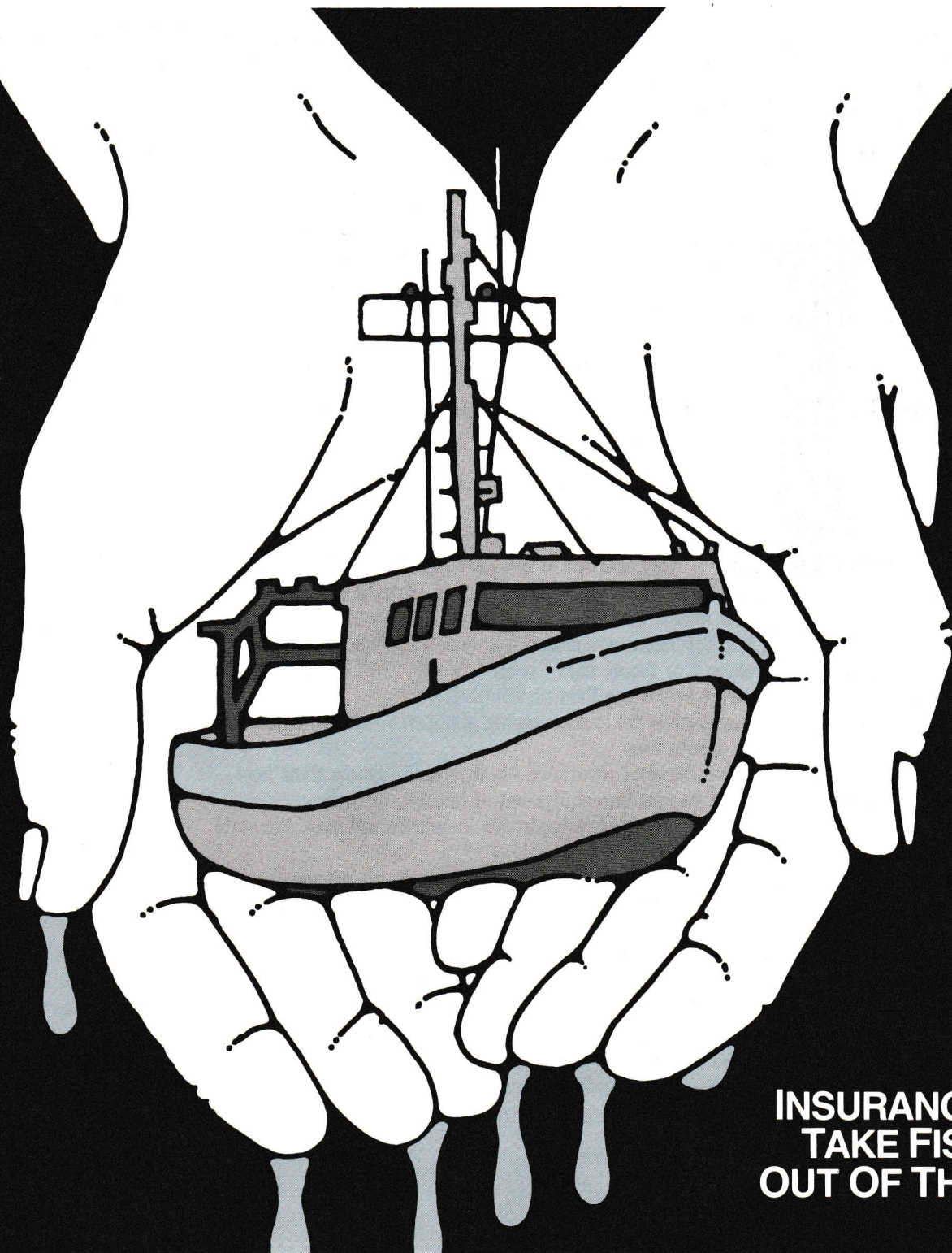


COAST WATCH

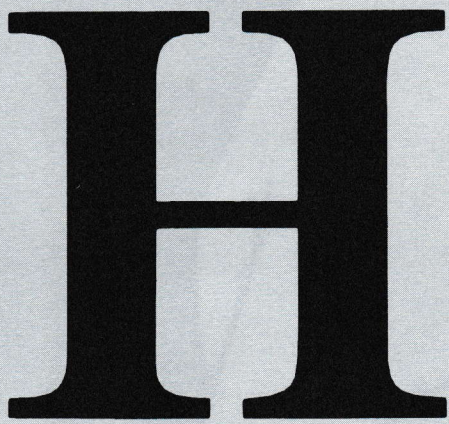


**INSURANCE COSTS
TAKE FISHERMEN
OUT OF THE WATER**

BY NANCY DAVIS

Insurance

FOR COMMERCIAL FISHERMEN WAS EASY TO COME BY IN 1980.

A large, bold, black letter 'H' is centered within a white square box. The 'H' has a thick, blocky font style with a slight shadow effect, giving it a three-dimensional appearance. The box is positioned on the left side of the page, partially overlapping the main text area.

High interest rates lured a lot of firms into the business. And, with all the competition, fishermen paid low premiums. In turn, the insurance companies invested that money, earning the high interest rates.

Everyone was happy.

But within two years, the outlook reversed.

Interest rates fell and the insurance companies began to lose money. At the same time, juries were awarding large liability settlements.

The result?

Many of the insurance companies bailed out, leaving a limited marketplace for fishermen to shop around for their insurance.

Now, insurance rates are sky high, and fishermen are sinking under the burden. Even if a fisherman

can find a company that will insure him, he may not be able to cover the costs.

In the past four years, liability insurance rates for commercial fishermen have increased as much as three or four times, says Glasgow Hicks Jr., of Hanover Excess and Surplus Inc., an insurance brokerage firm in Wilmington.

'A fisherman who was paying \$5,000 is now paying about \$15,000 for a trawler in a matter of a few years,' Hicks says.

Fishermen usually carry two forms of insurance—hull, which insures their boat, and Protection and Indemnity, the marine equivalent of liability insurance.

The rates fishermen pay are affected by cycles in the insurance industry, the state of the fishing industry and the courts.

Gary Buchanan, vice president of Associated Insurers, says the insurance industry has economic cycles. As rates of return on investment go up, insurance rates usually go down.

Now, the industry is in a low-interest rate, high-insurance premium cycle.

