

## **Fishing Vessel Insurance in the Eastern Caribbean: Problems and Prospects**

DENNIS NIXON AND DAVEN C. JOSEPH  
Graduate Program in Marine Affairs  
University of Rhode Island  
Kingston, Rhode Island 02881

### **ABSTRACT**

Current availability and price of insurance for commercial fishermen in the nations of the Organization of Eastern Caribbean States (OECS) is discussed, based upon a recent survey of fisheries officers within the region. The place of insurance in fisheries development is presented, along with the role that the OECS could play in a regional insurance program. Alternative models for the provision of insurance are considered, ranging from the status quo to a subsidized group program. Regional efforts are placed in the context of the world market for fishing vessel insurance.

### **INTRODUCTION**

At the outset of the paper, it is important to note that this discussion of insurance does not assume or implicitly recommend the adaptation of capital-intensive commercial fisheries for the region. Virtually all recent studies of the region have indicated that large-scale development of fisheries is inappropriate for a variety of biological, economic and social factors. However, there is potential for growth and evolutionary development in specific areas. One of the constraints to that constructive development is the lack of infrastructure to provide financial and insurance services. This paper is an effort to study the magnitude of that problem, and to suggest alternatives for consideration by the fishermen and governments of the region.

The subject of fishing vessel insurance in the Caribbean has been under discussion for several years. At the Second Technical Fisheries Seminar of the Caribbean Economic Community in Jamaica, 1982, the fisheries officers of the Organization of Eastern Caribbean States (OECS) attending initiated a recommendation that CARICOM (the wider English speaking Caribbean body) collaborate with the Caribbean Development Bank and investigate the feasibility of extending a proposed agricultural insurance scheme to encompass fishermen. A study was attempted but later dropped when fisheries officers did not respond to the request for detailed information.

At the Third Technical Fisheries Seminar sponsored by CARICOM in St. Lucia in March 1985, the subject of insurance was on the agenda once again. Although the successful Canadian model was discussed, the meeting ended with another request for information from fisheries officers.

This study is an effort to examine the insurance needs of a

smaller sub-group of states, the OECS. Formal approval of the project was sought and received from the OECS Secretariat in March 1985. Vaughan A. Lewis, Director-General of the OECS, stated that the group "would wish to give its support to such a study in the context of its own expanding work in the area of fisheries." Subsequently, a survey was conducted among OECS fisheries officers to ascertain the following:

- (1) the size of the fishing vessel population in the Eastern Caribbean and some of its basic characteristics;
- (2) the current availability and cost of marine insurance in the region; and
- (3) interest in a group or self-insurance program for vessels and fishermen in the region.

Before the results of that survey are discussed, it is important to understand both the role of the OECS in the region and the nature of the fishing industry involved.

#### THE ROLE OF THE ORGANIZATION OF EASTERN CARIBBEAN STATES

The Organization of Eastern Caribbean States (OECS) is comprised of a group of English speaking countries in the Lesser Antilles region of the Caribbean basin: Antigua-Barbuda, Dominica, Grenada, Montserrat, St. Christopher/Nevis, St. Lucia and St. Vincent. Anguilla and the British Virgin Islands are associated members (Montserrat, Anguilla and the British Virgin Island are still British Colonies).

The OECS was officially formed in 1981 to streamline, strengthen and increase regional cooperation among its members. Member states believed that increased cooperation among themselves would optimize their development effort and increase the socio-economic well being of the people of the region. The OECS has been working towards its objective of regional cooperation through a number of institutions under its jurisdiction. Among these institutions are its Economic Secretariat based in Antigua, the West Indies Associated States Supreme Court and the East Caribbean Central Bank. All the associated agencies are coordinated by the Secretariat's main office in St. Lucia.

One of the most recent initiatives of this organization is its effort to assist member states in the development of their fishing sectors as part of the general regional economic development strategy.

One of the OECS initial programs towards this objective was to collaborate with FAO in assisting member states to establish a regionally coordinated fisheries act that is designed to provide the structure for effective fisheries management and development. The success of this program can be seen in the fact that most member states have already enacted their new fisheries laws and are putting more emphasis on fisheries development. So far, the provisions of the fisheries regimes of these states

satisfy the requirements of the 1982 Law of the Sea Convention.

Regional cooperation for fisheries development has a long history within this region. However, the opportunities that are provided by a common fisheries act have far reaching implications relative to the level of cooperation that can be pursued in the fisheries sector. The nature of the fisheries in the region and the proximity of these states provide the natural reasons for the crucial necessity for regional cooperation in all aspects of fisheries management and development. The ecological and legal implications of a unilateral fisheries management and development effort make regional cooperation towards this goal unavoidable if the optimal utilization of the fisheries resources is to be achieved.

