



GLOBAL IMPACT

GREAT AMERICAN
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Dear Friends:

Welcome to our 50th issue of *Global Impact*, a publication designed to help you reduce your risks and improve your business.

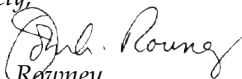
As the American economy slowly emerges from recession, unemployment is anticipated to remain high through 2012. In turn, domestic demand may not reach pre-recessionary levels for some time. To achieve stronger corporate growth, consider pursuing faster-growing markets abroad (p1-2).

In February, the EPA implemented the Vessel General Permit regulating the discharge of vessel ballast water and other effluents. Onerous record keeping and other requirements can be problematic resulting in penalties. Our new VGP policy can help (p3).

The fall of the Berlin Wall 20 years ago marked the defeat of Communism. Although not flawless, free market Capitalism continues to deliver tremendous benefits (p4).

We hope you enjoy this issue and welcome your comments.

Sincerely,


John A. Rowney
Division President
Ocean Marine Division

WHERE TO LOOK FOR CORPORATE GROWTH IN 2010 AND BEYOND

FOREIGN MARKETS ARE PROJECTED TO EXPAND CONSIDERABLY FASTER

After incurring four successive quarterly decreases in U.S. gross domestic product (GDP), the U.S. economy grew by 2.8 percent in the third quarter of 2009, the Bureau of Economic Analysis says. Although fourth quarter statistics are not yet available, estimates for next year are—and they are promising. For example, Bank of America anticipates U.S. economic growth to reach 3 percent in 2010 and 3.3 percent in 2011; the OECD forecasts 2.5 and 2.8 percent, respectively.

However, the unemployment rate, which reached 10.2 percent in October, a level not seen since April 1983, and fell to 10 percent in November, is likely to remain in the 6.8 to 7.5 percent range through 2012, according to the Federal Reserve. In turn, consumer confidence, and subsequently, consumer demand is unlikely to reach pre-recessionary levels soon.

What does this mean for your business? Other countries and regions around the world are anticipated to grow considerably faster than the United States next year and well into the future. This may present opportunities abroad that may not be available here. As a result, American companies are wise to consider expanding abroad and pursuing foreign market share where demand is greater.

SEEKING GREATER DEMAND

Next year, emerging markets and especially emerging Asian countries are projected to grow by 6 percent and 8 percent, respectively. And their growth rates are estimated to remain considerably higher than U.S. rates in 2011 and beyond, Bank of America says.

According to a Goldman Sachs report, by 2010, the BRICS—Brazil, India, Russia and China—will contribute almost half of global consumption growth. And a Credit Suisse report projects that Chinese consumer demand will rise from 8 percent of global demand today to 21 percent of global demand by 2020. Meanwhile, the U.S. share is forecast to contract from 28 percent today to 21 percent over the same period. Consequently, American corporate plans that focus on enhancing customer relationships in the United States while building new ones in foreign markets where demand is greatest is a smart strategy.

EXPORT GROWTH REBOUNDS

American exports of goods and services reached their highest level in July 2008, before decreasing to their lowest point in April 2009. Since then, however, export growth has resumed. Similarly, global export growth reached its high in July 2008, and hit its lowest point in

Continued on page 2

February 2009 before turning the corner in March, according to the Federal Reserve. Now that foreign demand is making a comeback, greater numbers of U.S. firms are either exporting for the first time, or expanding the number of countries they sell. This is good news since U.S. companies have traditionally looked inward for growth and not pursued foreign markets at the same rate as other developed countries.

Recently stated by Secretary of Commerce Gary Lock, "Less than one percent of America's 30 million companies export—a percentage that is significantly lower than all developed countries. And U.S. companies that do export, 58 percent export to only one country." As foreign demand increases, the number of U.S. firms expanding internationally is projected to increase.

Why is this important? International trade enables American producers to sell beyond the U.S. market of 307 million consumers to reach the world market of 6.8 billion. And according to analysts, worker earnings in exporting firms are 13 percent to 18 percent higher than those in non-exporting plants. Importantly, less skilled workers also earn more at exporting plants.

