

Marine Insurance Industry and the Coast Guard

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U.S. Department of Homeland Security

Agenda

- Common Interests
- Deepwater Horizon Spill
- Piracy
- Port State Control



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U.S. Coast Guard Roles

- Flag State Authority
- Port State Authority
- Search & Rescue
- Navigational Aids / Waterways Management
- Environmental response
- Maritime security
- Law Enforcement



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Common Interests

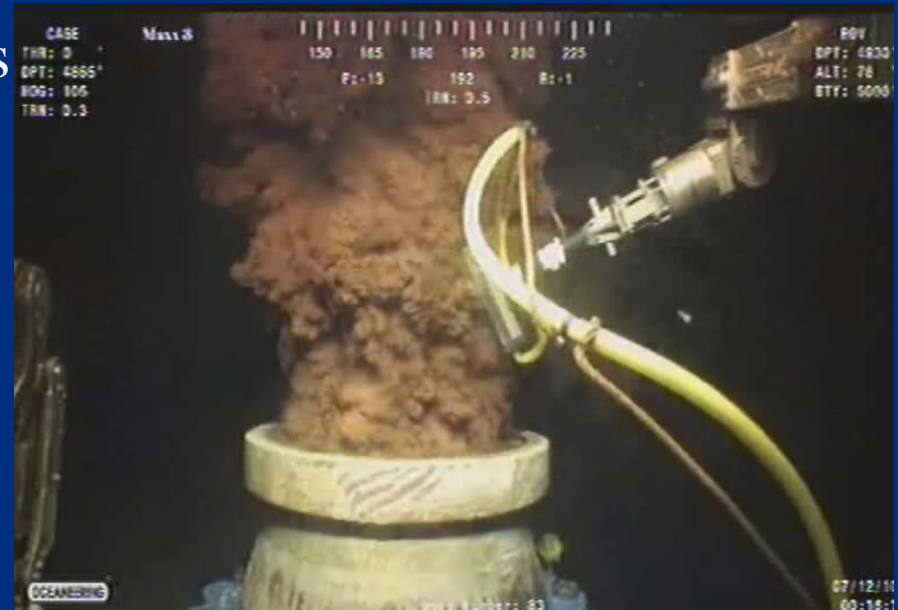
- Risk management
 - Regulations – reduce likelihood of accidents
 - rates
- Data sharing
 - Understanding risk
- Influencing behavior
 - Incentives



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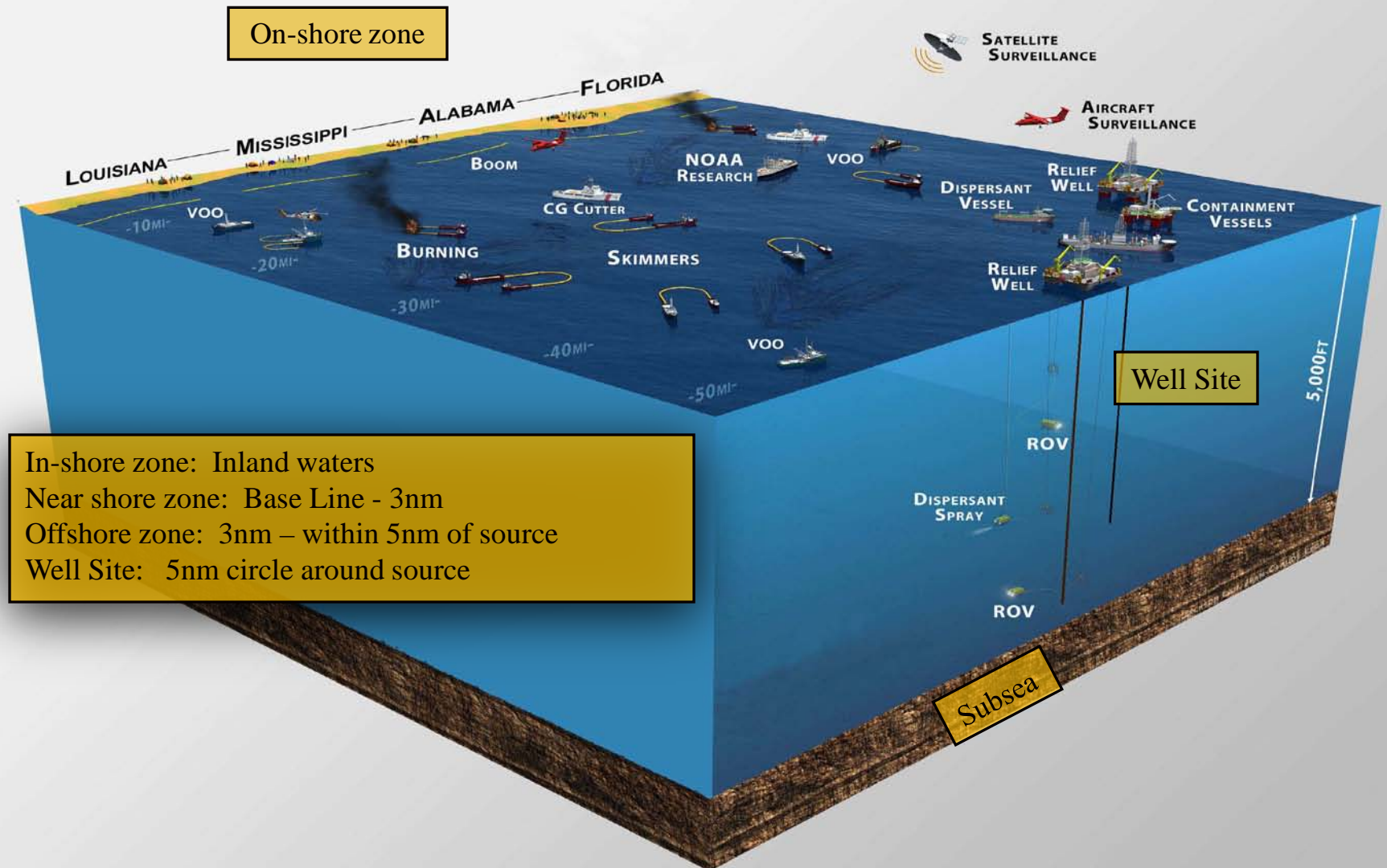
Deepwater Horizon