To further streamline the regional fisheries development effort, the OECS Secretariat is considering the establishment of a Technical Cooperation Program (TCP) among its members. For this program to be successful, it is necessary that the organization identify and develop specific programs which the TCP network can adopt and implement. Regional approaches for fisheries development have been pursued in many areas of the world; the degree of success of most of these organizations depends upon the extent to which all members can obtain mutual and satisfactory benefits from the cooperative effort. One of the reasons that can be attributed to failure of the cooperative effort is the lack of a specific agenda with a common objective based upon the needs of all member states. If the OECS is to avoid these failures, it must encourage and coordinate the implementation of those programs that will bring immediate and long-term benefits to the people of the region.

#### CHARACTERISTICS OF THE FISHING INDUSTRY

The fishing industry of the OECS is comprised of about 10,000 fishermen operating approximately 4,000 fishing craft (Poggie and Stevenson, 1984). The major fishing gear employed in the fisheries are:

- a) the Antillean fish trap
- b) hand lines
- c) trolling lines
- d) beach seines
- e) gill nets.

Although the majority of the fishing fleet is comprised of small fishing craft and "dugout" canoes, there is a significant number of fishing vessels whose values are high enough to necessitate the protection given by insurance coverage. For the purpose of this study, a base value of US \$5,000 or approximately EC \$15,000, was chosen as the minimum value of a boat that would be qualified for insurance coverage.

The survey of the OECS fishing vessels completed for this study (Table 1) indicates that of the 4,000 fishing vessels in the region over 950 of these vessels (i.e., almost 25%) have an estimated value of over U.S. \$5,000. This category of vessels represents a total investment of US \$12,272,000, a significant percentage of the total value of the entire fishing fleet and was therefore selected as the target group most likely to take advantage of a vessel insurance program.

For the region to realize the maximum benefits from its fishing industry, the amount invested in its fishing fleet should be protected from any unforeseen circumstances that might cause significant damage or destruction to the fleet. The fishing industry has been confronted in the past with many difficulties as a result of damage to, or total destruction of its fishing vessels due to accidents and tropical storms. These events have placed tremendous strains both on the public and private sectors in their effort of fisheries development, since scarce financial resources from both sectors that could be used towards increased growth of the industry have to be channelled into the rehabilitation of the fishing fleet. This problem has retarded the growth of the industry and has continued to be a limiting factor for the fisheries sector.

Another issue which has compounded the above problems is the stated objective of member states to improve the quality of their fishing fleets. As part of their national fisheries development effort, almost all the states have established a fishing vessel upgrading program in an effort to improve the harvesting capabilities of fishermen. For example:

- a) St. Lucia is currently pursuing a fishing vessel improvement program, where its fleet comprised predominantly of canoes is expected to be replaced by larger fiberglass type vessels manufactured in the neighboring French Department of Martinique.
- b) The Dominica fisheries development plan proposed the modernization of its fishing fleet, with its major objectives being the achievement of socio-economic improvement of its fishermen.
- c) St. Kitts/Nevis are now investigating the possibilities of deep sea fishing; if this fishery proves to be feasible, its existing fishing fleet will have to be technologically upgraded. This will require a considerable investment given the current nature of the St. Kitts/Nevis fishing fleet.
- d) In Montserrat, Guidicelli (1978) recommended the improvement of the fishing fleet using technological innovation if this island is to realize any growth of its fisheries sector.
- e) Antigua/Barbuda has the most modern fishing fleet in the OECS region. This country continues to improve the quality and capability of its fishing fleet through the acquisition of larger and more efficient fishing vessels, and the use of

Table 1. OECS Fishing Vessel Characteristics (November 1985)

Country	# of Vessels	Hull Type			Type of Motor		Average Value of Vessel (US \$)	Total Value of Fleet (US \$)
		Wooden	Fiber Glass	Steel/Concrete	Outboard	Inboard		
Antigua/Barbuda	350	225	125	-	210	140	15,000	5,000,000
Anguilla	75	75	-	-	70	5	10,000	1,700,000
British Virgin Islands	50	20	30	-	45	5	10,000	500,000
Dominica	22	22	-	-	22	-	6,000	88,000
Grenada	404	309	10	4	299	105	11,000	4,400,000
Montserrat	3	2	-	1	-	3	14,700	44,100
St. Christopher/Nevis	-	-	-	-	-	-	-	-
St. Lucia	60	40	20	-	45	15	9,000	540,000
St. Vincent	964	774	185	5	691	273	10,814	12,272,100
Regional Total								

Data supplied by OECS Fisheries Officers

electronic and mechanical technologies in their fishing operations. More than 12 fishing vessels with a total value of nearly US \$1 million has been introduced to the existing fishing fleet.

- f) Grenada and St. Vincent with relatively large vessels in their fleets also have a fishing vessel improvement program and are investing a significant amount in this effort.

The emphasis that is being placed in the development of the fishing fleet means that some security must be provided for this increased investment.