There is also a connection between the fishing economy and the insurance losses companies incur, Buchanan says.

When the fishing industry is in a slump, as it is now, there are more accident claims. Fishermen try to save money; they cut back on personnel and skimp on maintenance. As claims go up, so do insurance rates.

P&I rates have risen the fastest and are causing the most problems, insurance agents say.

Consider the Hathaway Winch case, says Duncan Amos, an area fisheries specialist with Sea Grant's Southeast Marine Advisory Service. A fisherman seriously injured by the winch aboard his boat sued the winch maker and received \$1.7 million. The defendant, Hathaway Winch, had built the winch in 1938.

"The Hathaway Winch case is symptomatic of the whole problem," says Jim Cooper, a Morehead City insurance agent.

"That's like saying a 1937 automobile doesn't have seat belts, and we're going to make a claim. That winch was built when the standards weren't the same as they are today," Cooper says.

Insurance agents say such exorbitant awards are pushing rates up. And as it becomes less profitable to write marine insurance, more companies pull out.

The U.S. Coast Guard estimates that the fatality rate of fishermen is seven times that of the average industrial worker. In 1983, 111 fishermen died in accidents and 242 fishing vessels were lost.

As fewer and fewer companies are left to insure fishermen, the decline in competition leads to even higher rates.

Insurance agents blame the trial lawyers who seek such big awards for their clients. And they point to the unpredictability of the courts.

An award for a fractured arm, for example, may be as low as \$5,000 or as high as \$500,000.

"A case may be worth \$10,000, so we give them \$20,000 because we're afraid a jury will award them \$50,000," says Cooper.

But attorneys say they're only serving the people who have been injured.

Fishermen are caught in the middle.

They may not be able to afford to pay the high cost of their insurance. But, then again, they can't afford not to pay it.

