



GLOBAL IMPACT



A Publication of the Ocean Marine Division of Great American Insurance Group

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Dear Friends:

How smart are "smart containers" likely to be? Will they become mainstream? Who will monitor and operate them? On pages 1-2 you'll read about the benefits and obstacles.

On page 3 you'll read about Great America Insurance Group's Marine Commercial Liability Policy, its tremendous benefits and future.

And on page 4, "Global Impact" looks at Vietnam, the 150th member of the World Trade Organization. Are manufacturers shifting focus from China to Vietnam? Perhaps, if the latest Japanese trend takes hold.

We hope you enjoy this issue and welcome your comments.

Sincerely,

John A. Rowney
Division President
Ocean Marine Division

DEVELOPMENT OF "SMART CONTAINER" PROGRESSES SLOWLY

MANY LOGISTICAL QUESTIONS REMAIN TO BE ANSWERED

An impasse has been reached in the development of a so called "smart container." It is difficult to pinpoint why this has happened. The concept and necessity for a device that secures cargo within a container have been thoroughly discussed and empowered with funds. The parties involved—shippers, manufacturers, governments—have shown keen interest in all facets of its development, and inventive technology has created various tools to track a container minute by minute if need be, but still the ultimate prize remains illusive.

The reason seems to be that there have been no uniform design, technology or standards yet developed that are acceptable to the various trading nations of the world. There are a definite lack of communications and overall project direction.

Leaving aside the difficult and costly development of the technology required to run a sophisticated tracking system once one or more are agreed upon as standards, the workings of the system have to be easy to operate, not hinder the movement of transporting trade, and most imperative, be cost-effective.

A study completed by the International Society for Optical Engineering

about what needs to be accomplished to integrate container technology into shipping and law enforcement infrastructures posed these questions: 1) Who will own and operate the smart container technology; 2) Who will be responsible for monitoring the smart container data and notifying first responders; 3) What communication technologies currently used by first responders might be adopted for smart container data transmission; and 4) How will existing cargo manifest data be integrated into smart container data. In short, the study noted that there is a "need to identify the best practices for smart container ownership and operation."

FOCUS ON PROTECTING CARGO

Barry Conlon, president of Freight Watch International USA, said he believes shippers require a more fluid environment that depends on availability of vast quantities of equipment to transit their goods. "To expect the shipper to fit-out a container with smart technology is not an option, due to associated cost," he said. "A more realistic approach is for shippers to focus on protecting their cargo and not the container carrying it!" Maintaining this policy with technologically sophisticated software and equipment will aid the shipper's theft prevention process and will more than adequately compensate

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for and prevent the introduction of unauthorized material. "Smart Cargo is the best description for the new technology," Conlon affirmed.

Certainly it is the cargo within the container that must be tracked and protected, not the container, just a big steel box, itself. Each year, goods worth an estimated \$10 to \$20 billion—there are no substantiated figures—are stolen from containers. This year almost 12 million containers will be imported into the U.S. With predictions of 5 to 6 percent annual growth rate, the number could double to 24 million containers by 2015—and triple by 2025. The pursuit of a device that will enable shippers to deter theft has become of paramount importance. Yet, progress on developing such a device has not been swift or certain.

CAUTIOUSLY OPTIMISTIC

As recently as early 2007, U.S. Customs and Border Protection (CBP) Commissioner W. Ralph Basham said the CBP is currently working with the Science and Technology Directorate of the Department of Homeland Security to determine the technical and administrative requirements for the Container Security Device (CSD). He emphasized that it is imperative this device be part of a fully integrated process that will support its use.

"Think of it," he said, "CSDs hold the promise of securing a container during its journey from... a loading dock overseas, all along the inland dray or transport to the foreign seaport, to the U.S. seaport. CBP will be able to detect containers that have been tampered with en route, which are by definition high risk." But, first, he



advised, tests have to be done to find a CSD that meets CBP requirements. Then when an effective device has been found, "we will have to answer a number of policy questions about how we employ this technology."

The government has determined it would like to have sensors that not only sense when a door to a container

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is opened, but also one that has the scope to monitor all six sides of a container for physical intrusions, as well as the ability to detect people inside the container. As for the eventual success of the venture, Basham said, "I am cautiously optimistic."

MINUTE BY MINUTE

The immediate need is for devices that thwart cargo theft, and there are already a number of devices that track shipments, but at present just in North America. A shipper can track a container when it leaves the ship, goes through customs and is on a truck for delivery in the U.S., accord-

ing to Ed Petow, director of quality control and law enforcement liaison, Freight Watch International USA. The unit is a logistic tool. Manufacturers want to know where a shipment is at all times, especially when it gets closer to delivery time, or when weather may be a factor. The device lets them know where the cargo is. "The cargo owner can track the container

minute by minute if he wants," Petow said, "until the cargo is off-loaded."

