analysis:

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

by Clark Miller

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

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

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

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

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

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



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

## Safety Conference Pinpoints Problems

*Solutions more elusive*

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

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

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

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

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

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

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

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

Back-up Information

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

When introducing the conference—what he called a "three-ring circus" of safety subjects—moderator John Sabella, 220-

level for fishermen is extra-

12.

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

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

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

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

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

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

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

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

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



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

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

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

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

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

## DRINK FRESH WATER FROM THE SEA

Watermakers: we handle both types. We can help you choose.

### MAXIM EVAPORATORS VS. REVER

**Operation:** Uses waste heat from jacket water of main or auxiliary engines, evaporating seawater by boiling under a vacuum (11.30") then condensing vapor by cooling with incoming cool seawater. System operated automatically.

**Operation:** High pressure evaporates salt seawater.

**Advantages:** Given sufficient heat balance, operation is relatively simple and trouble free. Units operate in virtually any seawater conditions, even when contaminated with oil or dirt. No filters are needed. Little maintenance. Energy costs only for running distillate and seawater pumps. Most efficient in cold seawater conditions.

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

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

**Disadvantages:** All improving, membrane limitation of any or production less than 1000 lbs/day. Production requires high water pressure. Expensive installation. Production of perfume.

Fresh Water Quality: Less than 2.52 ppm salts.

Fresh Water Quality

Marvin Company pioneered watermakers in the Northwest 40 years ago. We have been serving the marine industries for over 40 years. We are the longest term agent for watermakers in the world. In applications dictate what equipment—whether the application is for an evaporator or an R/O unit, or a choice between the two. And we have the best units on the market.

Serving the Northwest, Alaskan and Far East marine markets.

## MARVIN COMPANY

4040 23rd W.  
Seattle, WA 98147  
(206) 284-0331

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

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

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

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

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

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

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

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

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

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

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

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

important GM becomes.

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

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

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

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

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

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

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

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

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


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

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

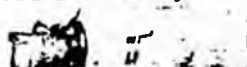
Fisher said he is going to try a new employee contract, something he can use in court if necessary. The prospective crewman will have the chance to inspect the vessel for safety, review the stability book, and question the qualifications of the skipper. He will know what is

See SAFETY on page 23

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



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





Joe Upton

The author at age 3 before "the test."

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

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

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

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

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

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

## SAFETY

continued from page 10

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

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

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

# LUGGER

NEW MODELS, MORE HORSEPOWER AND  
A NEW BROCHURE.

### New Luggar V-8

A 555-horsepower, turbocharged, after-cooled V-8 designed to outperform and outlive any engine in its class. The L-8955A is more fuel efficient, and quieter too.

### New aftercooled six

The new turbocharged, aftercooled 225HP L-6414A combines Luggar's cast-iron toughness and a high horsepower to weight ratio. A combination destined to make it the most popular Luggar ever.

### More low-RPM horsepower

The power output of every Luggar model has been increased between 8 and 9%. Increased without resorting to stressful high-RPM operation. For example, the L-6466A now gives you 310 HP at 2300 RPM.

### New eight-page brochure

So much is new that it took a new brochure to explain it all. Get it free from your Luggar dealer or send the coupon below to: Luggar, Box 70543, Dept N, Seattle, WA 98107 or call (206) 789-3880.

LUGGER



# Insurance crisis: Fishing in rough seas

## Cancellations increase risks for fishermen

By KIRK McALLISTER

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



Fisherman Russ Barton: Insurance problems spread through industry.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Senate Advisory Council report agrees with that assessment.

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

# Trouble snags fishing industry co

By KEN FRANCKLING  
United Press International

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

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

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

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

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

And he is worried.

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

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

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

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

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

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

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

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

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

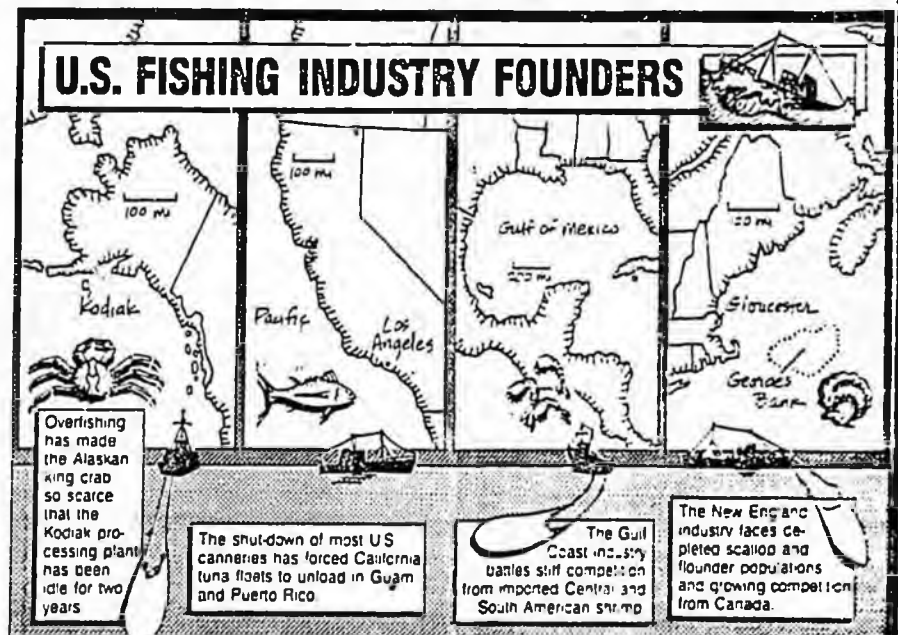
- Foreclosures in the salmon industry have hurt the new insurance market in the north Pacific, while the fishery itself has bounced back to what could be a banner season for the fleet off California, Oregon and Washington.