Fishermen who operate without liability insurance risk losing everything, says Amos. An injured employee could sue and "go after everything—the boat, house, cars, everything," says Amos.

But folks in North Carolina aren't as likely to sue, says Cooper.

He adds, "North Carolinians are more stable in their employment. Most of the fishermen here have grown up in the fishing business and have a good safety record. There's not a tremendous influx of people from other states going into the business. And the court system here may be more conservative."

Cooper carefully screens applicants before deciding whether or not to insure them. "If they're not experienced, we don't write it (a policy) at any price," he says.

A bill considered in the last session of Congress would have set up a system similar to workmen's compensation for disabled fishermen. The bill also placed a cap of \$500,000 on liability claims. But legislators rejected the bill. Opposition to the bill came mainly from trial lawyers and consumer groups.

That bill is being rewritten to exclude the \$500,000 limit. If passed, it will only mean that fishermen are required to carry additional safety equipment on board.

Fishermen also are looking for ways to ease the strain.

There's little they can do about the ups and downs of the insurance business, but they can band together to help reduce their premiums.

Over 30 years ago, a group of Norwegian fishermen on the West Coast set up a mutual insurance association. As a group, they invested their premiums.

Since no claim was filed against them, they applied the profit from their investments toward the next year's premiums. Eventually, the fishermen's insurance costs were lowered.

"As a club, you can control the membership. You can screen to make sure they (fishermen) operate safe vessels and have good crews," Amos says.

But he warns that such a system can't be applied with immediate results. It takes years to build up enough money so that rates can be reduced.

Self-insured groups also risk not having enough money to cover a claim. "If the money isn't sufficient to cover a claim, you have to come up with that money," says Amos. Those are risks that insurance companies usually take.

So far it seems the insurance crisis in the fishing industry is peculiar to the United States. The United Kingdom, Canada and Australia, for example, aren't experiencing the crunch. "It's not so prevalent there for people to sue and seek large settlements," says Amos.

In addition, licensing of fishermen is mandatory in many European countries. Fishermen periodically attend nautical colleges where they receive training. There is no comparable school in the United States industry.

For now, no one is satisfied with the way things are, says Cooper. "But it will literally take an act of Congress to change things," he says.

"The only answer is to put some type of predictability into it. There's got to be some moderation because all these large awards end up being paid by the public. Insurance is just a means of spreading the loss of a few among the many," says Cooper.

And fishermen are having to pay the price.

COMMERCIAL FISHERMEN

THEIR
CRISIS,
THEIR
GRIPES,
THEIR
GAMBLE

BY KATHY HART

Photo by J. Foster Scott



Commercial fisherman Doug Lewis of Stacy is a gambler.

But he isn't betting at roulette, cards or craps. He's risking his livelihood—commercial fishing.

You see, Doug Lewis is uninsured.

Every time he pulls away from the dock he gambles that his boat won't catch fire or capsize or that his mate won't be injured and sue.

It's not a risk Lewis takes willingly. He simply can't afford the price of insurance for the 38-foot boat he uses to shrimp, clam and longhaul.

Hull insurance alone would cost \$3,000 to \$4,000 a year; Protection and Indemnity insurance for his mate, another \$2,000 to \$3,000.

It adds up to more than a small-boat fisherman can pay, Lewis says.

And he's not alone. Many other North Carolina fishermen are gambling too.

Insurance premiums have doubled and tripled over the past three years, adding another hefty cost to the business of commercial fishing.

Combined with rising fuel costs, increased foreign competition, limited stocks, fluctuating market prices and overcapitalization of the industry, insurance is becoming the cost that breaks the fisherman's back.

Some fishermen are hanging up their nets or going uninsured like Lewis.

Others are writing the four- and five-digit checks that protect them, their boats and their crews, knowing that the premiums will reduce today's profits and tomorrow's investments.

All are grumbling about insurance costs, pointing accusing fingers at trial lawyers and wondering what can be done to reduce premiums.

Fishing: a risky business

Hauling in the net, pulling up the dredge or just leaving the dock can be dangerous when it comes to commercial fishing.