The devices—Freight Watch supplies some of

the software for one device—range from \$450 to \$600 and a fee is incurred each time a tracking sequence is instituted. It will operate for close to a month and can be used again and again after being empowered. The units measure 1.5 inches by 3 inches and are hidden inside cargo within the container.

"It would take criminals a lot of time to get at the device," Petow said. "It is just one of the tools to curtail cargo theft. It has been very popular with shippers and manufacturers and in several cases, was highly instrumental in recovering cargo that had been hijacked." ■

GREAT AMERICAN'S MARINE COMMERCIAL LIABILITY POLICY – THE PERFECT COMBINATION

Great American's Marine Commercial Liability (MCL) policy combines general liability with traditional marine liability coverage to provide a product that is particularly well suited for maritime or maritime related operations. Combining these policies saves time and reduces costs. It also lessens the potential for disputes when these policies are placed with separate companies.

The policy is written in a reader-friendly style with easy-to-understand premium provisions. For select customers, additional policies may be provided to address other needs.

Chip Downing,
Great American
Ocean Marine
Divisional senior

vice president, said the MCL policy is widely accepted by insureds and agents. "It is one of our best products," he said, "and one with which our seasoned underwriting and claims personnel are well versed."

The MCL policy is designed for companies that perform the following activities or functions:

1. SHIP REPAIR

Ship repairers work in their own yards or travel to other yards or piers to perform work. These repairers typically provide a variety of services using their own employees or sub-contractors. The MCL policy covers both traveling workers and those operating in their own yards.

2. SHIP/YACHT BUILDING

Ship and yacht builders are involved in small vessel manufacturing as well as large ship building. Great American

insures both types of builders who conform to accepted industry standards and practices, and are governed by various yacht and shipbuilding organizations.

3. MARINE CONTRACTORS

The most common types of marine contractors insured by Great American are those involved in the construction or repair of piers, docks, bulkheads, jetties and seawalls; pile driving; non-structural bridge repairs; and inland water dredging operations.

4. WHARFINGERS

As operators of commercial wharfs

"The Great American MCL policy offers broad coverage at competitive prices and is a product we expect to continue to grow."

that provide berths to vessels, wharfingers have a responsibility for the "safe berth" of these vessels as well as other liability exposures traditionally covered by general liability policies. These operations can range from small barging piers to large piers offering ocean-going tonnage.

5. STEVEDORES

Stevedoring operations vary depending on agreements with their steamship companies or terminal operators. Stevedores are typically engaged in the loading and unloading of cargo and containers from vessels and barges, and are responsible for lashing and unlash-ing of cargo, cleaning holds, and stuffing and stripping of containers.

6. TERMINAL OPERATORS

As strictly defined, coverage applies only to legal liability for loss or damage to property of others while temporarily stored in a warehouse or waiting for



transit. In some cases, however, coverage for terminal operators, stevedores and wharfingers is required for one specific risk. Great American has the ability to tie various risk coverages together in one policy. Note: In a future issue, *Global Impact* will provide information about an

upcoming enhanced program that can be customized to the needs for terminal operations.

7. VESSEL OPERATORS

The principal liability coverage for vessel operators is Protection and Indemnity insurance. In many cases there also is a need for traditional general liability coverage. The Great American MCL policy combines both.

8. MARINE ELECTRONIC SUPPLIERS

This category is limited to individuals and companies who supply (and do not manufacture or install) electronic instruments and equipment for commercial and pleasure vessels.

ALL IN ONE

"The Great American MCL policy offers broad coverage at competitive prices, and is a product that will continue to grow as more agents, brokers and insureds become more familiar with it," Downing said. To learn more about the MCL policy, please contact your Great American Ocean Marine underwriter or office. ■

VIETNAM: THE 150TH MEMBER OF THE WTO

Vietnam is one of the fastest growing economies. Since 2005 it has achieved an annual growth rate of more than 8 percent, and its gross domestic product per capita has climbed from \$100 in 1990 to \$800 this year, according to the International Monetary Fund.

On January 11, 2007, Vietnam became the 150th member of the World Trade Organization (WTO). As a result, its economy, as well as its worldwide trade and investment, are anticipated to steadily rise as this country of nearly 87 million people increasingly integrates into the world trading system.

WTO COMMITMENTS

In return for WTO membership, Vietnam agreed to reduce duties to 15 percent on approximately 95 percent of American manufactured goods. Tariffs on key U.S. products in the construction equipment, pharmaceuticals and aircraft sectors were negotiated down to 0-5 percent. And duties on 91 percent of medical equipment, 96 percent of scientific equipment and 100 percent of computers will

be eliminated, according to the U.S. Trade Representative and the Vietnamese government. On agricultural goods, Vietnam agreed to reduce duty rates to 15 percent or less on approximately three-fourths of U.S. farm shipments. These include cotton, selected beef, pork and various meats, whey, grapes, apples, pears, and soybeans.

