



GLOBAL GREATAMERICAN. IMPACT

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Dear Friends:

Great American's Ocean Marine Division is proud to have pioneered coverage for the independent marine artisan, which continues today in our unique Craft-Master policy. Learn more about this special coverage on page 3.

Years after it was first mandated under the Oil Pollution Act of 1990, a change to marine casualty reporting requirements has added "significant harm to the environment" as a casualty requiring a report to the Coast Guard. The agency also announced other changes that require attention (pages 1-2).

And finally, on page 4 read about the changes taking place in India and the possible impact on your business.

We hope you enjoy this issue and welcome your comments.

Sincerely,

John A. Rowney
Division President
Ocean Marine Division

COAST GUARD ISSUES NEW MARINE INCIDENT RULES

OPERATORS FACE ADDITIONAL REPORTING AND ALCOHOL TESTING REQUIREMENTS

Following years of deliberation, the U.S. Coast Guard has issued a final rule that makes "significant harm to the environment" a reportable marine casualty, a change mandated by the Oil Pollution Act of 1990 (OPA 90). In a separate rule, the agency has added time limits and other changes to existing requirements for alcohol and drug testing following a serious marine incident.

Under pre-existing law, U.S. vessel owners have been required to report marine casualties involving the death or serious injury of an individual, material loss of property, or material damage affecting the seaworthiness of a vessel. Effective January 17 of this year, U.S. flag vessels must add to that list pollution incidents posing "significant harm" that occur anywhere in the world. Certain oil-carrying foreign flag vessels also must report such marine casualties that occur in waters within the U.S. Exclusive Economic Zone (even if beyond U.S. navigable waters) when those casualties "involve material damage affecting the seaworthiness or efficiency of the vessel, or significant harm to the environment."

"The report gives the marine industry a nationally consistent tool for describing an incident accurately and quickly, and

in the responsible party's own words," the Coast Guard announced. The information will "help the Coast Guard track and investigate marine casualties ... and lessen the effects by requiring timely notification needed to ensure a timely and appropriate pollution response and clean-up."

DEFINING HARM

But what qualifies as "significant harm"? On that point, the rule does not introduce new parameters but instead refers to existing definitions already on the books. Reportable incidents may involve either a discharge of oil, hazardous substances, marine pollutants, or noxious liquid substances (NLS) resulting from damage to the vessel or its equipment, or for the purpose of securing the safety of a vessel or saving a life at sea; a discharge of oil in excess of the quantities permitted in 33 CFR 151.10 or 33 CFR 151.13, or NLS in bulk as permitted in 46 CFR 153.1126 or 153.1128, during operation of the vessel; a discharge of marine pollutants in packaged form; or a probable discharge resulting from damage to the vessel or its equipment.

Reports must be made by radio to the appropriate foreign agency in the jurisdiction where the incident occurs, or, for incidents within U.S. jurisdiction,

Continued on page 2

to the nearest Captain of the Port or the National Response Center. A follow-up written report must be submitted within five days to the local Marine Safety Office or Group Office. Responsible parties can report the environmental incident on the standard marine casualty report form CG-2692.

According to the Coast Guard, during the five-year period of 1993-97, an annual average of 1,570 domestic pollution events occurred that today would fall under the new rule. An average of 186 foreign-flag events during that period now would fall under the rule. The agency estimates an additional paperwork burden of one hour per incident for owners and operators in the industry. One hour of staff time, valued at \$45, will be required for each reportable incident, the Coast Guard estimates.

The federal rulemaking process, as usual, has been a long one for these changes. It began with a public meeting in early 1995, followed by a notice of proposed rulemaking in late 2000. In general, the new rule should improve the government's ability to respond to pollution incidents. One observer cited in the Coast Guard's discussion of the matter also believes the regulation of foreign vessels under the rule helps "level the playing field" for U.S. marine interests.

Although the Coast Guard has the exclusive right to regulate such matters, under OPA 90 individual states do retain the right to require additional reports of the discharge or substantial threat of discharge of oil.

PROMPT TESTING FOR ALCOHOL

Another new rule, effective June 20,



2006, requires that mariners directly involved in a serious marine incident be tested for alcohol use within two hours of the incident. The rule requires that most commercial vessels have alcohol testing devices on board and authorizes the use of saliva as an acceptable specimen for

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testing. The rule also imposes a new 32-hour time limit for collecting specimens for drug testing following a serious incident. The Coast Guard Appropriations Act of 1998 imposed the new requirements, which set in motion the federal rulemaking process that began in 2003.

Previous regulations have not specified time requirements for collecting specimens for testing and have limited alcohol testing to more costly blood and breath methods. Both the previous and amended regulations only require testing for evidence of alcohol use. Neither require that the *amount* of alcohol in the person's system be determined.

For alcohol testing, the rule allows marine employers to use the most cost-effective equipment among the

National Highway Traffic Safety Administration's Conforming Products List of alcohol screening devices (available online at www.nhtsa.dot.gov). Vessel operators must carry such devices on board unless they can ensure testing will occur at a shoreside facility within two hours of

a serious marine incident. For drug testing, employers must have urine-specimen collection and shipping kits

onboard unless testing can be accomplished on land within 32 hours of the incident.

