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REPRESENTATIVE ANDREW HALCRO

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Three Airline Insurance Options Outlined **Subcommittee Suggests Tort Reform, Safety Incentives, Insurance Pools**

(JUNEAU) – Alaska’s smaller air carriers could continue providing critical passenger service to Alaskans under three options suggested by a subcommittee addressing the high cost and scarcity of aviation insurance.

“Air service connects Alaskans with each other throughout our state, and the increasing cost of liability insurance threatens to sever these vital connections,” said Rep. Andrew Halcro (R-Anchorage), who chaired the Labor and Commerce subcommittee. “We’ve worked closely with the airline and insurance industries and other experienced Alaskans to come up with some creative options for keeping smaller carriers flying.”

The problem, Halcro said, is that high accident rates and resulting claim costs in recent years, coupled with changes in the insurance and investment markets, have pushed carriers’ insurance costs so high some are going out of business or switching to freight service, and abandoning low-volume passenger routes.

With insurance rates doubling or tripling and liability coverage limits shrinking, small carriers are under increasing pressure to fly in marginal weather, with less-experienced pilots or with aging equipment. Such pressures can contribute to more accidents, which bring claims, higher premiums, and a steepening economic death spiral for many Alaska aviation operators, he said.

Halcro’s subcommittee addressed these issues with three bills, which it presented in a report to the full Labor and Commerce Committee on Monday. The first would set limits on the punitive damages a carrier might pay in a lawsuit resulting from an accident. The second bill would offer employment protection to airline employees who declined work assignments out of concern for safety.

The third would have the state invest \$10 million to help the state establish a self-insurance pool for commercial aviation operations in Alaska. A pool of about 100 participants representing \$20 million of business per year would likely cover its costs even in high-accident years, and could replenish its pool with dividends in better years. A pool would also bring financial incentives for safer operations.

“While any of these bills would help address the situation, they must be matched by a concerted effort to encourage a culture of safety throughout Alaska’s commercial aviation community,” Halcro said. “This would help protect the lives of passengers and crews, bring lower insurance and operating costs to industry, and bring more reliable and affordable passenger service to Alaskans who depend on it.”

Halcro said he plans to fine-tune the proposals over the summer in consultation with the aviation and insurance industries, and hopes to win passage of legislation in the second year of the Twenty-Second Legislature.

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