

SEAFA RESERVE ARTICLES OF ASSOCIATION

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**SEAFRA RESERVE
BOARD OF TRUSTEES**

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2 The President of SEAFAR shall serve as Chairman of all meetings of the Trustees. The presence of seven Trustees will constitute a quorum for the transaction of business. A majority will decide all questions submitted to a vote, except membership applications and renewals, which shall be decided according to such rules that are established by the Trustees.

3 The Trustees, consistent with Article II (3) shall have the authority and responsibility to:

- a** Review and decide upon all membership applications and renewals;
- b** Establish valuations of vessels;
- c** Determine the type and amount of insurance coverage provided, and;
- d** Decide whether an occurrence or incident forms a valid claim against SEAFAR.

4 **Manager-SMS.** SMS in consultation with SEAFAR shall serve as the "Manager" of SEAFAR with the authority and responsibility to:

- a** Keep records of all business transactions;
- b** Investigate and adjust all claims;
- c** Supervise the handling and investing of all funds;
- d** Set the rates of contribution identified in Article VIII, and;
- e** Establish all general policy guidelines for the operation of SEAFAR.

5 SMS may delegate to an employee, another association or agent the day-to-day running of SEAFAR, who may at any time select and appoint surveyors, attorneys, accountants, or other persons for the orderly conduct of SEAFAR activities.

Article IV COVERAGES

The standard coverages afforded by SEAFAR to its Members, subject to the procedures, conditions and exclusions set out in these Articles, are as follows:

1 **Hull and Machinery.** Loss or damage to vessel subject to the terms and conditions of the American Institute Hull Clauses (AIH), which shall be read:

- a** Not to include the following provisions of the ADVENTURE clause at lines 63 through 66:

"...nor shall the vessel, in the course of trading operations engage in loading or discharging cargo at sea, from or into another vessel other than a barge, lighter or similar craft used principally in harbors or inland waters. The phrase 'engage in loading or discharging cargo at sea' shall include while approaching, leaving or alongside, or while another vessel is approaching, leaving or alongside the vessel."

- b** Modifying lines 18-19 and the ADDITIONAL PERILS (INCHMAREE) Clause at lines 79 through 86 as follows:

SEAFAR will not cover or pay for the following:

- (1) Damage to an engine or electronic equipment aboard the vessel caused by the negligence of the Member, other approved operators, crew, or repairmen with respect to the care, maintenance or repair of the engine or electronic equipment;
 - (2) Damage to an engine aboard the vessel caused or resulting from a latent defect of any part of the engine. The word "engine" as defined in this section includes the main propulsion engines and reduction gears, as well as any auxiliary engines; and
 - (3) Breakdown of motor generators, or other electrical machinery and electrical connections, bursting of boilers and breakage of shafts.
- c. **Private Use.** Permission is granted for occasional non-commercial private pleasure use during a lay-up period as described in Article VIII(1)(a) provided the vessel is attended at all times during hours of darkness when moored at a location without an adequate mooring pier.
- d. **Deductible.** From the amount of each adjusted claim, the sum of \$3,500 shall be deducted. For claims involving damage to a vessel's single or dual outdrive(s), the additional sum of \$2,000 or \$4,5000 respectively shall be deducted.

2 Protection & Indemnity. Liability to pay damages or compensation to crew, passengers and other third parties arising out of death, illness or personal injury; together with other specified risks, subject to the terms and conditions of the SP-38 Protection & Indemnity Clauses.

- a. **Deductible.** From the amount of all adjusted claims arising under a single occurrence, the sum of \$2,500 shall be deducted. Upon the submittal of a claim, the Member shall pay the \$2,500 deductible. If the deductible is not received, SEAFAR shall withhold the amount from the Member's surplus, if any, or add the deductible to the Member's insurance contribution.
- b. **Excess Collision.** The Protection and Indemnity (P&I) coverage contained in this Article is extended to include Excess Collision as contained in lines 158-184 of the AHI but only for the difference between the vessel's P&I limit and the vessel's Hull & Machinery agreed value, and only if that agreed value is less than the P&I limit.

In no event shall this coverage extend to vessels not carrying Hull and Machinery insurance or shall SEAFAR liability exceed the P&I limit.

- c. **Personal Effects Liability.** This coverage is extended to include liability for the loss or damage to the personal effects of a crewman in an amount no greater than \$1,500, subject to the applicable deductible.

3 Net & Gear. Loss or damage to fishing net and gear while aboard the vessel or ashore in a secure location subject to the terms and conditions of the AIH. SEAFAR will only cover or pay for fishing net and gear specifically identified and valued in the membership application or renewal.

- a. **Deductible.** From the amount of each adjusted claim, the sum of \$1,000 shall be deducted.

