A Guide to Insurance Rates

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Abstract

Because insurance coverage for boats of the fishing industry is written under the ocean marine form of insurance, the unique situation of rate control does not apply, as in the non-marine fire and casualty fields. It takes mutual understanding and knowledge of situations and problems on the part of underwriters and the fishing industry to work out a favorable rate structure. Through the combined cooperative efforts of both interests the problems may be solved.

FIRE AND CASUALTY insurance rates and conditions, in greater or lesser degree, are under the control of rating bureaus required by state insurance laws. In contrast, the marine insurance business is conducted in an atmosphere of free trade. Because of its international character no attempt has been made to control marine insurance rates. A successful marine insurance underwriter must be able to change rates immediately to meet competition of underwriters in the domestic or foreign market.

The marine underwriter is dealing with risks that are affected not only by the ordinary stable situations encountered every day, but also by the rapidly changing conditions encountered on the seas. No chart or table can be devised that will show to a nicety how many days will be clear and how many stormy, or that will measure the severity and direction of storms. He is dealing with problems over which the veil of the future is thrown, but he must rely on past experience and his judgment of changing conditions to decide to what unusual physical hazards marine interests will be subjected. The experience upon which the underwriter depends must extend over a considerable period of time—10 years perhaps being the shortest period from which to draw conclusions.

In 1960, 131,000 United States fishermen with 12,000 vessels (more than 5 net tons) and 65,000 crafts (less than 5 net tons) landed 4.9 billion pounds of fish and shellfish worth $354 million at the dock. A few more fishermen and vessels, in 1967, landed about 4.1 billion pounds valued at $440 million. In other words, they landed 16% less fish than in 1960, but received 19% more money. Also, there were many new vessels that entered the industry that replaced worn-out and inefficient vessels. In 1960 shrimp landed at U.S. ports was worth $67 million to the fishermen. In 1967 a record catch of about 308 million pounds was valued at $103 million—up $36 million from 1960. In addition, U.S. owned vessels operating in the Caribbean continued to land substantial quantities of shrimp, which later entered the United States as imports.

Going back to 1960, United States fishermen with 12,000 vessels of an average value of $28,000 to $32,000 paid an average insurance rate on the hull of 4½ to 5½%. In 1968, 15,000 vessels of an average value of $50,000 with peak values of $200,000 paid average insurance rates of 3½ to 4% on steel-hulled vessels and 4 to 5% on wood hulls not exceeding 5 years of age.

At this point the question is, "Has the business been profitable?" The purposes

of insurance companies are, first, to provide the public with insurance protection and, second, to make a profit. If the second purpose is not accomplished, the company will not be able to continue to perform the first. The past history for fish and shrimp boats has been poor; the needs are many to improve the risk for a better or a constant rate. We will not get into the question of losses because it is quite shocking, but we will attempt to provide a guide that will help maintain a fair rate for the risk.

It must be brought out that crew training programs are in progress in Freeport, Texas, and in Tampa, Florida. The training of captains and crewmen could be a major factor in determining a better insurance rate, but it will take some time. Bigger and better vessels of such material as fiberglass, ferrocement and aluminum could command a lesser rate, but what concerns an underwriter or company is the cost of repairs and who can properly repair the vessel in the event of serious damage. Preventative maintenance is the primary way to keep a good insurance rate—as the story goes "an ounce of prevention is worth a pound of cure." In marine insurance that ounce of prevention may give you the ability to negotiate for a better percentage on your rate.

We ask you to follow these suggestions:

PREVENTION PROGRAM FOR ENGINE DAMAGE AND ACCIDENTS

1. Train captains and crews to accomplish the following: (a) Daily before starting main engine, check to see that expansion tank is full of water, that valves are open and that water is flowing freely from expansion tank to engine. This can be done by removing heat exchanger cap and allowing expansion tank water to fill engine heat exchanger to overflowing. Then replace cap and fill expansion tank to overflowing. (b) Check oil level in main engine and reduction gear. (c) Perform all above on auxiliary engines. (d) Test all alarm systems—both oil pressure and temperature alarms—daily before starting each engine. On electrical systems this can be easily done by shorting the two terminals at the sensory unit to make alarms sound. DO NOT permit switches to be installed in alarm system whereby crew can cut off alarm systems, other than built-in reset switches in instruments.
2. If engines are not equipped with alarm systems they should be installed immediately, preferably a dual system wired parallel to the existing system. Remember a few dollars spent on this can save you a lot of money. Having this system installed will serve as a standby alarm should your regular system fail.
3. Crews should examine daily the condition of all sea water and bilge piping. Hose and hose clamps in these systems should be checked and tightened or replaced as required.
4. While engines are running, their temperatures should be watched constantly and if there is a rise in temperature that is above normal, the engine should be slowed down or stopped until the cause for the high temperature has been ascertained and corrected. These temperature gauges can also give you an indication as to the efficiency of your engine.
5. Keel coolers should be pressure tested annually to avoid damage from keel cooler leaks.
6. All moving machinery should be equipped with guards to prevent injury to crew.

7. Engine exhaust flexible lines and insulation should be checked daily for failure or damage.
8. All fuel lines should be equipped with water traps and filters and these should be serviced regularly.
9. All fire extinguishers should be serviced and tagged semi-annually.
10. All galley areas adjacent to cooking units should be insulated from fire.
11. Crews should be instructed in the Rules of the Road. Collisions while on automatic pilot with no lookout account for over 50% of all fish boat marine losses in the Gulf. There is no excuse for the needless waste of money resulting from these collisions. They only make the cost of your insurance higher.
12. Anytime excessive or abnormal vibrations occur in the machinery, it should be slowed down or stopped until a determination of the cause can be made.

Much could be said about the hull and protection and indemnity losses, but just to caption a few causes of claims the following items take special attention: keep oily rags in a safe place, check wiring and fire equipment after each voyage. Many P&I losses are caused by not having safety devices on the winches or stowing life preservers in their proper places.

Effective accident prevention does work! It saves millions of dollars in injury and damage yearly. It will work for you, but you have to believe in it, and work constantly at it. Just remember that avoiding one claim annually and saving yourself a $1500.00 deductible on your claims is like paying yourself an extra $125.00 per month for a year. A loss free record over 3 years will save you money on your insurance due to lower rates.