#### INSURANCE ALTERNATIVES

At the present time, vessel insurance is either unavailable or prohibitively expensive for the artisanal fisherman. An average annual premium figure is 10 percent of the vessel's value when a policy is written on an individual basis. Group programs have been quoted rates as low as 7.5%, but that is still a relatively high figure by world standards. There are a number of factors which have contributed to the current situation:

- (1) the number of vessels of insurable value is relatively small (964);
- (2) the average value of those vessels is relatively low (\$10,000);
- (3) the vessel population is widely distributed throughout the region, which substantially increases administration costs.

Prior losses may also be a contributing factor, but since records have not been uniformly maintained, it is impossible to make any projections based on prior loss experience. Anecdotal information would indicate that the loss experience of this fleet is no better or worse than similar small-scale fleets in the USA and Canada.

The first alternative to be considered is the status quo. The principal advantage of doing nothing is that if nothing is ventured, nothing will be lost, at least immediately. In the long term, however, the current system will continue to hobble development efforts and reduce the potential for the economic viability of local fleets.

The second alternative involves the development of a group insurance program, perhaps run under the auspices of the OECS Secretariat. Fisheries officers within each member state would become agents of the program, which would substantially reduce the administration costs of the company or companies underwriting the risk. The insurance would be placed in the private market (either in the Caribbean, North America, or the United Kingdom) but would be available at lower cost since all the details of the program would be handled by the OECS Secretariat and the local fisheries offices.

The third model to consider is a self-insurance group program in which the regional organization in effect becomes an insurance company. The obvious disadvantage here is that member states would have to pledge sufficient capital to operate such a program and accept a risk of that magnitude. A variation which would address that disadvantage is a combination of models two and three: a self-insurance group program up to a limit of perhaps US \$1 million, with the balance of exposure underwritten by a private reinsurance company on an excess basis. Several groups of small-scale fishermen in the USA and Canada operate successful programs on that basis, with rates as low as 1.75%.

The Canadian Fishing Vessel Insurance Program is an excellent example of government assistance in insurance for small-scale fishermen. Begun in 1953, it was designed for the small-scale fisherman in remote areas who was unable to secure insurance in the private markets - a situation closely analogous to the current situation in the OECS. It operates as a true self-insurance program, with the Canadian government assuming all the risks and using its staff of fisheries officers to administer the program. It has now operated successfully for over 30 years in a region more dangerous for fishermen and their vessels than the Caribbean. Average premium cost is 3 percent, although losses are such that 4 percent should be charged to break even. The balance of 1 percent has been borne by the Canadian taxpayer. It is a small subsidy to the fishing industry, but one that has produced many dividends in terms of employment and development of the fishing industry in remote regions. Assuming that the program would operate without a subsidy in the OECS, it would still be possible to save as much as 50 percent on the average premium paid by the fishermen.

To make a self or group insurance program happen in the OECS, a number of questions would have to be resolved. First, there must be an accurate assessment of the number of fishermen who would be willing to participate in such a program, so that initial premium figures could be generated. Additional loss experience information would be required from them as well. Second, the OECS must decide how deeply it desires to get involved with a project of this nature. It has obvious benefits for the entire region but may require financial commitments from member states. Third, member states must decide if they can afford to contribute the staff time of their fisheries officers to properly administer the program. It will be an important additional responsibility, and may require additional staff in member states with large fleets. Finally, the potential for development assistance from national and international agencies should be investigated.

#### CONCLUSIONS

There are several benefits that can be achieved by the fishing industry from Vessel Insurance:

- a. Protect vessel owners from accident liabilities.

- b. Secure their investment against unforeseen circumstances.
- c. Credit institutions would respond more favorably to loan requests from fishermen who wish to use their vessels as collateral to obtain credit.
- d. Reduce the burden placed on governments to provide scarce financial resources for fishing fleet rehabilitation after major storms.

Vessel insurance is an essential part of the infrastructure of even a small-scale fishing industry. Where it is not available or prohibitively expensive, even moderate development is not possible.

It is clear that group and self-insurance programs can provide significant savings for the individual fisherman. However, they require a substantial institutional commitment from the sponsoring organization. If that level of commitment is present in the O.E.C.S., a valuable service could be provided for the future success of the region's fishing industry.

#### LITERATURE CITED

- Guidicelli, M. 1978. Purse seining demonstrations and training in Montserrat and study of adequate technologies for the fisheries development of the country. Western Central Atlantic Fisheries Commission, FAO, Rome, Italy. WECAF Rep. (15): 34 p.
- Poggie, J. and D. Stevenson. 1984. Technical Assistance for Barbados Aid Mission: "Development of RFP for Marine Resource Assessment in the Eastern Caribbean." International Center for Marine Resource Development, Univ. Rhode Island (Sep.).