



GLOBAL IMPACT



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AMERICAN CAPITALISM, CHARACTER AND CONSTITUTION ARE KEY TO OUR SUCCESS

HORATIO ALGER LIVES

Dear Friends:

As the most severe recession since the Great Depression recedes, we are reminded of one thing: America always gets back on its feet, regardless of how hard it's been knocked down. We owe this strength to many factors, especially the American character, Constitution and economic system (p1-2).

In 1997, we were the first to offer insurance coverage to independent artisans working in marinas and small shipyards. Since then many things have changed—and we've kept pace. This fall we are happy to introduce our improved Craft-Master policy (p3).

Although U.S. manufacturers of higher technology goods continue to enjoy a global competitive edge, Asian countries are quickly closing the technology gap. Read what you can do (p4).

We hope you enjoy this issue and welcome your comments.

Sincerely,

John A. Rowney
Division President
Ocean Marine Division

Finally, the American economy appears to be pulling out of the deepest and longest recession since the Great Depression. Although at critical points during the economic crisis confidence in the United States fell to the depths of the Dow Jones Industrial Average, deep down Americans knew that America would survive—and emerge stronger.

FAITH IN AMERICA

As early as October 2008, Warren Buffett, one of the world's wealthiest men and greatest investors of all time, reaffirmed that the financial world, both in the United States and abroad, was a mess. Yet, in the same October 17th *New York Times* op-ed, the Oracle of Omaha also said now was the time to buy U.S. equities.

What did Buffett know that others didn't? "In the 20th century, the United States endured two world wars and other traumatic and expensive military conflicts; the Depression; a dozen or so recessions and financial panics; oil shocks; a flu epidemic; and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497," he said. What Mr. Buffett knew, we also knew. But somewhere over the years it was forgotten.

Deep down, Americans know that Amer-

ica always gets back on its feet, regardless of how hard it's been knocked down. And we've proven it time and time again.

A NATION OF STRENGTH

America is a land of entrepreneurial and confident people who believe anything is possible if we put our collective mind to it. We also are flexible and dynamic. And we know how to adapt to change and adjust to new challenges. Foreigners recognize this as well. As a result, America continues to be the destination of the world's hungry, as well as the world's brightest entrepreneurs, engineers and scientists from all corners of the globe. Interestingly, even though the global financial crisis began here, foreigners still felt this nation was the safest destination for their hard earned capital and began transferring it here in large amounts. As a result, the value of the U.S. dollar actually strengthened as the crisis worsened.

KEYS TO AMERICAN SUCCESS

The framers of the Constitution were brilliant. They understood the importance of transparency, rule of law, separation of church and state, and balance of power. These factors—which promote political stability and opportunity regardless of individual differences—are many of the reasons why

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America is the most powerful nation on Earth. Importantly, America also is a land of immigrants. In many cases these were young people who left their homelands with little hope of ever seeing their parents again, but with tremendous hope of securing a better future. They understood the difficulties they would incur, but possessed the necessary courage and resolve to persevere. This strength and determination continue to be reflected in all that is American.

THE SYSTEM WORKS

Although not flawless, American free market capitalism, which has been adopted by countries around the world, has created the greatest economic growth the world has ever seen. It has empowered people to achieve their dreams and unleashed their innovative and creative abilities that paved the way for tremendous gains in efficiency and productivity.

When discussing the benefits of capitalism in an article entitled, *Wealth*

and *Virtue: The Moral Case for Capitalism*, Michael Novak, the author of more than 25 books on the philosophy and theology of cul-

ture, said “No other system so rapidly raises up the living standards of the poor, so thoroughly improves the conditions of life, or generates greater social wealth and distributes it more broadly. In the long competition of the last 100 years, neither socialist nor third-world experiments have performed as well in improving the lot of common people, paid higher wages, and more broadly multiplied liberties and opportunities.”

In a recent speech, Novak indicated that a free society requires economic liberty. He also stressed that checks and balances are to the political order what competition is to capitalism. Unlike many other



countries, America is fortunate to have a strong system of checks and balances, as well as one that promotes competition. Nevertheless, Novak stressed the need to ensure these systems are well maintained. This is especially important during times of crisis.