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

"In all likelihood, it is falling on tough



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



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

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

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

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

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

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

Nearly all companies have stopped insuring

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

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

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

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

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

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

## ast to coast

ford, Mass., Seafood Producers Association.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Anchorage Daily News

VOL. XL, NO. 333 90 PAGES

ANCHORAGE, ALASKA, FRIDAY, NOVEMBER 29, 1985

• PRICE 25 CENTS

## Most dangerous job: Commercial fishing

### Death of son drives parents to campaign for safety

By DAVID FOSTER  
The Associated Press

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

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

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

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

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

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

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

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

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

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

See Back Page, COMMERCIAL

### Searchers find no sign of boat or its crewmen

The Associated Press

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

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

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

See Back Page, COAST GUARD

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

Continued from Page A-1

average of 72 boats a year have sunk in the Northwest and Alaska waters, with 108 deaths during the same period.

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

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

Despite the dangers, the Coast Guard does not inspect fishing boats for safety. The agency requires fire extinguishers and life preservers, but can only recommend that boats carry survival suits, life rafts, and emergency radio beacons, which help rescuers home in on a foundering ship.

Peter Barry's boat, the Western Sea, had little safety equipment, officials say. The 58-foot, wood-hulled sloop was built in 1915. It carried no life raft, and the crew wore only life preservers,

### Coast Guard search for boat, crewmen yields no trace

Continued from Page A-1

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

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

heard from since, said Coast Guard spokesman Glenn Rosenholm.

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

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

20-foot seas, but was unable to confirm the report, Coast Guard spokesman Glenn Rosenholm said.

The Coast Guard was first alerted to the vessel's problems Tuesday morning, when a satellite picked up signals from a position-indicating rescue beacon. Searchers have spotted the beacon each day and have left it in the water to get an idea of where currents might have taken crew members or debris from the ship.

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

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

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

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

Piche says. "We can try to legislate safety, but if fishermen become aware of safety, it will work better."

To that end, Piche's task force recently published a series of guidelines for vessel stability, radio and navigation equipment, fire protection, life-saving equipment, and shipboard wiring and machinery.

The task force is working with a group of Bering Sea fishermen to translate those technical bulletins into more understandable terms. A safety guide to be published next spring will be a model for guides in other fishing areas, Piche says.

Such guidelines, in the hands of insurance compa-

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

"They've lost a lot of credibility because of their safety record," Piche says.

Fishermen are quick to say it's not their fault the ocean is dangerous.

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

The sometimes-marginal

fishermen weather the insurance storm, but legislators are predicting some kind of bill by spring.

"We feel like we're getting somewhere," Piche says.

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

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

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

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



# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James A. Smith  
Signature of Camera Operator

11/24/89  
Date

S B

4 4 3

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

Revision Date: \_\_\_\_\_

**REQUEST**

Bill/Resolution No.: SB 443  
 Title: Concerning the monthly re-  
 ports of surplus lines insurance  
 brokers.  
 Sponsor: Halford  
 Requester: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected: Commerce & Economic Development  
 BRU: Insurance  
 Components: Public Protection

**EXPENDITURES / REVENUES : (Thousands of Dollars)**

| OPERATING         | FY 86 | FY 87 | FY 88 | FY 89 | FY 90 | FY 91 |
|-------------------|-------|-------|-------|-------|-------|-------|
| PERSONAL SERVICES |       |       |       |       |       |       |
| TRAVEL            |       |       |       |       |       |       |
| CONTRACTUAL       |       |       |       |       |       |       |
| SUPPLIES          |       |       |       |       |       |       |
| EQUIPMENT         |       |       |       |       |       |       |
| LAND & STRUCTURES |       |       |       |       |       |       |
| GRANTS, CLAIMS    |       |       |       |       |       |       |
| MISCELLANEOUS     |       |       |       |       |       |       |
| TOTAL OPERATING   | -0-   | -0-   | -0-   | -0-   | -0-   | -0-   |

|         |     |     |     |     |     |     |
|---------|-----|-----|-----|-----|-----|-----|
| CAPITAL | -0- | -0- | -0- | -0- | -0- | -0- |
|---------|-----|-----|-----|-----|-----|-----|

|         |     |     |     |     |     |     |
|---------|-----|-----|-----|-----|-----|-----|
| REVENUE | -0- | -0- | -0- | -0- | -0- | -0- |
|---------|-----|-----|-----|-----|-----|-----|

**FUNDING: (Thousands of dollars)**

|               |     |     |     |     |     |     |
|---------------|-----|-----|-----|-----|-----|-----|
| GENERAL FUND  |     |     |     |     |     |     |
| FEDERAL FUNDS |     |     |     |     |     |     |
| OTHER         |     |     |     |     |     |     |
| TOTAL         | -0- | -0- | -0- | -0- | -0- | -0- |