Although some testing devices can be quite expensive, the new allowance of saliva testing devices, which are relatively cheap, should reduce the cost burden for marine operators, the Coast Guard says. It reports that the average price for saliva alcohol screening devices is \$113 for a package of 25 to 30 devices. Some first-year training may be required for crew members, although the saliva tests are very quick and easy to administer.

Marine operators should ensure that crews are adequately trained in new casualty reporting requirements, as well as new alcohol testing timelines and the use of related equipment onboard the vessel. ■

CRAFT-MASTER POLICY AN INDUSTRY ORIGINAL

Did you know that the Ocean Marine Division of Great American Insurance was the first to offer coverage for independent artisans working in marinas and small shipyards? “We pioneered this product in 1997,” said Carolyn Neumann, divisional assistant vice president. “There wasn’t another product like it anywhere.”

Although in the decade since its introduction at least one other company has tried to imitate this unique coverage, Ocean Marine’s Craft-Master policy remains the industry standard as a package policy for the marine artisan.

In short, a “craft-master” is an individual or small business that repairs, services or installs equipment on private pleasure craft or small commercial craft; works at the vessel’s location in marinas or yards owned by others; and has gross receipts of less than \$500,000 a year. Examples of small businesses in this category include those that repair or install electronics, fiberglass, or upholstery. Other examples include painters, as well as businesses that repair engines, provide detailing and cleaning services, or perform carpentry or other wood-working.

The policy and its coverage are more relevant now than ever before, Neumann noted, given recent employment trends in the industry. Today, more marinas, repair facilities, and shipyards are outsourcing such work to independent contractors—



rather than employing artisans full-time—as a way to save money. This has resulted in significant growth in these types of small businesses. “In the industry it’s a real trend,” Neumann said. “We’ve seen more of this happening in the last year and a half.”

THOROUGH PROTECTION

Combined coverages under the Craft-

artisan could be covered in the event of a small hazardous material spill at a marina work site.

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Master policy include ship repairer’s and general liability. Options include bailee’s coverage, which covers liability for goods of others in the insured’s care, custody, and control while ashore; protection and indemnity, for when the insured operates customers’ boats for testing or repair; tools and equipment; and transit. The policy has a combined single limit up to \$1 million. Premiums are based on the type of work performed.

The Craft-Master policy also provides limited pollution coverage, a unique offering not usually available to this class, Neumann pointed out. Under this coverage, for example, an

Neumann also noted that the policy offers a quick quote turnaround time. That’s important because ordinarily when artisans go to

their agent it’s because an employer has asked for a certificate of insurance before they are allowed to work.

As always, in the event of a covered loss, Great American’s marine claims staff – among the most experienced in the business – is standing by. The average Ocean Marine claims professional has more than 20 years of marine claims experience. “Since we’ve been handling this policy for 10 years, we do have a lot of knowledge in claims handling,” Neumann said.

For more information on the Craft-Master policy, check with your agent or broker. ■

INDIA HAS COME OF AGE

THIS UP AND COMING MARKET DESERVES ATTENTION

The U.S. Census Bureau estimates that India's population will exceed China's by 2034. And that's not all. India may surpass China in other areas as well. What does this mean for your business?

BIG, BIGGER, BIGGEST

India's services-led growth strategy, a departure from Asia's traditional manufacturing-led model, is transforming the country. Additionally, its process of economic liberalization, robust growth and increasing output of engineering-intensive, service-led manufacturing is making India a more attractive destination of foreign direct investment. As a result, India—which is currently the world's 10th largest economy—could become one of the world's three largest in less than 30 years, a Goldman Sachs study says.

U.S. exports to the world's fastest growing democracy were \$8 billion in 2005, up 30 percent from the previous year. Consequently, India ranks as the United States' 22nd

largest export market. This designation, however, likely will improve. U.S. imports from India, at almost \$19 billion, increased by 20.8 percent over 2004.

U.S.-INDIA TRADE AND INVESTMENT

During President Bush's recent trip to India in March, he and Indian Prime Minister Singh jointly issued a statement reaffirming their shared commitment to increase investment flows and deepen bilateral trade by doubling U.S.-Indian trade within three years.

According to the U.S. Department of Commerce, India's best prospects for business opportunities include:

- Computers and peripherals,
- Machine tools,
- Medical equipment,
- Pollution control equipment,
- Oil and gas field machinery,
- Textile machinery,
- Telecommunications equipment,
- Electric power generation and transmission equipment.



THE BAD AND THE GOOD

India is hampered by a poor infrastructure and lack of government support. And although the country continues to implement economic reforms, more needs to be done to minimize the power of entrenched interests and promote competition. However, unlike China, India has democratic institutions, a more effective legal system, and an improved educational system, especially in rural areas. These factors, among many others, will continue to create a larger Indian middle class with sizable purchasing power. ■

The descriptions of coverages provided under the Craft-Master Policy are summarized due to space limitations. Please refer to the policy form and declarations page for a complete description of all applicable terms, conditions, exclusions and limits. Not all coverages are available in every state. Policies are underwritten by Great American Insurance Company, Great American Alliance Insurance Company or Great American Insurance Company of New York. Copyright © 2006 by Great American Insurance Company. All rights reserved. The following service marks are the property of Great American Insurance Company: Great American® and Great American Insurance Group®.

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