4 Pollution. Loss or liability to pay damages, fines or penalties arising from the spillage or leakage of oil, or other contamination, subject to the terms and conditions of the Limited U.S. Oil Pollution Policy dated June 1990.

5 Breach of Warranty. Indemnify the interests of the mortgagee for loss or damage to a vessel, which in the absence of an act of the Member or other vessel operator, would have been covered under these Articles subject to the terms and conditions of the Institute Mortgagee's Interest Clauses Hulls dated March 1986.

6 Transit as Cargo. Loss or damage to the vessel in transit as cargo, subject to the terms and conditions of the AIH.

a. Deductible. From the amount of each adjusted claim, the sum of \$3,500 shall be deducted.

7 Transit by Trailer. Loss or damage to the vessel in transit by a trailer owned and operated by the Members, subject to the terms and conditions of the AIH.

a. Deductible. From the amount of each adjusted claim, the sum of \$3,500 shall be deducted.

Article V EXCLUSIONS

1 SEAFAR shall not cover or pay for losses or claims where:

a The vessel is operated by any person other than the Member identified in the certificate of insurance or other persons without the approval of the Manager.

b The vessel is operated outside the waters/trading and crew warranties set forth in the certificate of insurance.

c. The consumption of alcohol or a controlled substance by a vessel operator or crewmember is causally related to the loss or claim.

2 SEAFAR shall not cover or pay for loss or damage to the vessel resulting from:

a Non-compliance with the requirements set forth in Article VI (2)(a-k).

b Failure to repair, replace or otherwise comply with all recommendations set forth in the survey of the vessel as required under Article VI (3).

3 SEAFAR shall not cover or pay for loss or damage to vessel:

a Equipment and supplies not identified in the vessel survey.

b Engines, electronic equipment, machinery, generators, electrical machinery and electrical connections, boilers and shafts resulting from those perils set forth in Article IV (1)(b)(1-3).

Article VI CONDITIONS

1 Limits of Insurance. SEAFAR shall provide insurance only for those coverages shown on the certificate of insurance indicated by a specific amount or limit of insurance and contribution charge.

SEAFAR shall cover and pay losses or damages up to the amount of insurance shown on the certificate of insurance. The total liability under Article IV resulting from one occurrence or event shall not exceed one million dollars (\$1,000,000) per coverage, or the limit of insurance for each coverage shown on the certificate of insurance, whichever is less. This per coverage limit applies regardless of the number of claims submitted, persons injured, or Members and other persons identified in the certificate of insurance.

2 Vessel Requirements. Member vessels shall be subject to all of the following requirements:

- a** At least two effective dewatering devices.
- b** Audible bilge alarms and such other alarms as may be required by the Manager.
- c** Audible heat sensing or fire detection alarm in the engine room and over the galley stove.
- d** A two-way marine VHF radio, fathometer, and radar. The Board of Trustees may exempt the radar requirement based on the individual circumstances.
- e** Three Class B fire extinguishers installed in the engine room or in such other locations as required by the Manager or a fixed automatic fire extinguishing system in the engine room.
- f** All stove and engine exhaust must be clear of all woodwork.
- g** Propane (LPG) stoves must have type "K" or "L" copper tubing or flexible hose labeled for LPG.
- h** Oil fired stoves must have copper tubing or flexible non-metallic U.S.C.G. type "A" hose.
- i** Carbon monoxide detector.
- j** Compliance with all applicable safety regulations under the Commercial Fishing Vessel Safety Act of 1988.
- k** Current Coast Guard Dockside Courtesy Exam Certificate.

3 Survey of Vessel. Unless otherwise determined by the Trustees or Manager, the Member shall every five years or sooner submit a survey report showing that the vessel has been inspected and valued. If requested, the member shall provide an out of water survey. When a survey is required the Member shall:

- a** Provide all facilities required for such survey; and
- b** Repair, replace, or otherwise comply with all recommendations set forth in the survey of the vessel, and comply with all recommendations SEAFAR may make following the survey.

4 Other Insurance. If the vessel has an agreed value higher than the amount of insurance assumed by SEAFAR, then the coverage will be part of, and will not be considered primary or excess coverage. SEAFAR will not assume the obligation of any insurance company or other entity providing coverage to the vessel or Member.

SEAFAR insurance is excess over any valid and collectible insurance covering against any loss or claims that otherwise would have been paid by SEAFAR. But if the other insurance is specifically written as excess coverage, the limit of SEAFAR coverage applies first.

5 Coverage Changes. If any coverage under Article IV is broadened without an additional contribution, the coverage will apply immediately. Any restrictions of coverage will not apply until the next renewal.