**POSITIONS:**

|           |     |     |     |     |     |     |
|-----------|-----|-----|-----|-----|-----|-----|
| FULL-TIME | -0- | -0- | -0- | -0- | -0- | -0- |
| PART-TIME |     |     |     |     |     |     |
| TEMPORARY |     |     |     |     |     |     |

**ANALYSIS:** Attach a separate page if necessary.

Prepared by: John L. George, Director  
 Division: Division of Insurance  
 Approved by Commissioner: Lowell S. Lowinsky  
 Agency: Commerce and Economic Development

Phone: 465-2515  
 Date: April 9, 1986  
 Date: April 9, 1986

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget



Official Business

# Alaska State Legislature

Senate

Committee on Labor & Commerce

Pouch V  
State Capitol  
Juneau, Alaska 99811

SB 443: Summary

This measure expands the reporting requirements imposed on surplus lines insurance brokers, and would require monthly submissions of "loss data" as well as the premium information currently required. The monthly statement required shall be available to the public for inspection.

CHAIRMAN'S INFORMATION: SB 443

- 1) BILL TITLE: " An act concerning the monthly reports of surplus lines insurance brokers."
  - a) Introduced: Sen Halford
  - b) Co-sponsors:
- 2) INTENT: This measure expands the monthly reporting requirements imposed on surplus lines brokers, by requiring submission of "loss data" as well as the premium information currently required. The required monthly report shall also be available to the public for inspection.

FISCAL NOTE: 0

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

SB 443: "An Act concerning the monthly reports of surplus lines insurance brokers."

This legislation requires that the monthly report required to be filed by surplus lines insurance brokers each month include loss information in addition to the premium information provided.

The surplus lines market is the nonadmitted market which, historically, has represented a substantial part of Alaska's market for a number of lines of insurance. Principal among these are aviation and marine coverages. Because such a large portion of these lines is placed in markets where the information about losses is almost nonexistent, it is difficult to attract markets when the loss data is unavailable. Placements in the surplus markets occur because there is not an admitted market willing or available to write particular coverages.

This market, since it is not subject to direct regulation, is a difficult one from which to draw information concerning underwriting results. What regulation exists is exercised through the licensee placing business in this market. This is true in all states.

While the information sought by this bill is desirable, it will be unverifiable by the division or by the surplus lines broker and, thus, unreliable. The surplus lines broker is at the mercy of the insurer for information about results. Nevertheless, it is better than no information at all. The value of this legislation is that it does send a message to the unregulated market that more data is wanted than is now available, and that attention is focusing on that market. For this reason, we support this legislation.

*Loren H. Lounsbury*  
Loren H. Lounsbury, Commissioner  
Department of Commerce & Economic  
Development

Date: *4/10/86*

*John L. George*  
John L. George, Director of Insurance

Date: *4/10/86*

STATUTES FOR SB 443

AS21.34.170 DOCUMENT

CHAPTER = 21.34

SECTION = 21.34.170

TITLE = 21

HEADINGS TITLE 21.

Insurance.

CHAPTER 34.

Surplus Lines Insurance.

CITATION Sec. 21.34.170.

CATCH LINE

MONTHLY REPORTS, SUMMARY OF EXPORTED BUSINESS.

TEXT On or before the end of each month, each surplus lines broker shall file with the director, on forms prescribed by the director, a verified report in duplicate of all surplus lines insurance transacted during the preceding calendar month showing aggregate gross premiums written and aggregate return premiums by kind of insurance.

HISTORY (Sec. 21 ch 117 SLA 1984)

RO601 \* END OF DOCUMENTS IN LIST - ENTER RETURN OR ANOTHER COMMAND.



# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith  
Signature of Camera Operator

11/24/89  
Date

S B

4 4 4

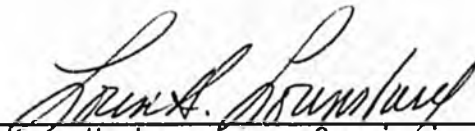
SB 444: "An Act relating to civil actions; and amending Alaska Rules of Civil Procedure 49 and 58; and providing for an effective date."

This bill is focused on a variety of tort reforms. The position of the department on these issues is neutral.

This bill has an impact on the Division of Insurance. The division would be required to adopt regulations under this legislation to determine which insurers, self insurers, plans, or arrangements are financially qualified to provide security under the section dealing with security for payment of annuity, and to designate those entities as qualified insurers. This requires a fiscal impact and places the division in the position of making regulatory judgments concerning entities that it doe, not regulate. The entire expense can be avoided, as well as the conflict avoided, by using a slightly different approach to Sec. 09.30.480, which changes the fiscal impact to \$0.

On Page 7, replace lines 9 - 14 with the following:

Sec. 09.30.480. ELIGIBLE SECURITIES FOR PAYMENT OF ANNUITY. A governmental entity with taxing authority, or an insurer authorized under AS 21.09 by the Director of Insurance to sell annuities, is qualified to provide the security required under AS 09.30.430.