What's more, trade has generated an increase in U.S. income of approximately \$1 trillion annually or annual income gains, on average, of approximately \$10,000 for each American household, says the Peterson Institute for International Economics. This, no doubt, is having a very positive impact on the United States and an increasingly greater contribution to the economy. Thus, in 2008, 30 percent of U.S. GDP was generated by international trade—up from 25 percent in 2004 and 5.5 percent in 1950.



SELECTING EXPORT MARKETS IN 2010

Next year, China's GDP is projected to reach 10.1 percent, according to the analysis provided by Bank of America. Other top Asian prospects, measured by GDP, include India, 7.6 percent; Singapore, 6.5 percent; Indonesia, 4.8 percent; Taiwan, 4.5 percent; and Malaysia, 4.2 percent. In Latin America, Brazil is projected to reach 5.3 percent GDP in 2010; followed by Panama, 3.9 percent; Peru, 3.8 percent; and Uruguay, 3.6 percent. Other countries anticipated to achieve strong growth

creasing, also consider that country's per capita income. If indicators are positive, it's likely your product demand will continue to rise. However, if these indicators are stagnant or down, it's likely that the demand for your product may not provide the market potential you're looking for.

CONSIDER BARRIERS TO TRADE

In addition to the above considerations, identify each selected market's trade barriers (tariffs, as well as standards, regulations, quotas, labeling

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requirements, etc.). If excessive, these barriers may make your product too expensive and limit your exports. If manageable, investi-

gate whether any vested interests can bar your product from the market. Importantly, know your competitors' products, prices, distribution methods, commitments to after-sale service, and target customers. If intense competition exists, look to smaller markets which may be unattractive for multinationals, but big enough for you.

Although GDP growth is a good statistic to consider when deciding which markets to pursue, other factors play an important role. For example, it's important to look at the value of your product each candidate country has purchased. In addition, consider total demand (domestic production plus world imports) for the previous three years. This will determine each country's market size, its rate of growth, U.S. marketshare, and whether it's increasing or decreasing.

IT PAYS TO GO GLOBAL

According to the Business Roundtable, an association of chief executive officers of leading U.S. companies, one in every five U.S. jobs is linked to exports and imports of goods and services. This is likely to increase as foreign markets continue to grow at a fast pace and more and more U.S. firms realize the benefits of global engagement. ■

next year include Qatar, 8.1 percent; Nigeria, 5.5 percent; Oman, 5.4 percent; Turkey, 4.5 percent; and Egypt, 4.2 percent.

If total demand for your product is in-

OUR NEW VESSEL GENERAL PERMIT POLICY HELPS MANAGE RISKS IN A CHANGING ENVIRONMENT

ACCIDENTS SOMETIMES OCCUR

Zebra mussels were first reported in North America in 1988. Having migrated primarily in vessel ballast water from Western Asia and Eastern Europe, these freshwater mollusks are responsible for boosting numbers of endangered native species and causing tremendous amounts of industrial damage.

Although they are filter feeders, which has resulted in an increase in water clarity, they reduce the availability of food for clams, native fish, birds and other animals. They also clog pipes and valves, and damage

This became known as the Vessel General Permit. Overall, the EPA estimates that 61,000 U.S.-flag and 8,000 foreign-flag vessels—with more than 300 GRT or with the ability to hold or discharge more than 8 cubic meters of ballast—are affected.

“Although the intention is good, the law is onerous for vessel operators due to the record keeping, training, and monitoring requirements,” said Capt. Ed Wilmot, Vice President of Great American’s Ocean Marine Division. “For example,” Wilmot continued, “a vessel operator must file a Notice

It’s not unusual to make a mistake and fail to complete all requirements resulting in fines and penalties. This is where we can help.

pumps and components used in facilities that draw raw surface water, such as utility plants, factories and water treatment plants. Due to this, as well as others effluents, on February 6, 2009, the Environmental Protection Agency (EPA) implemented the Vessel General Permit.