- Largest U.S. maritime Spill
 - 5M bbls
- Second largest world-wide marine spill
 - Gulf war oil spill: 6-8 M bbls
- Unprecedented in scope
 - Depth; flow rate
- Unprecedented response
 - No human access to source
- Strained existing response mechanisms



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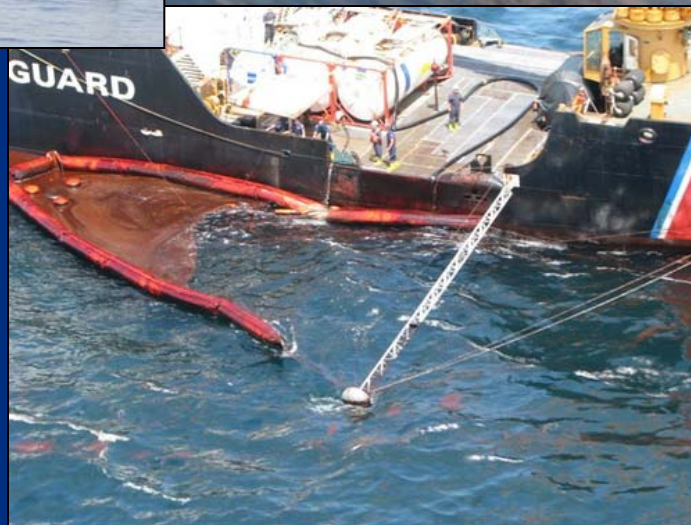
Concept of Operations



Offshore Operations



- Skimming
- Dispersants
- In-Situ Burning



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Nearshore Operations

- Vessels of Opportunity



- Skimmers



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Bays and Beaches Operations

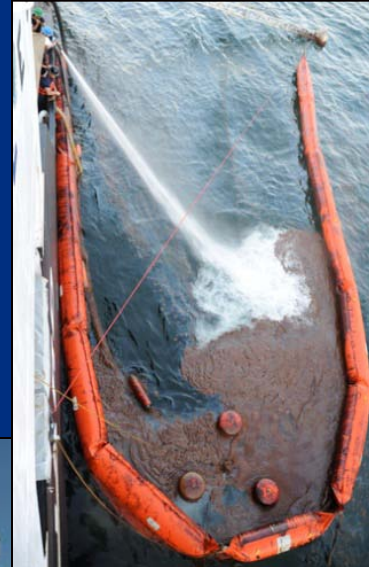


- Skimmers
- Boom & Barrier Establishment
- Shoreline Cleanup Assessment Teams
- Clean-up Personnel
- Wildlife Recovery Personnel