  
Loren H. Lounsbury, Commissioner  
Department of Commerce and Economic  
Development

Date: 3/4/86

  
John L. George, Director of Insurance

Date: 3/2/86



# RECORDS CERTIFICATION

I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James A. Smith  
Signature of Camera Operator

11/24/89  
Date

S B

4 4 5

MAR 11 1986


## Senator Vic Fischer

Alaska State Legislature • P.O. Box V • Juneau, Alaska 99811 • (907) 465-4954



### M E M O R A N D U M

To: Senator Fred Zharoff, Chair  
Labor and Commerce Committee

From: Senator Vic Fischer 

Re: Request for hearing SB 444, SB 445, and SCR 35

Dt: March 10, 1986

Attached is a file of background information on SB 444, SB 445, and SCR 35 relating to insurance. I'd appreciate your scheduling all three bills for a hearing before the Labor and Commerce Committee at your earliest convenience.

SB 445 proposes changes in requirements of how the insurance industry operates and provides for a multi-state reinsurance compact with other states.

SB 444 proposes three changes in torts, including a cap on non-economic awards, sliding scale for plaintiff's attorney fees and a periodic payment schedule.

SCR 35 is directed at the need for federal oversight of the insurance industry. The resolution requests the Governor to work with other states to get federal action and reconsideration of the current exemption from federal antitrust laws. The resolution also requests that the Governor look into establishing a state or multistate reinsurance pool.

Please contact me or my staff should you have any questions or need additional information.



## Senator Vic Fischer

---

Alaska State Legislature  
Pouch V • Juneau, Alaska 99811 • (907) 465-4954

TO: Interested Parties

RE: Omnibus Insurance Reform bills; SB 444, SB 445, and  
SCR 35.

DT: February 18, 1986

---

Today I introduced two bills and a resolution designed to provide Alaskans relief from the insurance crisis.

Many Alaskans are facing crises in cost and availability of general liability insurance. Municipalities, health care providers, architects, engineers, fishermen, truckers, and others from around the state are appealing to legislators to solve the problem.

There is no single or simple solution to the insurance crisis. That can only come about through a combination of state and federal administrative oversight and regulations, development of alternative insurance mechanisms, and changes in the torts. (A tort is a wrong against a person or thing. It is an injury or damage, for which civil action can be brought). In addition, the basic manner in which the insurance industry manages its resources and investments needs to be improved.

The legislation takes an omnibus approach: The bills offer a combination of proposals covering the rights of the insured, roles and duties of Alaska's Division of Insurance, and operation of the insurance industry in the state. The resolution is directed at broader issues of national concern.

SB 445 proposes a number of changes in the way Alaska regulates the insurance industry:

- \* The Division of Insurance is to hire an actuary. An actuary uses statistics to calculate risks and premiums for insurance. An Alaska based actuary would provide local data on industry

needs and fairness of insurance coverage

- \* A consumer advocate section is established in the Division of Insurance. Currently, the Division of Insurance provides consumer assistance on a time available basis. The advocate's responsibility would be to represent the rights and interests of the insured during performance of the divisions duties

The cost of the advocate section would be covered by licenses, fees, and taxes collected by the division from insurance companies operating in the state

- \* An arms-length relationship is required between the Division of Insurance and the Insurance industry
- \* Director of the Division of Insurance is to report on tort awards, status of market assistance plans, and data from insurers on their Alaska operations for 1975-1985
- \* The Division of Insurance is to provide a report by January 1987, on the status of Alaska's insurance problem and list of the division's needs to fulfill its duties
- \* Cancellation of insurance is prohibited except for nonpayment of premium
- \* 60 days prenotification is required in case of nonrenewal
- \* A hearing on rate filing increases of 25% or more must be conducted by the Division of Insurance

SB 444 proposes three changes in torts:

- \* A \$500,000 cap is placed on non-economic awards for general liability cases
- \* A sliding scale is established for plaintiff's attorney fees
- \* Periodic payments are to be made to claimants over 10 years and a bond is required to guarantee that if a company goes out of business an award will still be paid

\*

\*

\*

SCR 35 requests the Governor to work with the US Congress, the federal administration, and other states to:

- \* Eliminate the current insurance industry exemption from anti-trust laws, and
- \* Look into national regulation of the insurance industry
- \* Establish national and multistate reinsurance arrangements

In 1945 the US Congress exempted insurance companies from federal antitrust laws, therefore regulation of the insurance industry is left to the states. National and multinational corporations constitute the insurance industry. These conglomerates operate in a world wide arena. The national and multinational aspects of the insurance crisis need to be addressed by Congress and the federal administration.

This legislation is, of course, only part of the total effort required to resolve the insurance crisis. Bills pending in the Legislature would establish insurance pools for high risk insurance markets. Such pools need to be supplemented by joint efforts with other states for reinsurance. Reinsurance is used by a company to cover capital for policies written beyond its means. The reinsurance companies are backing away from the market and leaving national and local companies without the capital necessary to cover their costs. Multi-state or national reinsurance would provide insurance companies with protection against major losses that cannot be covered by the companies themselves.

A handwritten signature or set of initials, possibly 'HJ', written in dark ink. The signature is stylized and somewhat abstract, with several overlapping lines.

## Senator Vic Fischer

Alaska State Legislature • P.O. Box V • Juneau, Alaska 99811 • (907) 465-4954



TO: Interested Parties  
FR: Senator Vic Fischer  
RE: Sponsor Substitute to SB 445; establishing a  
Multi-state reinsurance compact.  
DT: March 7, 1986

---

The sponsor substitute for SB 445 introduced today adds provisions for a multi-state reinsurance compact to the original bill that deals with the way Alaska regulates the insurance industry.

