



MEMORANDUM

Ordinance 25-13, An Ordinance of the City Council of Homer, Alaska Adopting Revisions to the Port of Homer Terminal Tariff No. 1, Rule Five Section 5.05 regarding Liability Insurance Requirements for Recreational Vessels. City Manager/Port Director.

Item Type: Back-Up Memorandum
Prepared For: Mayor Lord and Homer City Council
Date: January 29, 2025
From: Bryan Hawkins, Port Director
Through: Melissa Jacobsen, City Manager

After conducting our annual review of the Port of Homer Tariff No. 1 and making revisions adopted via Ordinance 24-53, Councilmember Aderhold via Memorandum CC-24-227 requested Port staff to review the updated insurance requirements for recreational vessel owners in the Homer Harbor with the Port and Harbor Advisory Commission (PHAC) for clarity and fairness.

As discussed in Memorandum CC-25-026 at the January PHAC meeting, Commissioners approved a motion to strike the minimum liability insurance amount for recreational (noncommercial) vessels in the Homer Harbor.

This amendment will become effective March 31, 2025 to allow staff to prepare implementation.

RECOMMENDATION: Approve Ordinance 25-xx to amend the Port of Homer Terminal Tariff No. 1 Rule Five Section 5.05 to strike the minimum liability insurance amount for recreational (noncommercial) vessel owners.

ATTACHMENTS:

Memorandum CC-24-227

Memorandum CC-25-026



MEMORANDUM

Harbor Liability Insurance Requirements Approved by Ordinance 24-53

Item Type: Action Memorandum
Prepared For: Mayor Lord and Homer City Council
Date: November 5, 2024
From: Donna Aderhold, Councilmember

The City Council passed Ordinance 24-53, adopting revised Port of Homer Terminal Tariff No. 1, at our October 28, 2024, regular meeting. Section 5.05 of the ordinance (see page 269-270, lines 84-94 of the October 28 regular meeting packet) states that “vessel owners using the City of Homer’s Terminal Facilities are required to carry liability insurance with a minimum of \$300,000 coverage and add the City as a certificate holder. ...”

Liability insurance is important for vessel owners to carry for their own protection. However, for small private vessels not used for any commercial purpose and that are not likely to cause damage to harbor facilities, is \$300,000 too much to require? What is fair and reasonable? What is the cost to the vessel owner of carrying \$300,000 in liability insurance? What is required at similar sized harbors in Alaska?

The meeting minutes from the Port and Harbor Commission’s September 25, 2024, meeting when the draft ordinance was discussed (see page 267 of the October 28 regular meeting packet) states that “There was a brief discussion regarding moorage, the right to deny access to vessels who don’t have insurance and the work skiff exemption.” The minutes do not include the nature of the Commission’s discussion regarding insurance requirements.

I am interested in asking the Port and Harbor Advisory Commission to revisit Section 5.05 of the Port of Homer Terminal Tariff No. 1 as it relates to small, privately owned vessels that are not used for commercial purposes and to discuss the questions listed above and provide City Council with answers to the questions and a draft ordinance amending this section of the tariff if that is warranted by the end of March 2025.

Recommendation: Discuss memorandum and vote on whether to send the memorandum to the Port and Harbor Advisory Commission for review and consideration.



MEMORANDUM

Revised Port of Homer Alaska Terminal Tariff No. 1 Adopted by Ordinance 24-53 Insurance Requirements

Item Type: Action Memorandum
Prepared For: Mayor Lord and Homer City Council
Date: January 15, 2025
From: Bryan Hawkins, Port Director
Through: Melissa Jacobsen, City Manager

This memo responds to memo CC-24-227 from Councilmember Aderhold regarding the Homer Port & Harbor liability insurance requirements for recreation users. For ease of reference, the questions from the original memo are included in line with the responses.

For small private vessels not used for any commercial purpose and that is not likely to cause damage to harbor facilities, is \$300,000 (for liability) too much to require?

Liability insurance is designed to protect against financial loss in the event of an accident, natural disaster, or mishap. This protects against not only damage to our own facilities but damage to other boats stored in the harbor, some of which have values in excess of \$1,000,000. Throughout the year, we frequently receive calls from recreation users who knock kickers off another boat, scratch the paint on a nearby vessel, or lose power while navigating the harbor and hit something they hadn't intended to.

I had spoken with City of Homer Risk Management (AML-JIA), as well as several insurance agents who provide insurance to boaters. Based on those conversations, \$300,000 seemed to be a reasonable average limit for recreational and private boat owners that utilize the Homer Harbor facility. After further consideration and discussion with the Port and Harbor Advisory Commission, I have determined that the simplest path forward is to recommend the removal of any minimum coverage amount for all private vessels, maintain the minimum coverage amount for commercial vessels, and continue to require that all vessel owners provide proof that they maintain coverage for their vessel.

What is fair and reasonable?

I believe it is fair and reasonable to expect that if one vessel damages another, the responsible vessel should have sufficient insurance coverage to repair those damages. This is a fundamental principle of liability insurance.

I also believe that requiring recreational vessels to show proof of liability insurance is a reasonable approach to ensuring a basic level of protection. Only requiring proof of insurance for recreational vessel owners, instead of requiring a specific amount, will allow flexibility for owners to work with their insurers to choose coverage that is appropriate for their vessel. This will maintain some level of financial assurance in case of an incident.

What is the cost to the vessel owner of carrying \$300,000 in liability insurance?

Several variables influence the cost of liability insurance for recreational boat owners. From a basic internet search of several insurance companies, the average cost of \$300,000 in marine liability insurance for a power boat in the United States ranges between \$300 and \$600 annually. Type of vessel, area of operation, and time of year all play in, and no doubt Alaska trends to the upper end of the scale.

What is required at similar-sized harbors in Alaska?

Listed below are what harbors in Alaska, of similar size, are requiring for liability insurance.

Harbor	Recreational – Liability	Commercial - Liability	Notes
Seward	Proof of liability insurance required	\$1,000,000	Only set minimum for commercial/vessels for hire
Whittier	\$300,000	\$1,000,000	Set minimum for commercial/vessels for hire
Kodiak	No proof of insurance required	No proof of insurance required	
Cordova	Proof of liability insurance required	No less than \$100,000 per person, \$300,000 combined single limit per occurrence	
Valdez	Proof of insurance required	Proof of insurance required	Enforcement unclear

RECOMMENDATION:

After further consideration and discussion with the Port and Harbor Advisory Commission, staff recommends eliminating the \$300,000 liability insurance requirement for recreational and private boat owners. Instead, we propose simplifying the requirement to state that recreational and private vessel owners must provide proof of liability insurance for moorage in the harbor, with the city named as a certificate holder.

Attachments:

Port & Harbor Advisory Commission December 11, 2024 Unapproved Minutes

Memorandum C-24-227

Ordinance 24-53 with backup