On services, Vietnam committed to open up key sectors, including telecom, distribution, financial services, and energy services to foreign participation. Among other things, it has agreed to eliminate various subsidies, protect intellectual property rights and continue implementing domestic reforms. Full U.S. access to lower WTO-negotiated rates was made possible by the U.S. granting Vietnam Permanent Normal Trade Relations status on December 29, 2006.

TRADE AND INVESTMENT

In 2006, the United States exported \$1.1 billion in goods to Vietnam. This primarily included aircraft, fertilizer, steel, computers and parts, equipment and parts, pharmaceuticals, and

chemicals. Last year, the United States imported \$8.6 billion, which mainly included textiles and garments, seafood, crude oil, home furnishings, footwear, and coffee.

U.S. cumulative foreign direct investment (FDI) in Vietnam rose from \$172 million in 2001 to \$291 million in 2005. This, however, represents a fraction of the \$31 billion in global FDI stock Vietnam has received.

THE CHINA - VIETNAM SHIFT

According to the Vietnam Trade Office, "The annual survey of the Japan Trade Organization shows Vietnam has become the first choice of a large number of Japanese firms which are operating in China and want to shift their investment to a third country." It is likely that American companies follow suit.

In 1995, former President Bill Clinton restored diplomatic relations with Vietnam. Today, the country is one of the best-performing developing economies in the world, providing a wide range of opportunities. ■

The descriptions of the MCL policy provided on page three is 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 © 2007 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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INTERNAL NEWS 3Q07 No. 41

WELCOME ROBERT KERSHIS TO GREAT AMERICAN

When Robert Kershis began his career in July as an associate underwriter, his co-workers at Great American Insurance Group were familiar with the 22-year-old native of Rockville Center, Long Island.

While a student at the University of Delaware, Rob spent 10 weeks in the summer of 2006 interning at the company. "I worked for a team of three people, spending eight weeks in the underwriting department and the final two weeks in claims. The internship was definitely helpful because it gave me an opportunity to form good friendships here while having hands-on experience on the job," said Kershis, who majored in business with a marketing concentration. "The internship was great exposure for me."

Rob commutes an hour each way to his office in lower Manhattan. His daily trip on the Long Island Railroad isn't spent perusing the latest box scores or listening to music. Instead, Rob puts his commute time to good use. "I study and review on my way in. In October, I'm planning on taking the Chartered Property Casualty Underwriter (CPCU) 520 exam, which means I'm on my way to CPC accreditation."

HANDS-ON EXPERIENCE

Rob attributes his burgeoning skills in the areas of risk analysis, rating, pricing policies and other underwriting duties to his mentors at Great American, particularly Mike Brenner, with whom Rob works most closely. "Mike guides me through the whole process of the analysis and other details. All of my co-workers have been very helpful. I ask a lot of questions and everyone is willing to help me out. Because I'm new to the industry, it's definitely challenging and it's the type of work where there is a lot to learn," explained Rob. Each day, he said, brings another piece of the puzzle in terms he can understand. "I just try to wrap my brain around it," he said with a chuckle.

In addition to the pleasant office environment and his accommodating co-workers, Rob said he

appreciates having his own cubicle from which to work. "The business-casual dress code policy is a nice thing, too," he said.

FAMILY INFLUENCES

Rob's parents, Thomas, a sales manager, and Eileen, a certified public accountant, are understandably proud of their son. And little sibling rivalry is apparent in the Kershis household. Rob's twin brother, Ryan, works as a sleep technician at a Brooklyn hospital while his older sister, Jackie, has relocated to Raleigh, North Carolina, where she is a sales representative for the Marriott Corporation.



L-R: Mike, Ryan, Brian and Robert

Ryan is also a graduate of the University of Delaware. He and Rob occasionally confused their professors by appearing in one another's classes. "We're pretty similar in most respects, but I'm a little more serious, so we couldn't fool them all the time," recalled Rob.

EXPLORING HIGHER EDUCATION

He is exploring the possibility of returning to school to pursue an MBA during the evenings in New York City. "I took my GMATs and hope to get my master's—it can only help me on my career path."

Is Great American in his long-term plans? "This is a place to thrive. I anticipate a long career here. I'm so thankful to be here, especially when I talk to a lot of my friends who are having a hard time finding a good job"

STRESS BUSTING DIVERSIONS

Away from the office, Rob, a self-described "beach boy" enjoys relaxing on the south shore of Long Island. "I grew up surfing there so I try to get over to the beach whenever I can. I go to the gym before I head home; I do some cardio and work in the weight room. And I still love to play intramural softball or baseball. It's great stress relief."