The compact would:

- \* establish an Interstate Reinsurance Commission, consisting of three resident members from each compacting state, as an agency and corporate body of each compacting state

- \* establish a reinsurance fund made up of money contributed to it by compacting states and premiums paid for reinsurance coverage

- \* require that a study be conducted on the need for insurance and reinsurance in the participating states, the resources for meeting the needs, and the long-range effects of the compact on the availability of insurance rates that are not excessive; study results would be used by the Commission in determining who to provide reinsurance to.

- \* provide the Commission with authority to draft uniform legislation dealing with problems of insurance availability in the compacting states

Compacts between Alaska and other states are fairly common. The state is a member of interstate compacts for education, crime, public advocacy, radio active waste management, placement of children, and tax collection

The reinsurance compact would fill a major void in the current insurance situation and would complement other measures being considered by the legislature. Many companies

operating locally have declined to renew insurance policies because they are unable to get reinsurance -- insurance bought to cover insurance transactions of the insurance companies.

In response to the problem of obtaining reinsurance, a few bills have been introduced in the House that would establish a state reinsurance pool. A problem with an independent Alaska pool is that the state may not have sufficient population and funds to support a reinsurance pool. However, if Alaska were to combine resources with other states, a state reinsurance program might be possible - and one of the major problems insureds are facing might be resolved.

With this addition, SSSB 445 proposes that:

- \* an actuary be hired by the Division of Insurance to calculate risks and premiums for the Alaska insurance market

- \* a public advocate section be established in the Division of Insurance to represent the rights and interests of the insured during performance of the divisions duties

- \* the Division of Insurance maintain an arms length relationship with the Industry

- \* the Division of Insurance report on the Alaska insurance market, the status of the problem, and the division's needs to fulfill its duties

- \* cancellation of insurance premiums be prohibited except for nonpayment of premiums

- \* 60 days notice be required before a policy is denied

- \* the Division of Insurance be required to conduct a hearing for rate filing increases of 25% or more

In February, I also introduced SB 444 that proposes three changes in the torts, and SCR 35 that addresses national and interstate solutions. When combined, these bills provide a comprehensive package directed at the major components of the insurance crisis.



# RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original records after microfilm reproductions have been made.

James O. Smith  
Signature of Camera Operator

11/24/89  
Date

S B

4 5 5



1985-1986  
ALASKA STATE LEGISLATIVE COMMITTEE

CHAIRMAN  
Mr. John E. Dapcevich  
Box 1081  
Sitka, AK 99835  
(907) 747-8383

VICE CHAIRMAN  
Ms. Lee McAnerney  
P.O. Box 406  
Seward, AK 99664  
(907) 224-3090

SECRETARY  
Ms. June A. Robinette  
P.O. Box 870797  
Wasilla, AK 99687  
(907) 376-2092

FEB 25 1986

February 23, 1986

Senator Fred F. Zharoff  
Chairman, Senate Labor & Commerce  
Committee  
Pouch V  
Juneau, Ak. 99811

Dear Senator Zharoff:

Senator Eliason's office called and informed me that the "55 and Alive" bill was recently introduced in your committee.

The American Association of Retired Persons, which represents over 20 million members nationally and 20,914 in the State of Alaska, heartily endorse passage of the legislation.

Anything you can do as chairman to pass this out of your committee with a "Do Pass" recommendation will be greatly appreciated.

Sincerely,

A handwritten signature in dark ink, appearing to read "John E. Dapcevich", is written over a circular stamp or mark.

John E. Dapcevich  
Chairman

cc: Senator Eliason

**AARP**



**R E C E I V E D**

FEB 10 REC'D

1984

**OLDER ALASKANS COMMISSION**

A Bill to be Entitled

1 An act to provide that any rates, rating schedules, or rating manuals  
2 for the liability, personal injury protection, and collision cover-  
3 ages of a motor vehicle insurance policy submitted to or filed with  
4 the Insurance Commissioner shall provide for an appropriate reduction  
5 in premium charges, determined by the individual insurer, as to such  
6 coverages when the principal operator on the covered vehicle is an  
7 insured 55 years of age and older for a three year period after suc-  
8 cessfully completing a motor vehicle accident prevention course approved  
9 by the Department of Motor Vehicles.

10  
11 Be it Enacted by the Legislature of the State of

12  
13 Section 1. Any rates, rating schedules, or rating manuals for the  
14 liability, personal injury protection, and collision coverages of a  
15 motor vehicle insurance policy submitted to or filed with the Insurance  
16 Commissioner shall provide for an appropriate reduction in premium  
17 charges as to such coverages when the principal operator on the covered  
18 vehicle is an insured 55 years of age and older for a three year period  
19 after successfully completing a motor vehicle accident prevention  
20 course approved by the Department of Motor Vehicles. Any discount used  
21 by an insurer shall be presumed appropriate unless credible data demon-  
22 strates otherwise.