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Deepwater Horizon Oil Spill Response by the numbers



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- More than 47,000 people
 - 3,300 Coast Guard
 - 1,625 National Guard
 - 41,470 Contractors
 - 723 BP
 - 4,000 Volunteers



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- 12.6 million feet of boom
- 835 skimmers
- 6,131 vessels



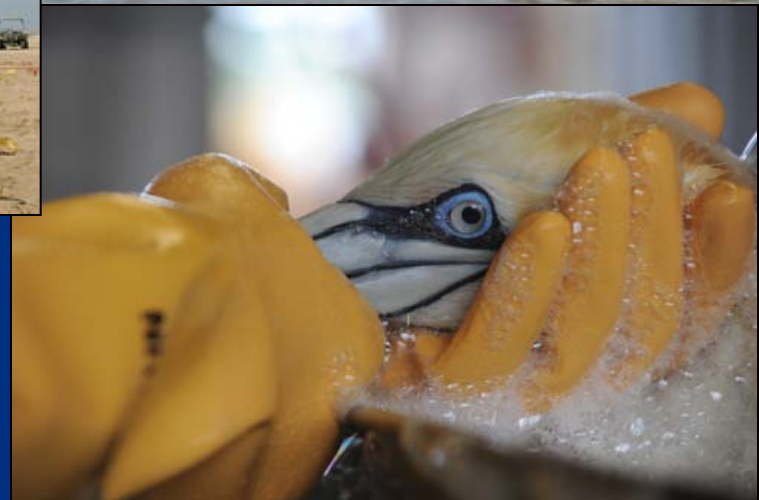
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- 123 aircraft
 - 78 rotary wing and 45 fixed wing
- Air Operations Branch at Tyndall Air Force Base



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- Received 68 offers of assistance from foreign governments
- Accepted 47 offers for critical resources



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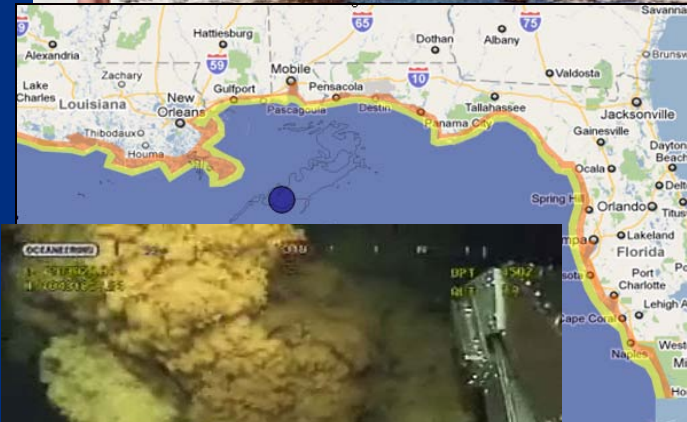
Governments providing assistance include:

- Canada
- Mexico
- Norway
- Japan
- Germany
- France
- Russia
- Tunisia
- Belgium
- Qatar
- Kenya
- China
- Russia
- Netherlands
- Sweden
- UK
- European Maritime Safety Agency
- International Maritime Organization
- European Union



What made this different?

- Unlimited source
 - Compared to ships / facilities
- First Spill of National Significance (SONS) since EXXON VALDEZ
 - First use of National Incident Commander
 - First Widespread use of dispersants in US
- Broad effect on Public
 - 4 states
 - multiple industries (fishing / tourism, etc)
- Social media!



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Challenges

- OPA 90 response construct not well understood by public
 - Role of RP
- Social effects – broader than OPA 90 envisioned
 - Public Expectations
 - Whole of Government
- Access to resources
 - Skimmers
- Response techniques
 - Dispersants
 - In Situ Burning



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Costs (so far...)

- BP direct costs:
 - \$8 Billion
 - \$ 20 Billion Escrow fund
- Federal Government costs:
 - \$ 536 million has been obligated
 - Recoverable from RPs
- Pending:
 - Natural Resource Damage Assessment
 - Social Costs



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Implications for Future

- Revisions to National Contingency Plan?
 - Role of NIC?
 - Use of Dispersants
- Ongoing Scientific study
- Legal actions
- Congressional Action?
 - Liability Limits?
 - R&D?
 - Expanded Planning /
& Preparedness Requirement.