Sea Grant fisheries agents Wayne Wescott, Bob Hines and Jim Bahen say the danger is created by a combination of factors.

- **The weather.** A sudden squall, high seas or icy conditions can land even the most experienced mates in the drink or capsize a boat. Such weather increases the likelihood of drownings.

- **Navigational hazards.** Inlets and shifting sand bars can ground a boat, leaving it at the mercy of crashing waves. Or a rugged sea floor can cut a hole in the boat and cause it to sink.

- **Balance.** Shrimp boats, for instance, are top-heavy when the outriggers are up and can roll over if seas are rough. The same is true of overloaded scallop boats.

- **Gear.** Winches and capstan heads, used to pull in line, cable and nets, can be extremely dangerous. It is all too easy to get caught in this gear and lose a finger or arm. Overhead, swinging trawl doors or heavy nets can deal a lethal blow to a careless crew member.

But Wescott, Hines and Bahen agree that a well-trained, cautious crew and a properly maintained boat can reduce the risk of an accident.

Photo by Gene Furr



Fishermen repair winch

"I can insure all the men in my fish house for what it costs me to insure one man on a fishing boat," says William Smith of Luther Smith and Son Fish House in Atlantic.

Smith and his father own a fish house and five boats. He's paying \$2,900 per crew member for P&I insurance, and his boats carry five- and six-man crews.

It's a cost Smith's business must absorb. "There's no way to pass the expense along to the middle man or the consumer," he says.

Moon Tillet of Moon Tillet Fish Co. in Wachese agrees.

"Everything we make goes back into the business," he says. "There's nothing left at the end these days."

To reduce the possibility of lawsuits, Tillet and Smith are more careful about the men they hire to work on their boats.

"I don't think about hiring people who have an injury history or who have sued before," Smith says.

And to reduce the risk of injury to his mate, Lewis keeps his boat in good condition and

handles dangerous equipment himself.

"I only allow my mate to cull," he says.

Despite precautions, fishermen get only slight reductions in premiums for good safety records, Smith says.

"All of my men carry survival suits, and I have a life raft aboard every boat," he says. "But I get very little credit for those things."

Clinton Willis, president of the Carteret County Waterman's Association, is even more negative: "Insurance companies don't want to write insurance for vessels no matter how safe they are or what we do to make them safer."

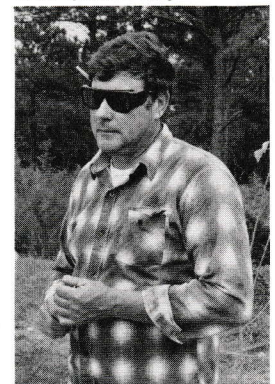
Fishermen also complain that insurers take a national approach to the fishing industry. They say there is no breakdown for regional differences and types of fishing.

They claim that North Carolina crew members tend to be more knowledgeable about fishing, less accident prone and less likely to sue than their counterparts in other regions.

"North Carolina has a good record," Willis

Continued on next page

Photo by Sarah Friday



Doug Lewis

says. "Why should North Carolina fishermen be persecuted for what's happening elsewhere?"

Lewis says, "I haven't worked with anyone who I thought would sue me. People here are more interested in working than being paid for sitting at home."

Since many crew members in traditional fishing communities such as Harkers Island, Gloucester or Salter Path are family or neighbors, the likelihood of a lawsuit resulting from an injury may be reduced, says Sea Grant agent Skip Kemp of Morehead City.

But you can't count on that, says Tillet. He knows because of a recent settlement.

Whether or not North Carolina watermen are a better risk, premiums are high, and fishermen are wondering what can be done to force them downward.

Talk in some communities centers on banding together to become self-insured as some of their Northern and Pacific neighbors have done.

Vessel safety and maintenance requirements for such groups would have to be stringent and the initial premiums would show no reduction. But for a group with a few or no claims, the benefits could be lower premiums later.

Although Tar Heel fishermen are willing to undergo yearly inspections and provide better safety training for their crews, they balk at the group concept of self-insurance.

"Fishermen here are hard to get together," Tillet says of his Wanchese peers.