23  
24 Section 2. The premium reduction required by this section shall be  
25 effective for an insured for a three year period after successful  
26 completion of the approved course, except that the insurer may require,  
27 as a condition of providing and maintaining the discount, that the  
28 insured:

- 29 (a) Not be involved in an accident for which the insured is at fault;  
30  
31 (b) Not be convicted, plead guilty or nolo contendere to a moving  
32 traffic violation, or to a traffic related alcohol or narcotics offense;  
33 and  
34 (c) Have maintained a driving record free of violations and liable  
35 accidents for a three year period prior to course completion;

36  
37  
38  
39  
40 Section 3. Upon successfully completing the approved course, each  
41 person shall be issued a certificate by the organization offering the  
42 course which shall be used to qualify for the premium discount  
43 required by this section.

44  
45 Section 4. This section shall not apply in the event the approved  
46 course is taken as punishment specified by a court or other govern-  
47 mental entity resulting from a moving traffic violation.

48  
49 Section 5, Each participant shall take an approved course every three  
50 years to continue to be eligible for the reduction in premiums.

## Position Paper

### Automobile Insurance Discount

The State Legislative Committee of the American Association of Retired Persons proposes that legislative steps be taken to reduce automobile insurance premiums for motor vehicle operators age 55 and older who complete a state-approved driver education course.

Rationale: Motor vehicle operators age 55 and older are a unique population and have specific physiological considerations and driving problems. How do these individuals compare with age brackets in safe driving practice and incidence of accidents?

In order to obtain an accurate picture it is not enough to consider only age and number of accidents, its necessary to factor in the annual number of miles driven per year. Research shows that the number of annual miles driven by motor vehicle operators begins to decline significantly after age 55. Therefore, an important consideration with regard to the safe driving practices and abilities of older persons is the criteria used to determine accident involvement statistics.

The record of the older driver is good when calculated on the basis of accidents per driver. When the same figures are examined on the basis of miles driven annually, a different picture emerges. This more significant and meaningful statistic highlights the urgent need for corrective measures to re-educate older drivers.

Because older persons drive fewer miles, corrections must be made for driving exposure. When this factor is included in accident involvement rates, and the involvement per exposure is determined, a U-shaped curve of accidents versus age results. Violation and accident rates per mile are higher for the youngest and oldest drivers and lower for those in the middle ranges. Although one can quibble over the exact placement of the curve, a general "U" configuration has emerged in every major study undertaken during the past 10 years.

The National Safety Council reports that when the number of miles driven is taken into account, drivers age 55 and over have a poorer accident record than drivers in their middle years.

The U. S. Department of Transportation identifies the older driver as being age 60 and older and in a group which requires special consideration in the development of driver improvement training procedures. The National Highway Safety Forecast points out that the older driver is adjudged at fault more than middle aged drivers, and due to the population age shifting currently underway in America, is perhaps one of the fastest growing highway safety problem areas.

Older drivers have problems when involved in driving situations requiring quick response, full vision and interaction with other drivers. Typical violations include failure to yield right-of-way, improper turning, incorrect lane changing, passing, and entering and leaving expressways.

The older driver learned to drive during the first forty years of this century, well before the advent of formal driver education programs in the public school systems. The older driver that has completed a formal driver training course is the exception rather than the rule.

These individuals may experience physical changes which affect driving abilities and attitudes. People age at different rates, so age alone is not a fair criterion for determining driving competence. There is no question, however, that driving ability can be affected by the aging process. The gradual failure of sensory acuity associated with aging reduces the quantity and accuracy of information capable of being processed. This reduces the ability of the individual to respond or react to his environment with the speed and judgment current traffic often requires.

Eighty-five to ninety percent of all sensory input needed to drive comes via the eye. Unfortunately, as one ages the need for more illumination increases, glare sensitivity rises, dark adaptation lessens, and peripheral vision narrows. Hearing loss also presents problems for older drivers. It is also broadly accepted that as one ages muscles tend to weaken or atrophy.

Primary Objective: By passage of this legislation, will create an economic incentive for older drivers to take a driver improvement course and thereby improve their driving capabilities. This reduces their chances of accident and accident claim filings, and creates a safer driving environment for all. Notably, the proposed legislation brings this about without cost to the state.

The older driver earns the driver improvement discount by taking a positive, preventive step. This incentive discount is given in addition to any other marketing discounts, such as for non-smokers, seat-belt wearers, those reaching a certain age, etc.

The automobile insurance industry writes policies on accidents per age group, and thus considers older drivers to be a reduced risk because of the fewer miles that they drive. In fact, some insurance companies reduce premiums for drivers after age 55 or 65, much the same as they do for drivers after age 25. The issue is not whether some automobile insurance companies may or may not reduce rates for older drivers as a marketing tool. The primary issue is reducing accidents per mile involving drivers age 55 and older.

