



GLOBAL GREATAMERICAN. IMPACT

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TRANSPORTATION WORKER I.D. A TOUGH FIT

Businesses of all sizes want more flexibility

Dear Friends:

This year the maritime industry has moved closer to a Transportation Worker Identification Credential, but as our article points out on pages 1-2, a one-size-fits-all access card raises several important issues.

On page 3, we highlight Great American's unique pollution cleanup policy, which offers complete spill management and seamless coverage following an unfortunate incident.

And on page 4, read about Australia, its direction, and the opportunities that exist down under.

We hope you enjoy this issue and welcome your comments.

Sincerely,

John A. Rowney
Division President
Ocean Marine Division

Implementation of the long-awaited Transportation Worker Identification Credential (TWIC) moved closer to completion in 2006, although concerns over its impact on small businesses throughout the maritime sector have made a universal, one-size-fits-all access card less likely.

The idea for a "smart card" credential for all individuals with access to secure areas of maritime facilities and vessels first appeared in the Maritime Transportation Security Act of 2002 (MTSA) following 9/11. From the beginning, however, the Transportation Security Administration (TSA) encountered several delays in executing the plans before finally beginning a prototype phase for the cards and card readers in November 2004 (*Global Impact*, 1Q '05). That test phase ended in June 2005 after issuing more than 4,000 TWICs at 26 sites.

In April 2005, the Department of Homeland Security (DHS) began conducting background checks on nearly 400,000 port workers in the United States, checking their names against terrorist watch lists and immigration databases. "The name-based checks will provide an immediate security boost while we simultaneously complete the work to imple-

ment a secure national transportation worker credential," DHS Secretary Michael Chertoff announced at the time. Chertoff suggested that the first TWICs would go out by the end of 2006, with full deployment among roughly 750,000 maritime employees by the end of 2007.

A DIFFICULT PROPOSITION

Shortly after the announcement of the background checks, the TSA and Coast Guard issued a Notice of Proposed Rulemaking for the TWIC in May 2006, followed by a 45-day public comment period. Hundreds of comments from the industry poured in, eventually attracting the attention of Congress. While the concerns are many, they essentially revolve around the fact that a universal, high-tech identification system for such a diverse industry will place a high cost burden on small businesses, facilities and workers who pose a relatively small security threat.

THE MOST PROMINENT QUESTIONS

Impact on Port Efficiency. Although other aspects of maritime security law require more security measures for areas that pose greater risk, the proposed TWIC rule affects all vessels and facilities covered by the MTSA equally. Each would be required to have card and fingerprint readers, a remote network connection to verify each TWIC against

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a TSA database, and entry and exit controls that use the card. In the words of the American Waterways Operators, the proposal “would require the same technology on a four-person inland towboat as at the gates of a major public port facility.”

At large ports, multiple card scans by port workers, vessel crews, truck drivers, and rail workers moving in and out of secure areas could result in costly bottlenecks. “More flexibility should be allowed to facilities to manage these workers who transit the facilities numerous times during a day,” the American Association of Port Authorities said in its comments on the proposed rule. The rule also may not be flexible enough to accommodate foreign crews (who are not required to have a TWIC), part-time workers and visitors—all who would require a constant security escort if they did not possess a TWIC.

Many industry insiders urge that the final system be consistent with the risk-based approach of other security initiatives and accommodate various sector differences within the maritime industry.

Costs to Port Facilities and Vessels. Most observers in the industry believe cost estimates given in the proposed rule are too low and fail to consider fully the long-term costs of technology, maintenance and additional personnel. Estimates for the cost of a single card reader alone range as high as \$10,000. Smaller port facilities, which are not currently eligible for federal port security grants because of their low risk, find the requirements even more burdensome. And owners of small operations, such as vessels with tightly knit crews of fewer than 10 people, question why they even need an expensive, high-tech system to verify crewmember identity.