Lewis and Willis say the same of Carteret County watermen. But both believe the time may have come for fishermen to surrender some of their individualism.

And Willis believes it may be time for the state to step in and exert some control.

"The state has authority over the licensed vessels using its waters," he says. "Then the state should regulate the insurance these vessels must pay."

Other fishermen are appealing to their congressmen for changes in legislation that would limit their liability.

For now, possible remedies to the insurance crisis are all talk. But that may soon change.

The Sea Grant College Program network and the National Council of Fishing Vessel Safety and Insurance are sponsoring a national workshop on insurance and safety in Washington, D.C., February 4-6.

The workshop will provide a forum for fishermen to discuss problems and possible solutions to the crisis with insurance industry experts, congressional staff members, NCFVSI representatives and Sea Grant marine advisory agents.

NCFVSI has also recently provided \$20,000 to study North Carolina fishermen's insurance problems and needs.

Photo by J. Foster Scott



“Why should North Carolina fishermen be persecuted for what's happening elsewhere?**”**

With the aid of the N.C. Fisheries Association, the Walden Risk Management Group of Chattanooga, Tenn., will survey fishermen, says Joe McClees, association executive director.

The association is asking fishermen, seafood dealers or anyone who has anything to do with boats to call 919/249-2080. If fishermen will leave their name and number, a Walden representative will call them back and complete the survey.

McClees says the survey should provide some insights into the insurance problem and should point the association toward some possible solutions.

But until then Lewis sums it up like this: "Fishermen today are no better off than when Jesus chose Peter. There are no more benefits."

THE BACK PAGE

"The Back Page" is an update on Sea Grant activities — on research, marine education and advisory services. It's also a good place to find out about meetings, workshops and new publications. For more information on any of the projects described, contact the Sea Grant offices in Raleigh (919/737-2454). For copies of publications, write UNC Sea Grant, NCSU, Box 8605, Raleigh, N.C. 27695-8605.



You've got your own ideas about the fish you catch. For instance, you think that pigfish are too small for eating, that ladyfish are too bony to bother with, and ocean catfish aren't as good as their freshwater cousins.

Well, some Sea Grant researchers are out to change your mind.

Sea Grant Marine Advisory Service Director Jim Murray and East Carolina University anthropologists Jeff Johnson and David Griffith have developed a series of six colorful brochures featuring underutilized species from Gulf and South Atlantic waters.

You've already read about the work they've done with species such as amberjack, triggerfish and shark. But now the researchers have added to the list of fish they are promoting.

This series of brochures features pigfish, mullet, black drum, ocean catfish, ladyfish and bluefish.

Each brochure contains information on catching, cleaning and preparing the fish. And, several recipes are included for each species.

The brochures are part of a National Marine Fisheries Service study in which the researchers examined why anglers prefer some species of fish over others.

For a free copy of the brochures, write Sea Grant. Please specify which brochures you want: black drum, UNC-SG-86-19; bluefish, UNC-SG-86-20; lady fish, UNC-SG-86-21; mullet, UNC-SG-86-22; pigfish, UNC-SG-86-23; and ocean catfish, UNC-SG-86-24.

A limited number of accompanying posters are available for public display. For more information, contact Sea Grant.



The 1986 tax reform program may not change a fisherman's net worth, but it could affect his wallet.

Sales tax, income averaging, depreciation—they're all covered in the new program. And they'll make a difference to North Carolina's commercial fishermen next April.

So decisions on how to act on these changes should be made now.

One of the changes is that state and local sales taxes will not be deductible in federal returns in 1987. For fishermen, this means that they cannot deduct sales tax from any items purchased after Dec. 31, 1986 for business use.

Or if a fisherman wants to sell his boat, the new tax law does not give special tax status for capital gains. All gains from the sale of the boat will be treated as ordinary income. This provision could have a major impact. Many fishermen used capital gains to protect profits on boat sales so they could retire or buy a bigger boat.

A third possible change states that only 80 percent of business meal costs will be deductible. This means higher costs in the long-run for fishermen because groceries are a large expense.