Action in other states: Legislation has been enacted in 16 states and the District of Columbia which require all automobile insurance companies conducting business in those states to provide a premium reduction to graduates of state-approved driver improvement courses. The list now includes:

| <u>State</u> | <u>Discount</u>                           | <u>Age</u> | <u>Effective Date</u> |
|--------------|---|------------|-----------------------|
| AR           | Approp. 5-20%                             | 55+        | 1981                  |
| CT           | Approp. Min. 5%                           | 62+        | 1983                  |
| DE           | 10% on liab. & personal injury protection | 16+        | 1982                  |
| DC           | Approp. 5-10%                             | 55+        | 1985                  |
| FL           | Approp. reduction                         | 65+        | 1986                  |
| KY           | Approp. reduction                         | 55+        | 1984                  |

| <u>State</u> | <u>Discount</u>              | <u>Age</u> | <u>Effective Date</u> |
|--------------|------------------------------|------------|-----------------------|
| IL           | Approp. 5-10%                | 55+        | 1982                  |
| LA           | Approp. 5-10%                | 55+        | 1984                  |
| MN           | Approp. reduction            | 65+        | 1985                  |
| ND           | Approp. 8-10%                | 55+        | 1983                  |
| NY           | Min. 10% on liability        | 16+        | 1981                  |
| OK           | Approp. reduction            | 55+        | 1986                  |
| RI           | Approp. reduction            | 55+        | 1984                  |
| TN           | Approp. 8-10%                | 55+        | 1984                  |
| TX           | 10% of premium               | 16+        | 1974                  |
| VA           | Approp. reduction            | 55+        | 1985                  |
| WY           | Not less than 10% of premium | 60+        | 1983                  |

Many other state legislatures are considering this legislation. It is hoped that will add this legislation to its statutes.

CONCERNS AND RESPONSES REGARDING OLDER  
DRIVER DISCOUNT LEGISLATION

Prepared by AARP's State Legislative Committee

- A. CONCERN: Since statistics seem to show drivers age 55 and older among the safest on the road, what is the rationale for legislation that would encourage participation at a driver improvement course?

RESPONSE: The National Safety Council finds that drivers age 55 and older have a poorer accident record, considering the number of miles driven, than do drivers in their middle years. The U. S. Department of Transportation statistics agree: older drivers are at fault more frequently than middle age drivers in accidents and violations reported by law enforcement officials.

It is not enough to consider only age and the number of accidents. From this limited perspective one sees that drivers 55 and older make up 24% of the driving population, yet are involved in only 18% of the accidents. But when driving exposure is considered, measured by the number of miles driven, older drivers have a higher percentage of accidents than their population warrants. Violation and accident rates per mile is higher for the youngest and oldest drivers, and lower for those in the middle range.

Research shows that the aging processes that affect driving generally become significant when persons reach their fifties. The U. S. Department of Transportation recommends that special consideration be given to older drivers when driver improvement courses are developed.

- B. CONCERN: Since a number of driver improvement courses already exist, why aren't older drivers enrolling?

RESPONSE: Older drivers do enroll in driver improvement courses, nationwide and here in . Many more will do so, however, when an economic incentive is available through legislative mandate. Experience in other states that have passed this type of legislation has shown that most people need an economic incentive to actively seek improvement of their driving skills. In of our neighboring states, experience with this legislation and of older drivers are now enrolling there. Should enact this bill, there will be accident claim reductions and fewer injuries and fatalities on our roads as well.

- C. CONCERN: It seems that older drivers are being singled out for special consideration. Isn't this age discrimination? Why not allow drivers of all ages to participate in any mandated insurance incentive program?

## CONCERNS AND RESPONSES

Page Two

RESPONSE: The American Association of Retired Persons is interested in resolving problems of older persons. However, if will pass legislation allowing discounts for all drivers attending driver improvement courses, we would not be opposed. We have been informed by numerous insurance companies and insurance trade associations that they are against legislation involving the younger driver. In fact they have fought against including drivers below age 55 in many states where legislation has been enacted for drivers age 55 and over. This legislation does not establish a special category of drivers in any discriminating sense. It simply recognizes an area of need and provides an incentive to help older drivers and the insurance industry reduce accidents and accident claims.

- D. CONCERN: Many automobile insurance companies already offer discounts for older drivers based on accidents per age group. Would this legislation jeopardize these discounts?

RESPONSE:

Sixteen states and the District of Columbia have already enacted similar legislation. The discount provided to graduates of approved driver improvement courses is the last discount applied. The automobile insurance industry writes policies on accidents per age group and thus considers older drivers a good risk, due to the fewer miles that they drive. In fact, some insurance companies reduce premiums for drivers after age 55 or 65, much the same as they do for drivers after age 25.

The goal of mandated legislation, however, is to provide an incentive discount on automobile insurance premiums that encourages older drivers to take a driver improvement course and to reduce the chances of accidents and claim filings. The driver earns the discount by taking a positive prevention step, unrelated to any other discount.

The discount given graduates of approved driver education courses is given in addition to any other marketing discounts provided to non smokers, seat belt wearers, those reaching a certain age, etc. None of these marketing discounts was dropped when states mandated this legislation.

- E. CONCERN: Would drivers not involved in driver improvement courses have to subsidize the discount provided to those who complete one of the approved courses by paying higher premiums?

RESPONSE: This has not been the case in the other mandated states. In Texas where the insurance discount has been in effect for 10 years, the phrase used by insurance companies is that the discount is "fully earned". Although most states recently enacted this legislation, it is our belief that time will show an accident and violation reduction. The insurance companies will save money due

CONCERNS AND RESPONSES

Page Three

to fewer accident claim filings. As a consequence drivers not participating in the mandated insurance driver improvement program will not pay a higher premium, but will be encouraged by their insurance companies to enroll in a driver improvement course.

- F. CONCERN: Why must the word mandated to be included in the language? Can't the language be changed to allow voluntary participation?