CORRECTING FLAWS IN THE SYSTEM

It continues to be prudent to understand the causes of each economic crisis and implement thoughtful remedies to prevent future ones from occurring. In doing so, however, it's essential to get it right, and minimize the risks of unintended consequences.

For example, fundamental to American economic success, Joseph Schumpeter advanced the concept of

In his first inaugural address on March 4, 1933, Franklin D. Roosevelt said, “The only thing we have to fear is fear itself.” He was right then—and he’s right now.

“creative destruction,” where the new destroys the old even while the old is still valuable. Schumpeter said the innovative entry into the market by entrepreneurs is the force that sustains long-term economic growth, even though the process destroys the value of existing organizations.

Our free market capitalist system constantly produces new and more advanced products, services, technology and organizations. In the process, jobs are created and destroyed, just as auto workers displaced buggy makers, while ATMs and voice mail continue to eliminate bank tellers and receptionists.

If the effects are not thoughtfully grasped, the introduction of new regulations designed to prevent future economic crises could have unintended consequences—like preventing the process of creative destruction from doing its long-term beneficial job.

ONLY IN AMERICA

Horatio Alger, a 19th century American author, wrote “rags to riches” stories illustrating how poor kids achieved the American Dream of wealth and success through hard work, courage, determination and concern for others. This truly American cultural and social ideal remains embodied in the American psyche. It gives people hope and confidence that in America, anything is possible. And this optimism often empowers Americans to reach further.

Fear, on the other hand, immobilizes,

seizes all creativity and puts us at our worst. And who knew this better than Franklin D. Roosevelt. In his first inaugural address on March 4, 1933, when the Great Depression had reached its depth, he said, “This great nation will endure as it has endured, will revive and will prosper. So, first of all, let me assert my firm belief that the only thing we have to fear is fear itself.” Franklin Roosevelt was right then—and he’s right now.

The U.S. possesses tremendous strengths that make this country great. When faced with difficult challenges, America always rises to the occasion. ■

THE GREAT AMERICAN CRAFT-MASTER POLICY HAS BEEN IMPROVED

MANAGING RISKS IN A CHANGING ENVIRONMENT

Great American Insurance prides itself on listening—listening to our customers' needs and understanding their challenges. As a result, we believe we know our customers well, and in turn, recognize the risks they face.

But because the business environment is constantly changing, our customers' issues are changing as well. That's why Great American continually innovates and improves its products—and in turn, remains a leader in its field.

Recognizing a need in the marketplace, in 1997 we were the first company to offer coverage to independent artisans working in marinas and small shipyards. We named it the Craft-Master policy. And for years, there wasn't another product like it. Over time, however, competitors tried to imitate its success. Yet, since Great American is always seeking better ways to serve our valued customers, we continue to be one step ahead of the competition.

A GREAT POLICY FROM THE START

Quite some time ago, marinas, repair facilities and shipyards began to outsource repair and installation work to independent artisans. Understanding this trend, Great American established the Craft-Master policy to cover individuals and small businesses that repair, service or install equipment on private pleasure craft and small commercial craft. Examples

of small businesses in this category include those that repair or install electronics, engines, fiberglass and upholstery, or provide detailing, cleaning or woodworking services.

EXPANDED COVERAGE

Since 1997 the marketplace has incurred many changes. And we've kept pace. For example, today an artisan is likely to remove equipment from a marina or shipyard and bring it to his shop for repair. Therefore, we've broadened ship repairers' liability to include parts of the vessel taken ashore to the insured's shop for repair.

Our new Craft-Master policy is broader and easy to rate. And it's a one-stop-shop because it involves a combination of highly preferred coverages.

"In the past, work was required to be performed at the vessel's location in a marina or yard owned by others. Now, the coverage will follow the parts of the vessel, like motors and electronics, ashore in the insured's shop for repair purposes," says Rodney Matteson, Ocean Marine Divisional Assistant Vice President.