BACKGROUND AND ISSUES

In 1972, the Clean Water Act established the National Pollutant Discharge Elimination System permitting program which governed discharges of pollutants into U.S. navigable waters. Under this rule, discharges “incidental to the normal operation of a vessel” were exempt. However, in recent years this exemption was legally challenged. The result: the EPA was required to establish a permitting program for incidental discharges.

of Intent (NOI) to discharge in the waters of a given state. This means that a vessel operator operating on the Mississippi River must file an NOI with each state along the river, and receive a Vessel General Permit from each state. As a result, it’s not unusual to make a mistake and fail to complete all requirements resulting in fines and penalties. This is where we can help.”

A GREAT AMERICAN SOLUTION

Effective October 1, 2009, Great American’s Vessel General Permit policy covers civil administrative penalties for actual discharges that violate the statute, as well as defense costs. For details on the Vessel General Permit policy, contact your agent or Capt. Ed Wilmot at 202.510.0135 or ewilmot@gaic.com. ■



EPA Regulated Wastestreams

- Anti-fouling leachate from anti-fouling hull coatings/hull coating leachate,
- Aqueous film forming foam,
- Bilgewater oily water separator effluent,
- Boiler/economizer blowdown,
- Cathodic protection,
- Chain locker effluent,
- Controllable pitch propeller hydraulic fluid,
- Deck runoff,
- Distillation and reverse osmosis brine,
- Elevator pit effluent,
- Exhaust gas scrubber washwater Discharge,
- Firemain systems,
- Freshwater layup,
- Gas turbine washwater,
- Graywater,
- Graywater mixed with sewage from vessels,
- Motor gasoline and compensating discharge,
- Non-oily machinery wastewater
- Refrigeration and air condensate discharge,
- Rudder bearing lubrication discharge,
- Seawater cooling overboard discharge,
- Seawater piping biofouling prevention,
- Small boat engine wet exhaust,
- Sonar dome discharge,
- Sterntube oily discharge,
- Underwater ship husbandry,
- Well-deck discharges.

TWENTY YEARS AFTER THE FALL OF THE BERLIN WALL

FREE MARKET CAPITALISM CONTINUES TO DELIVER

Although the fall of the Berlin Wall marked the end of Communism, that system began collapsing under its own weight many years prior to this historic event. Plus, many people, including Mikhail Gorbachev, Pope John Paul II and President Ronald Reagan, played very important roles in accelerating Communism's demise.

For example, from the time he took office in 1981, Reagan increased financial and military pressure on the former Soviet Union. And on June 12th, 1987, his famous speech, which was heard around the world, reflected his position throughout his presidency. He stood at the Brandenburg Gate in West Berlin and said,

"General Secretary Gorbachev, if you seek peace, if you seek prosperity for the Soviet Union and Eastern Europe, if you seek liberation: Come here to this gate! Mr. Gorbachev, open this gate! Mr. Gorbachev, tear down this wall!"

COMING FULL CIRCLE

Two years later, on November 9, 1989, the Berlin Wall came tumbling down. On that night, a 35-year-old East German named Angela Merkel crossed into West Berlin. In October 2009, this woman was re-elected as Germany's Chancellor. Having grown up in former East Germany, Merkel understands the limitations and the tyranny promulgated by Communism. Under Capitalism, she has witnessed a rapid and significant rise in living standards in former East Germany.

Interestingly, tested by the recession, the German government currently is planning to implement various Reagan-like economic initiatives to boost growth. In November, addressing parliament for the first time since her re-election, Merkel announced Germany would proceed with tax cuts for both consumers and businesses to ensure the country would emerge swiftly out of the recession experienced over the past two years,



the *Financial Times* reported. Merkel has come a long way.

CAPITALISM CONTINUES TO DELIVER

Demonstrated by the global recession, free market Capitalism is not perfect. However, for billions of people, including Merkel and former East Germans, it has delivered a remarkably higher quality of life than competing systems. And for generations to come, Capitalism will continue to deliver tremendous economic benefits, as well as liberty and opportunity. ■

The Vessel General Permit policy 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.

Great American Insurance Group
Ocean Marine Division
65 Broadway, 20th Floor
New York, NY 10006
www.GreatAmericanOcean.com



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contact your agent
or Ed Wilmot at
(212) 510-0135,
ewilmot@gaic.com