RESPONSE: Any company may provide a voluntary discount at present. Unfortunately, few have chosen to do so. If all are required to participate, insurance companies have said that they would go along.

- G. CONCERN: The legislation includes the term "appropriate reduction" and contains a retake feature. What does this mean?

RESPONSE: The term "appropriate reduction" would allow competition within the insurance industry of \_\_\_\_\_ to set the reduction percentage. In other words, if the bill becomes law, no one would dictate the terms of an "appropriate reduction" to the state's insurance industry. Each company in the state would set its own discount rate and be able to raise or lower the percentage each year based on the accident claims experience of policyholders that graduate from approved driver improvement courses.

Experience in other states with similar legislation has demonstrated the competitiveness of this feature. Companies have selectively increased refresher course discounts as a marketing tool to attract new clients.

The insurance trade associations also feel that any individual graduating from an approved course should retake an approved curriculum every two or three years. This keeps information current, and also refreshes the driver on necessary skills and techniques to remember.

- H. CONCERN: What research is available to prove driver improvement courses work?

RESPONSE: Numerous studies have been conducted on the well known courses, and the results demonstrate effectiveness. It is worth noting that no state has rescinded this type of legislation, and to remember the 10 years' experience in Texas that finds discounts to be "fully earned".

The insurance industry, however, considers these evaluations to be limited tests that do not demonstrate 'statistical significance' in their accident or violation reduction findings. In order to

CONCERNS AND RESPONSES  
Page Four

satisfy the insurance industry, and demonstrate 'statistical significance', an older driver course evaluation must involve 20,000-30,000 students, randomly assigned to a control group that doesn't take the course and a treatment group that completes the course. Both groups need to be followed for a period of time via questionnaires and a sample of Department of Motor Vehicle records must be accessed to validate self report forms. Financially and logistically, this has proved impossible for course developers. The insurance industry has not been willing to initiate a study of this size or to work with course developers.

I. CONCERN: Does AARP make money on its driver improvement course?

RESPONSE: No. AARP actually subsidizes approximately two-thirds of overall program costs, and charges each participant a minimal fee to offset the balance of expenses. Sponsors' purpose behind driver improvement courses, at least for the major well-known programs, is education rather than financial reward. But AARP is not in a position to speak conclusively for other organizations.

J. CONCERN: Why is it that several of the states which have passed this legislation have only a small percentage of eligible drivers participating to date?

RESPONSE: Although approved courses are widely publicized, they need help from the insurance companies to notify potential participants. Automobile insurance companies doing business in \_\_\_\_\_ should be requested to notify their eligible policyholders that the discount can be obtained upon completion of an approved course.

K. CONCERN: How would the legislation be implemented?

RESPONSE: In the proposed legislation, an appropriate state agency is designated to select the courses that will be approved for the mandated insurance discount program. In most states the Department of Motor Vehicles has been selected. Program regulations and guidelines are usually drawn up in consultation with officials of states which have already passed similar legislation.

L. CONCERN: Will this legislation cost the state anything?

RESPONSE: There is no fiscal note for the state.

FOR FURTHER INFORMATION REGARDING THIS PROGRAM WRITE:

AARP  
Traffic & Driver Safety Program  
1909 K Street, N.W.  
Washington, D.C. 20049

Summary Analysis  
55 Alive/Mature  
Driving

Rank Among 52  
Jurisdictions

| AREA    | # of 1983<br>Graduates | # of 1984<br>Graduates | # of 1985<br>Graduates | # + or -<br>1984-1985 | # + or -<br>1984-1985 | Penetration Rate<br>(% Grads to 50+<br>Driver Population) | # Grads | # +/<br>- | # +/<br>% | Penetration |
|---------|------------------------|------------------------|------------------------|-----------------------|-----------------------|---|---------|-----------|-----------|-------------|
| AREA IX | 2,208                  | 3,725                  | 6,212                  | 2,487                 | 678                   | .1128   | 7       | 6         | 6         | 9           |
| AZ      | 871                    | 900                    | 1,461                  | 561                   | 628                   | .2498   | 12      | 21        | 37        | 15          |
| CA      | 1,212                  | 2,661                  | 4,599                  | 1,938                 | 738                   | .0998   | 6       | 6         | 34        | 26          |
| HI      | 113                    | 70                     | 76                     | 6                     | 98                    | .0518   | 47      | 47        | 47        | 35          |
| NV      | 12                     | 94                     | 76                     | -18                   | -198                  | .0438   | 48      | 48        | 50        | 39          |
| AREA X  | 710                    | 1,087                  | 2,973                  | 1,886                 | 1748                  | .1858   | 9       | 9         | 3         | 7           |
| AK      | -                      | 28                     | 128                    | 100                   | 3578                  | .2728   | 44      | 38        | 8         | 13          |
| ID      | 33                     | 19                     | 70                     | 51                    | 2688                  | .0388   | 49      | 41        | 10        | 44          |
| OR      | 130                    | 390                    | 1,165                  | 775                   | 1998                  | .2098   | 15      | 12        | 16        | 17          |
| WA      | 547                    | 650                    | 1,610                  | 960                   | 1488                  | .1978   | 11      | 10        | 25        | 19          |
| TOTAL   | 61,179                 | 60,177                 | 98,941                 | 38,764                | 648                   | .2188   |         |           |           |             |