6 Drugs. A member must notify SEAFAR within 30 days from the issuance of a citation by the Coast Guard or other enforcement agency that the master or person(s) at the helm of the vessel violated any

statute or regulation pertaining to the use of alcohol or controlled substance. Failure to notify shall constitute grounds to deny coverage or payment for any loss or damage occurring after the 30 day period.

7. Vessel Modifications. A member shall notify SEAFAR of any major vessel modifications such as the addition of spousons; lengthening of the vessel; widening of the vessel or any other structural changes to the vessel. The Trustees may require a new stability test on any vessel that has undergone modification.

Article VII STOP-LOSS INSURANCE

1 The Manager shall purchase a policy of stop-loss insurance to reduce the amount of risk in connection with any one or aggregate number of claims made against SEAFAR. Unless otherwise agreed in the stop-loss insurance policy, the provisions of these Articles shall bind the stop-loss insurer. Where the stop-loss insurer modifies these Articles by limiting or excluding coverage, the terms and conditions of the stop-loss insurance policy shall apply.

2 The stop-loss insurance policy and these Articles with the applicable terms and conditions of coverage identified in Article IV, paragraphs 1-5, are on file and available for inspection at the offices of the Manager, or upon request will be mailed to the Member.

Article VIII RATE OF CONTRIBUTION

SEAFAR shall provide the coverage described in the Member's certificate of insurance. In return, the Member shall comply with all conditions of membership and pay the following contribution rates.

1 Hull. Two and one-half (2.5%) of the amount of insurance per annum. Credit for vessel lay-up shall be allowed subject to the following:

- a** The vessel is laid-up in a safe port for a period of fifteen (15) or more consecutive days.
- b** The credit shall be calculated at the rate of one and one-half percent (1.5%) of the amount of insurance per annum prorated for the number of lay-up periods.
- c** No credit for lay-up periods shall be recoverable unless written notice has been given to Manager by January 31 of the ensuing year.
- d** Members shall not apply for or be allowed a lay-up credit during the initial insurance period.
- e** Lay-up credit shall not be available for any year in which a claim is submitted to and paid by SEAFAR.
- f** If membership is cancelled or withdrawn prior to the end of the insurance period:
 - 1) Any credit shall be applied proportionally to the end of the insurance period.
 - 2) No credit shall be allowed in excess of the contribution due for the insurance period.

2 Protection & Indemnity. A varying rate depending on the areas of operation, fisheries, number of crew and amount of insurance.

3 Pollution. A varying per annum rate depending on the amount of insurance.

- 4 Breach of Warranty.** Two-tenths of one percent (0.2%) of the amount of insurance per annum.
- 5 Net & Gear.** One percent (1.0%) of the amount of insurance per annum.
- 6 Adjustments.** Contributions for any year may be adjusted in such amounts as may be determined by the Trustees.
- 7 Transit as Cargo.** Subject to the terms and conditions of the Cargo policy purchased by the Manager.
- 8 Transit by Trailer.** One and fifty-four hundredths of one percent (1.54%) of the amount of insurance per annum.

Article IX PAYMENT OF CONTRIBUTION

- 1** Unless otherwise provided in the certificate of insurance or agreed to by the Manager, one-half of the annual contribution shall be payable on or before April 1st of that year, and the remaining contribution on or before August 31st of that same year.
- 2** If membership is cancelled or withdrawn and no claim is pending or later submitted the Member shall have no obligation to pay contributions beyond the date of cancellation or withdrawal.
- 3** If membership is cancelled or withdrawn and a claim is pending or later submitted for that year, the Member shall be obligated to pay the entire contribution amount shown on the certificate of insurance.
- 4** The cancelled or withdrawing Member must maintain membership in SEAFAR as a condition for the distribution and payment of credited surplus.

Article X CLAIMS PROCEDURE

- 1** The Member must promptly notify the Manager of every occurrence or event which gives rise, or could give rise to a claim against SEAFAR. The Member shall take all reasonable steps to minimize the claim and in all ways cooperate with and assist SEAFAR in any matter relating to the claim.
- 2** Claims shall be adjusted and paid subject to the forms of coverage identified in Articles IV (1-6), VI and VII.
- 3** Unless otherwise agreed by the Trustees, SEAFAR shall pay only eighty percent (80%) of an adjusted Hull Machinery, Hull or Net & Gear claim amount if:
 - a** The Member fails to notify the Manager within ten (10) days of the occurrence or event giving rise to the claim; or
 - b** Undertakes vessel repairs without first providing notice to the Manager.
- 4** Upon the submittal or payment of a claim, SEAFAR shall be vested with all rights of recovery and subrogation against any person. The Member is required to cooperate and assist in all matters necessary to secure, protect, and prosecute these rights.