Robert and friend, Katherine

Welcome aboard, Rob. We're glad to have you on our team! ■

TIM VAN HEMERT OPENS THE GREAT AMERICAN MIAMI OFFICE

Tim van Hemert has done his fair share of island hopping in the Caribbean, but his experience has little to do with enjoying the beautiful beaches and balmy breezes. Instead Tim was on duty, spending much of his time in the West Indies working as a claims adjuster for a steamship line.

A veteran of the maritime industry, he worked for several steamship lines before taking the reins at the Great American Miami office on August 1st. "I practiced admiralty law for three years and then spent 15 years in ocean marine brokerage," said Tim, 46, who earned a bachelor's degree in business and marketing at Southern Methodist University and a law degree from the University of Miami.

EXPERIENCE PAYS OFF

Tim's work in the Caribbean was particularly appealing to him because he is a history buff. "When I was doing the claims adjustment work there, I enjoyed the experience because of the cultural and historical perspective represented by each group of islands. Whether former British, French Spanish, or Dutch colonies, each brings a different business approach. You learn how to deal with customers, placate them when necessary, and understand the native influences of each culture," he recalled. "Law school prepared me for a lot of unique scenarios; admiralty law follows the consistencies of common law and is a federal based system."

His knowledge came in handy during one memorable experience. "Six weeks after starting a job as claims manager with Tropical Shipping, 16 steel containers were lost overboard in a General Average event. They were filled with all sorts of goods, including a full load of Wedgewood China, heavily packed with Styrofoam material. Because of the packing material, that particular container washed up on shore in Ft. Lauderdale, where a lot of looting took place. People were walking on the beach with armfuls of good china."

That type of unusual occurrence, Tim added, was a significant moment in his career because he had to quickly learn the complexities of a General Average event and how to deal with attorneys, customers and other business parties. "When you're tossed in the fire, you learn rapidly and even teach yourself how to deal with any given situation."

COURTED BY GREAT AMERICAN

An Atlanta native who was raised in Miami, Tim says the work of a broker is like being a jack-of-all-trades. "I learned about auto insurance, liability issues, more than just marine work, but I came to realize that it was the pure marine stuff that I enjoyed the most." It came as a pleasant surprise when Carolyn Newman, Great American's area vice-president in Lake Mary, Fla., contacted Tim in April about an opportunity at the Miami office. "I had a history with Great American dating back to 1995," said Tim. "I was familiar with the marine pollution program, which was excellent. I also knew a lot about the corporate culture — the business practice, controlled growth philosophy, meaning you're growing at a steady pace instead of just putting business on the books."

BIG DECISIONS

Tim said he did not hesitate leaving the brokerage world for an underwriting management position at Great American. For his first interview, Carolyn Newman interviewed Tim



Tim and his wife, Josie

on the phone. Shortly after, Tim traveled to the Lake Mary office for his second interview. His final interview — over a three hour period — took place at the Orlando Airport with Chip Downing. "Carolyn offered me the position and I accepted on July 1," recalled Tim.

Among his first duties was finding an office that was comfortable for agents and brokers alike. "We focused on the South Miami/ Coral Gables area because of its convenient location and proximity to the financial district, Highway 1, and the metro station. The building has expansion capacity, which is a good thing since we believe we have tremendous potential for growth."

PLENTY OF VARIETY

One of the most appealing aspects of Tim's workday is the variety of commercial marine accounts. "Each one is quite different," said Tim. "For each vessel, I ask the following questions: what is the area of navigation, what is the vessel's age, does it carry cargo or people, and what parameters should be used — knowing what we insure is always in motion. I check to see if we are being responsive to insurers' needs. As a result, there are no cookie cutter accounts."

He also emphasized the importance of maintaining positive relationships with agents in the field, citing the need to demonstrate the scope of his knowledge, strong work ethic and flexibility. "It all goes back to the corporate culture at Great American," noted Tim. "When you agree with the way a company does business, you can thrive. Everyone has a definition of success; doing something you love will result in success rather than just surviving to pay bills. The opportunity to excel exists when you're doing what you enjoy."

AWAY FROM THE OFFICE

Tim's family life also requires a fair amount of flexibility. He and his wife, Josie, met in law school and have been married for 14 years. They are the parents of two sons, Marcel, 5, and two-year-old Vincent. "Both of the boys were named after their grandfathers. My wife and I believe in a strong sense of family and tradition." Although his young family keeps him busy, Tim also finds the time to collect and restore European road bikes. And he has his own cycling routine. "Every Sunday, I take a three hour bicycle ride and head down to South Beach or Key Biscayne. It's a great way to relax."

Welcome aboard, Tim. Glad to have you on the team! ■