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President, Chairman and CEO
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Written Testimony on oversight hearing on
*“Concession Contract Issues for Outfitters,
Guides and Smaller Concessions”*

August 2, 2012

Before the

**United States House of Representatives
Natural Resources Committee Subcommittee on
National Parks, Forests and Public Lands**

Dear Chairman Bishop, Ranking Member Grijalva and Members of the Subcommittee:

My name is Rick J. Lindsey, and I am the President, CEO and Chairman of Prime Insurance Company as well as several affiliated insurance services companies.

Prime is an Illinois domiciled Specialty Insurer providing hard to place insurance for our customers throughout the United States and its Territories.

I have worked in the insurance industry my entire adult life, starting in 1979, finding a niche during the insurance crisis of 1985 & 1986. I have specialized in providing insurance solutions as the named underwriter for Worldwide Outfitters & Guides Association, (“WOGA”), on behalf of outfitters and guides around the country!

I am proud to say that I have been able to provide a stable insurance market for this Class of insureds and continue to do so. In fact, I do not know of any other insurance company that has been able to support this Class on a consistent basis over time. Other carriers have tried, but have not understood the business and have ultimately dropped out after losing money on it.

The Insurance Crisis of the Early 1980s:

As you may be aware, in 1986, the insurance industry was in crisis and at that time, the Federal Government reacted by enacting the 1986 Federal Risk Retention Act to enable similarly situated members of an industry to form Associations for the purpose of procuring liability insurance. The Recreational Outfitters and Guides formed Associations and the process has worked very well all these years. Unfortunately, the well-publicized current insurance industry crisis together with the National Park Service's new mandate for \$5,000,000 insurance limits will conspire to put an unprecedented strain on both the Insurance and the Outfitters & Guides industries, respectively.

New Draconian NPS Requirements:

Specifically, it has come to my attention that the National Park Service is, for some unknown reason, creating many new draconian, unwanted, and unwarranted burdens on the Outdoor Recreation & Guided Tour Industry. One of these new unnecessary burdens is the proposed ten-fold increase in the policy limits they must buy, from \$500,000 to \$5,000,000, which will financially burden them to the extent that many of the highly skilled, smaller Guides will literally be put out of business as a result!

This saddens me because, having grown up in a state that has the highest number of National Parks in the nation, and realizing that these unique places are best visited with a smaller, locally owned guide business, I believe that access will soon be curtailed for many Americans!

Many of the smaller local experts will be forced out of business because they will simply not be able to afford this extraordinary insurance limit requirement. This means that there will be far fewer local experts in the outdoor guided tour industry. It's disturbing to think that the remaining guides will inevitably be a few huge, over-crowded operations with young, largely inexperienced employees.

The Big Insurance Brokers & The Trial Lawyers:

However, these new burdensome insurance requirements will undoubtedly help two groups of Americans: Big insurance brokers like AON, and Trial Lawyers.

My experience has always been that whatever the Policy Limit is, the Trial Lawyers will make that their natural target! In insuring Outfitters and Guides for over two decades, my company, Prime, has certainly handled many serious injury and fatality claims, BUT we have never had even one claim that could not be satisfactorily resolved within the currently mandated \$500,000 insurance limit. If the limits are increased by ten-fold, it will simply mean that the Plaintiff Lawyers will have a much larger target to pursue, at the expense of putting some of the very best Outfitters & Guides in this country out of business.

Other Insurance Companies and What They Can Offer:

I was appalled to see a recent report generated by AON which, in my opinion, tried to gloss over the effects of the proposed new insurance requirement on Outfitters & Guides. It indicated, in essence, that the increased requirement for policy limits would not cost that much more and that there are plenty of insurers that can provide coverage to this highly unique class of risk. Having read the report, I personally telephoned people I know at the top of the organizations that were cited in the report and I was informed that they did not know where the report got its information, but that much of what was conveyed in it about what these carriers could do was wholly inaccurate!

Again, my experience has been that even where large carriers have attempted to insure this Class over time, they have been unsuccessful in doing so and have later abandoned their insureds and gotten out of the business altogether.

Insurance Requirements for Other Classes of Risk:

It also seems highly inconsistent to me that our "Big Government of the Day" wants to focus its draconian attention on Outfitters and Guides and require them to pay so much more for \$5,000,000 in coverage when other,

arguably more dangerous operations in our country are still required only to have a fraction of the insurance! Examples include Minimum Limits for Auto Liability coverage which in most states are around \$15,000 Per Person and \$30,000 Per Accident. I am also a pilot and therefore closely follow requirements in the Aviation industry. Surprisingly, aircraft are required to carry insurance in only 5 states, and in those states, the required limits are only \$50,000 Per Person/ \$100,000 Per Accident. The vast majority of states have no requirements and there is no Federal insurance mandate by the FAA. Also, many small airports are not required to carry any insurance at all! Again, my experience in insuring Outfitters and Guides is that the current \$500,000 limits are more than adequate!

What are the Real Reasons for Attacking Outfitters?:

It seems, therefore, that Outfitters & Guides have been singled out for “Special Treatment” by the U.S. Government and I don’t believe that any of us really understands why. As an insurance professional, it is certainly my firm belief that insurance limits for this Class do not need to be increased. Therefore, I think we would all like to know the real reason for the government targeting Outfitters & Guides across the board.

In Summary:

In summary, therefore, increasing the insurance requirements by ten times on this stressed class of business fails to contemplate the ramifications of this enormous new bureaucratic burden. Such ramifications, as I have tried to illustrate here today, include vastly increased expenses for existing professional Outfitters and Guides, many of whom will simply be put out of business altogether, an insurance industry that cannot provide a long term market at the unrealistic prices contemplated by the AON Memo, and far fewer expert Guides in the future. This will result in greatly reduced access for the American public to recreational activities in America’s parks, as well as compromised safety.

In conclusion, we must be careful not to find ourselves in a more dire position than we found ourselves in during the mid-1980s when the 1986 Risk Retention Act had to be passed to alleviate the problem at that time. Unfortunately, the insurance industry is no better off now than it was then

and the litigation problems that caused the insurance crisis have not gone away. Nothing has changed and the little "Tort Reform" that has occurred has simply resulted in caps on certain types of litigation recoveries. The massive underlying litigation problem still persists and increasing the limits required of outfitters & guides by 10 times is only going to worsen this out-of-control litigation problem. In addition, the authentic experience of visiting the Nation's parks will be greatly diluted as a result of replacing local expert guides with a few very large corporate operations and their employees who are likely to be non-local and far less experienced.

Thank you for listening, and I trust you will be able to stop this proposed bad law from being enacted as its adverse ramifications do not seem to be fully appreciated by those who created it.