In addition, the Craft-Master policy coverage territory previously was limited to specific states, and waterborne navigation of the vessel was limited to a 25 mile radius of the vessel's location. The coverage territory has been broadened to include the entire United States, plus territories, possessions, Puerto Rico and Canada. We also increased the waterborne transit limitation to 100 miles and extended it to include overland transit, too.



"There are additional changes to the policy," Matteson says. "In the past, the Craft-Master policy was based on an ISO general liability policy. Today,

it's based on Great American's Marine Comprehensive Liability policy, affording more benefits than ever before."

Plus, Matteson notes, another improvement includes an increase in pollution coverage up to \$100,000.

A QUICK ONE-STOP-SHOP

The new Great American Craft-Master policy is broader, all-encompassing and easy to rate. And it's a one-stop-shop because it involves a combination of highly preferred coverages all in one package. Plus, we can offer coverage for tools and computers, as well as provide hired and non-owned auto liability coverage if needed. Additionally, the policy offers a quick turnaround time. And that's important when artisans need a certificate before they are allowed to work.

Available in the fall 2009, we're rolling out an improved Craft-Master policy that you're sure to like. ■

THE GROWING CHALLENGE TO U.S. MANUFACTURERS

STRATEGIES TO BETTER COMPETE GLOBALLY

For decades, U.S. manufacturers of lower technology goods have incurred increasing competitive pressure from low-cost developing country manufacturers. Now, as China and other Asian countries advance up the technology chain, new challenges are emerging.

AN UNPRECEDENTED PACE UPWARD

Like Japan, South Korea, Taiwan, Singapore and other Asian nations, China is advancing up the technology chain. But there's a difference. The speed at which China is progressing is unprecedented. There are many reasons for this. According to Bob Rice, Managing Director of Trans-Pacific Management Partners, these include a:

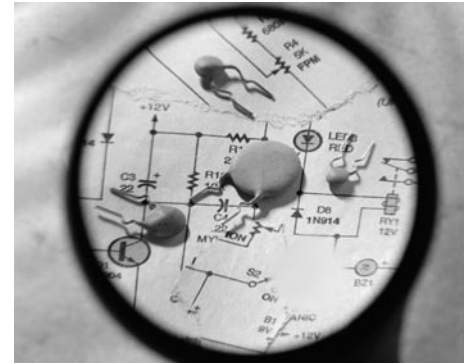
- Priority focus on education, particularly math, science, technology and engineering,
- Large talent base of highly motivated, young, technically skilled people,
- Tremendous financial strength,
- Effective, centrally directed "market

economy" where key industrial sectors receive governmental priority funding and development, and

- Populous nation with a huge domestic economy which affords local firms easy access to ever growing markets of increasing affluence.

LEVERAGING CHINESE STRENGTHS

Asian companies are leveraging Chinese strengths—high precision, high quality and low cost manufacturing capabilities—by using the Middle Kingdom as a manufacturing base. But these Chinese-based firms, as well as Chinese domestic companies, aren't just producing for regional markets. Many are producing for U.S. and European markets as well. As a result, Chinese-based manufacturers increasingly are challenging higher technology producers in Europe and North America. But that's not all. Many North American and European producers also are manufacturing in China and supporting their operations back home with higher technology products and components.



STRATEGIES TO GLOBALLY COMPETE

Whether or not a Chinese presence is sought, Rice suggests American manufacturers would be wise to:

- Focus on the American market and increasingly satisfy its needs while improving all enterprise resource planning management systems (company software systems used to manage and coordinate all the resources, information and functions of a business from shared data stores),
- Increasingly provide greater value at competitive price points,
- In various cases, source more sophisticated components and sub-assemblies from Chinese-based manufacturers. ■

The Craft-Master insurance coverage description on page three is summarized. Refer to the actual policy for a full description of applicable terms, conditions, limits and exclusions. U. S. policies are underwritten by Great American Assurance Company, Great American E&S Insurance Company, Great American Alliance Insurance Company, and Great American Insurance Company of New York, 580 Walnut Street, Cincinnati, OH 45202. The Great American Insurance Group eagle logo and the word marks 'Great American' and 'Great American Insurance Group' are registered service marks of Great American Insurance Company. © 2009 Great American Insurance Company. All rights reserved.

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