Article XI SURPLUS CONTRIBUTIONS

1 On December 31 of each year the surplus contributions for that year, if any, shall be credited to each Member account in proportion to the contribution owing and paid for that year. For purposes of calculating this surplus, the amount of any payment to or on behalf of the Member for a claim occurring during that year shall be deducted from the Member's surplus for that year only.

2 In the fifth year of membership, or such other time as may be determined by SMS in Consultation with SEAFAR, any surplus from the first year shall be credited against contributions owing in the fifth year. In the sixth and succeeding years of membership, any surplus from the fourth preceding year shall be credited against contributions owing in that year.

3 If membership is cancelled or withdrawn, surplus credited to that Member account shall be distributed in the year available for payment or credit as long as they maintain membership in SEAFAR.

4 Retained surplus shall be available for the payment of claims without regard to the previous crediting of surplus to Member accounts. Retained or credited surplus shall not be available for the payment of claims occurring in a particular year until all Member contributions owing and paid for that year have been exhausted.

5 Notwithstanding paragraphs 1-4 of this Article, the Trustees in consultation with SEAFAR may credit and distribute surplus to Member accounts under such terms and conditions as best serve the interests of SEAFAR and the SEAFAR membership.

Article XII INVESTMENT OF SURPLUS

1 The funds of SEAFAR shall be invested under the direction of the Manager. Investments may include the purchase of stocks, bonds, securities, real or personal property, deposits in financial accounts, or loans on such terms as the Manager deems appropriate.

2 The Manager may direct that all or any retained surplus credited to a particular year and Member account shall be pooled and invested either as one or separate accounts.

3 If any surplus shall have been so pooled and invested, the Manager may apportion as appropriate, the income resulting from the pooled investments among and between the different surplus years described in Article XI. The Manager shall make this apportionment no later than December 1 of each year.

Article XIII MANAGEMENT FEE

Unless otherwise provided, the Manager shall receive a management fee as follows: The Manager shall receive a management fee of ten percent (10%) of all Member contributions, or one hundred thousand dollars (\$100,000), which ever amount is greater; SEAFAR shall receive a management fee of four percent (4%) of all Member contributions.

Article XIV INDEMNITY FOR MANAGER, TRUSTEES AND SEAFAR

1 The Manager, Board of Trustees and SEAFAR or their employees and representatives shall not be held personally liable for acts or omissions arising out of the performance of their duties.

2 SEAFAR shall provide a defense to any claim made against the Manager, Trustees or SEAFAR arising out of the performance of their duties and will indemnify them for any judgment or settlement

rendered against them. However, such defense and indemnity shall not apply to any criminal conduct or fraudulent acts.

Article XV CANCELLATION OF INSURANCE

1 When a Member fails to pay any contribution amount due SEAFAR or SEAFSA, the Manager shall give written notice requiring payment by a specified date. If such payment is not made before the date so specified, then insurance and membership shall be automatically cancelled without further notice.

2 The Member may be reinstated by paying the full contribution owing. Reinstatement shall not entitle the Member to the benefits of these Articles for any claim or loss occurring during the period of cancellation.

3 Unless otherwise agreed by the SEAFAR, membership shall also be cancelled upon the happening of any of the following events:

- a** Death of a Member;
- b** Sale, transfer or mortgage of the vessel;
- c** Change of management or charter of the vessel;
- d** Assignment or pledge of the certificate of insurance.

4 The Trustees shall have the discretion and authority to cancel any Member who is deemed detrimental to the interests of SEAFAR. The cancelled Member shall be given an opportunity to request the Trustees reconsider the cancellation. Any such request for reconsideration shall be submitted to SEAFAR in writing.

5 When the insurance of a Member is cancelled, SEAFAR shall cease to be liable for any claim or loss that may arise by reason of any occurrence or event after the date of cancellation.

Article XVI MEETINGS OF MEMBERSHIP

1 Membership meetings of SEAFAR shall be held on such dates as determined by the Trustees. Written notice of the meeting shall be mailed to each Member, not less than five (5) days before the date set for such meeting.

2 Members present, must total twenty percent (20%) of the membership to constitute a quorum for the transaction of business.

3 All questions put to a vote of the membership, except an amendment to these Articles, shall be decided by a majority vote.

Article XVII AMENDMENT TO ARTICLES

1 These Articles, at the recommendation of the Board of Trustees, may be amended by a two-thirds (2/3) vote of members at a meeting or by a two-thirds (2/3) majority of voting Members in a vote conducted by mail.

2 The duration of SEAFAR shall be perpetual. Dissolution if ever, shall be conducted on such terms and conditions as may be proposed by SEAFSA and approved by a three-fourths vote of membership at an annual or special meeting.