Effect on Labor Availability. As currently planned, each TWIC will

contain a digital photograph, fingerprint templates of two fingers, a personal identification number, and a second federal credential number. The applicant also will undergo a security threat assessment, including a check of criminal history. Such a complex process has resulted in time estimates of 30 to 60 days before an applicant could go to work. Without a provision to let new hires work on an interim basis, maritime sectors with labor shortages will have even greater difficulty in placing new employees in service.

Costs to Maritime Employees. What’s more, the proposed rule would further affect hiring and retention of maritime labor by imposing an application fee of almost \$140 on the employees themselves. Employees also must travel to and from TWIC

enrollment centers in the top 125 U.S. ports, which could mean significant travel time for crew members who live elsewhere or who work at smaller locations.

THE NEXT STEP

In response to cost concerns from lawmakers during the comment period last summer, the TSA and Coast Guard decided that facility and vessel owners and operators will not be required to purchase or install card readers during the first phase of TWIC implementation. Furthermore, the requirement won’t be implemented without an additional public comment period. In September, the House Small Business Committee held hearings on the matter and urged revision of the proposed rule.



The final TWIC rule should contain some significant differences from the initial proposal. The least controversial part of the rule—the issuing of the cards themselves—will likely occur well before technology to scan and verify the cards at ports or on vessels is in place throughout the industry.

The schedule for implementation won’t be known until the federal agencies publish the final rule, but the TSA has suggested a staggered rollout of the plan ranging from 10 to 18 months after the effective date of the final rule.

Many industry insiders urge that the final system be consistent with the risk-based approach of other security initiatives and accommodate various sector differences within the maritime industry. The American Waterways Operators, for example, has successfully fulfilled other MTSA requirements through its unique Alternative Security Program for the nation’s tugboat, towboat and barge operators. A similar nuanced approach to the TWIC program would result in both a better reception in the industry and faster implementation.

For more information on the TWIC, see www.tsa.gov/twic. ■

GREAT AMERICAN'S POLLUTION CLEANUP COVERAGE: MORE THAN JUST INSURANCE

Did you know that Great American is the second-largest carrier of pollution cleanup coverage in the United States? What you may not know is that our professional spill response team provides complete management of an incident, beginning immediately after a call from the insured.

"Our pollution responders are first on the scene. They are generally there in under two hours," said Capt. Ed Wilmot, Ocean Marine vice president. "What's unique

about this coverage is that we provide professional management for each and every spill." Others agree. "Great American's response is excellent. Once they get involved, our clients are happy," said Ken Domilies of McGriff, Seibels and Williams, a marine insurance broker.

When spills aren't professionally managed, they usually cost more because the cleanup may be run by someone who doesn't deal with complex spill response issues on a daily basis. Great American's coordinated response team makes decisions on the spot and doesn't have to second-guess someone else's decisions after the fact. Added Wilmot, "It's a policy we promote because we think we do it the best."

BROAD COVERAGE

The no-deductible coverage applies to vessel owner responsibilities under the Oil Pollution Act of 1990 (OPA) and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), as well as state oil pollution liability and state toxic waste laws. This includes cleanup and disposal expenses for

discharge of oil or chemicals following bunkering spills, grounding or sinking, and also any related fines and penalties. Recent updates to OPA increased the limits of liability imposed on vessel owners involved in an incident (see *Global Impact*, 3Q '06).

Great American can minimize losses by providing the right amount of response with the most effective cleanup plan for each event. Cover-

age also applies to any removal costs incurred by federal, state or local government agencies attempting to avert or mitigate a spill.

The leading cause of fines and penalties is the failure to report an incident. But once the call is made to Great American's 24-hour spill response team (1-877-GA-REACT), the company advises the insured of the proper spill notification procedures for the event's location.