Check with your area Sea Grant agent for other alterations in the tax law (Manteo - 919/473-3937, Pine Knoll Shores - 919/247-4007 and Fort Fisher - 919/458-5498). Then work out the best plan with an accountant or a tax preparer.

You have an opportunity to help shape a management study. Sea Grant is cosponsoring a conference to encourage public participation in a study of the Albemarle and Pamlico estuaries.

The conference begins at 8:30 a.m. Feb. 14 at the Beaufort County Com-

munity College in Washington, N.C.

The study, funded through the Environmental Protection Agency, will draw on the expertise of a host of state agencies. Its purpose is to expand our knowledge of the Albemarle and Pamlico estuaries and to improve our management of them.

The day-long conference is the public's first opportunity to learn about the study and make suggestions about it.

Other conference sponsors include the N.C. Coastal Federation, the Pamlico-Tar River Foundation and the Regional Development Institute at East Carolina University.

For more information, contact Todd Miller, executive director of the N.C. Coastal Federation, 919/393-8185.



The average angler: Who is he? Where does he live? Why does he fish? How much money does he spend?

Four years ago, a team of Sea Grant researchers posed these questions to the men and women who fished North Carolina's northern and central sounds and rivers.

Now their answers can be found in a 180-page Sea Grant report: *Recreational Fishing in the Sounds of North Carolina: A Socioeconomic Analysis*, by Jeffrey Johnson, Peter Fricke, Marcus Hepburn, James Sabella, William Still and Carl Hayes.

The study reveals the socioeconomic characteristics of the marine recreational fishing population in the area. And, more importantly, it shows the economic demand for and impact of recreational fishing in eastern North Carolina.

For a copy of the report, write Sea Grant. Ask for UNC-SG-86-12. The cost is \$5.50.

For some people, recreational fishing is more than pleasure. It's a business.

A new Sea Grant report, *Marine Re-*
Continued on next page

creational Fishing, Marine Manufacturers and Marinas in North Carolina: An Economic Characterization, by Jeff Johnson and Rick Perdue, examines the impact of recreational fishing on two of the state's important marine industries—marine manufacturers and marinas.

The report provides economic and descriptive information on both industries. It reveals information about employment, size, salaries, revenues and expenses.

For a copy, write UNC Sea Grant. Ask for UNC-SG-86-3. The cost is \$2.

A good show demands a repeat performance.

That's why Sea Grant and the Carteret County Waterman's Association are hosting the seventh annual N. C. Commercial Fishing Show March 14 and 15.

Last year, more than 4,500 people attended the boat and gear show at the

Crystal Coast Civic Center in Morehead City.

Even more are expected this year for the show that will feature boats, engines, electronics, fishing gear and accessory equipment. And workshops and seminars on various fisheries topics will be offered.

The 1987 Commercial Fishing Show will be held at the civic center off of U.S. 70 in Morehead City.

Dealers and manufacturers interested in securing a booth at the show may call Sea Grant agent Bob Hines at 919/247-4007.

Last year Sea Grant published a brochure/poster that listed the schedule for the 1986 saltwater tournament season in North Carolina. By popular demand, Sea Grant plans to publish this list again.

But we need some help.

If you are a tournament director or sponsor, we would like for you to send

us some information about your tournament. We need to know the full name of the tournament; the date it will be held; a name, address and contact person for the sponsoring organization; and any other pertinent information (such as a new eligible species category).

Please send this information to Jim Bahen, Sea Grant Marine Advisory Service, P.O. Box 130, Kure Beach, N.C. 28449. Or call 919/458-5498.

Coastwatch is published monthly except July and December by the University of North Carolina Sea Grant College Program, 105 1911 Building, Box 8605, North Carolina State University, Raleigh, NC 27695-8605. Vol. 14, No. 1, January 1987. Dr. B.J. Copeland, director. Kathy Hart, editor. Nancy Davis and Sarah Friday, staff writers.

COASTWATCH

105 1911 Building
Box 8605
North Carolina State University
Raleigh, NC 27695-8605

Nonprofit Organization
U. S. Postage
PAID
Raleigh, N.C.
Permit No. 896

Address correction requested