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Combating Piracy



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Piracy

- Prevention: Setting best protection standards
 - UN Contact Group on Piracy off the Coast of Somalia (CGPCS)
 - Best Management Practices (BMPs)
 - Industry Developed
 - Counter-Piracy Coalition Supported
- Communication: Keeping mariners informed
 - UKMTO
 - MSC-HOA
 - MARLO Bahrain
- Response:
 - Naval patrols
 - prosecution



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Piracy – US Flag requirements

- Maritime Security Directive
 - Makes mandatory
- Aligns with ISPS Vessel Security Plan
 - Required annex to VSP – approved by USCG
- Horn of Africa and other areas
- Includes some unique features
 - Provision for armed teams



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Armed Teams

- Must be carefully selected
 - Background checks
- Not necessary in all cases
 - High risk vessels
- Guidance on use of force
 - Self defense
 - Not used to pursue pirates
- Proven effective in deterring attacks



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Way Ahead?

- Incentivize compliance with BMPs
 - Insurance industry
- Flag State responsibility
 - New York Declaration
 - Djibouti Code of Conduct



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Port State Control- Eliminate Substandard Shipping



International Harmonization



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Port State Control

- 8,557 individual vessels, from 86 different Flag Administrations, made 75,902 U.S. port calls
 - U.S. ports saw vessel arrivals decrease by approximately 8%
- Goal: eliminate substandard shipping
 - Performance based targeting system: U.S. Port State Control Matrix targets – Flag, Recognized Org, Class Society, & Ship Mgmt/Charterers.
- Challenge:
 - ships larger/ more complex
 - Consequences of failure greater
 - Effects of Economic downturn?



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Detentions

- Relatively low detention ratio: 1.92%
- Typical reasons:
 - Firefighting
 - Marine Pollution (including e- crimes)
 - Propulsion & Machinery
 - STCW
- Other Options:
 - Denial of Entry/Suspend Cargo Ops/Expel from port
 - New Vessel Banning Policy- minimum of 3 months



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Appeals

- No repercussions
- Approximately 30 % resolved in favor of the appellant
- Detentions reported immediately to IMO – record corrected if appeal granted

PSC Related (Detentions & Associations)	2007	2008	2009
APPEALS RECEIVED	36	57	42
APPEALS GRANTED	11	22	13



Rewarding the Best

■ QUALSHIP 21

- Rewards Highest Performing vessel owner/operators flagged by an eligible flag State
- Subject to fewer CG inspections
- Internationally recognized program sought out by charterers, etc

■ Eligibility

- Difficult criteria must be met through vessel performance, flag performance, etc
- Only 403 vessels enrolled

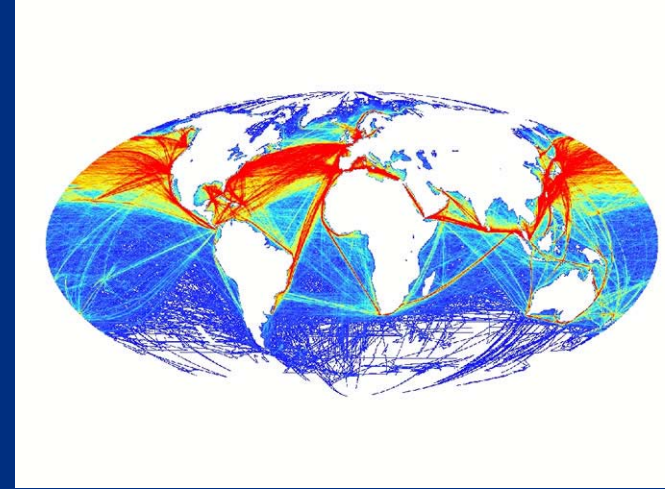
Flag States that are QUALSHIP 21 eligible in 2010:	
Barbados	Marshall Islands
Canada	Norway
China	Singapore
Denmark	Sweden
France	Switzerland*
Germany	Thailand*
Greece	Japan*
Isle of Man	Malaysia*



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Other Issues

- Data Sharing – can we do better?
 - Port state control report
 - On-Line data bases – EQUASIS, CGMIX
 - Legal barriers?
- Accumulation of Risk in Ports??
 - High value cargo – susceptibility to port wide events (earthquakes, fires, hurricanes etc)
 - Dangerous cargoes – terrorism
 - MTS Recovery



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Questions?



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