COMPENSATORY DAMAGES PROTECTION Compensatory damages following a spill can be significant, and Great American's coverage applies to claims in six different classes:

- *Natural resources.* Damages can include injury to, loss of, or loss of use of natural resources. Restoration costs may include labor, machinery and equipment, and materials used to restore the impacted environment, such as restocking fish species or replanting wetlands.
- *Real or personal use.* This includes damages for injury to, or economic losses resulting from destruction of property.
- *Subsistence.* This may apply to a

claimant who subsists on damaged natural resources (such as fishermen or an Indian tribe), regardless of who owns or manages them.

- *Revenues.* Federal, state and local governments are entitled to receive damages equal to net loss of taxes, royalties, rents, fees or net profit shares.
- *Profits and earning capacity.* This includes damages equal to the loss of profits or impairment of earning capacity from destruction or loss of use of property or natural resources.
- *Public services.* This includes damages for net costs of

providing increased or additional public services resulting from removal activities, including fire, safety, and health protection.

Because spill incidents also can result in damage to the insured's reputation, Great American's coverage even includes advertising to help restore a company's name in the public arena. But that's not all. According to Joe Devall of Devall Towing and Boat Service, "Great American is very professional, provides excellent assistance and is a great problem solver." Devall was actively involved in the Katrina cleanup effort.

SEAMLESS COVERAGE

Great American can offer pollution coverage as a stand-alone policy or as part of a package, including hull and protection and indemnity (P&I), making protection seamless under one management team. Wording of the pollution coverage is broader than the norm. Even when Great American doesn't provide the insured with hull and P&I, it stresses cooperation with other carriers. "It's our opinion that it is cheaper for all parties involved if the response is coordinated," Wilmot said. ■

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— Joe Devall, Devall Towing and Boat Service

IS AUSTRALIA PART OF YOUR 2007 GLOBAL PLAN?

THE COUNTRY DOWN UNDER HAS A BIG UPSIDE

Australia is one of the world's richest economies. Low unemployment, little inflation, and solid annual growth fuel Australian demand. As a result, the country "down under" has a big upside for American firms.

TRADE AND INVESTMENT OPPORTUNITIES

In 2005, U.S. exports to Australia of goods and services totaled \$22.7 billion. On the other hand, U.S. imports from Australia were \$11.2 billion, reflecting a healthy U.S. trade surplus, according to the U.S. Trade Representative. Consequently, Australia has become the United States' 14th largest export market. Importantly, U.S. direct investment in Australia, on a historical-cost basis, climbed from \$35 billion in 2000 to \$113 billion in 2005.

According to the U.S. Department of Commerce, the best trade and investment opportunities in Australia include aircraft and parts, automotive parts and accessories, construction

machinery, franchising, information technology services, medical equipment, mining industry equipment, oil and gas field machinery, pollution control equipment, safety and security equipment and services, and telecommunications equipment.

Implemented in 2005, the U.S.-Australia Free Trade Agreement eliminated duties on virtually all U.S. manufactured and agricultural goods, according to the United States Trade Representative. Consequently, the agreement is anticipated to boost bilateral trade and investment, thereby benefitting both countries.

THE CHINA FACTOR

As China's economy grows, so does Australia's. In fact, according to the Australian Trade Commission, Australia, whose exports are dominated by agricultural products and commodities, entered a \$25 billion trade agreement to supply China with liquefied natural gas. As a result of improving economic ties, China

has become Australia's 3rd largest export market.

SMALL BUSINESS AND TOURISM

Also fueling Australia's economy is the booming small business sector, which has grown by an annual average of 3.5 percent over the past decade. It is responsible for 30 percent of the country's economic production, 58 percent of employment growth over the last six years, and much of Australia's import demand, the Australian Department of Foreign Affairs and Trade reports. Tourism, much of it built around the wine industry, is another critical industry, accounting for \$2.5 billion in exports, up 12.7 percent from the previous year.

A GROWING PARTNERSHIP

A highly skilled labor force, a knowledge-based economy, healthy import demand, and solid economic growth has positioned Australia as a major East-West bridge. It also has and will continue to offer U.S. firms many trade and investment opportunities. ■

The descriptions of coverages provided under the Pollution Cleanup Coverage 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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