



US Department
of Transportation
**Maritime
Administration**

MANUAL OF ORDERS

MARITIME ADMINISTRATIVE ORDER

REVOKES

MAO 57-1 dated
5/29/97

NO.

78-1

EFFECTIVE DATE

April 26, 2006

SUBJECT

OFFICE OF INSURANCE AND SHIPPING ANALYSIS

Section 1. Organization: The Office of Insurance and Shipping Analysis is supervised by a Director who reports to the Associate Administrator for Marine Asset Development. The office has the following organizational components:

Immediate Office of the Director
Division of Shipping Analysis
Division of Marine Insurance

Section 2. Redlegation of Authority:

2.01 Subject to such conditions and limitations as the Maritime Administrator may impose in other directives, the Director, Office of Insurance and Shipping Analysis is authorized to exercise all the authorities of the Associate Administrator for Marine Asset Development necessary to perform the functions assigned in this order; except:

- 1 Those authorities delegated by the Maritime Subsidy Board that cannot be redelegated.
- 2 Authority to settle marine and marine war risk insurance claims in excess of \$100,000.

2.02 Except as otherwise provided, the Chiefs of the Divisions listed in section 1.01 are authorized to exercise all the authorities of the Director, Office of Insurance and Shipping Analysis, needed to perform the functions assigned to their respective divisions in this order. These authorities may be redelegated in accordance with Maritime Administrative Order (MAO) 200-1.

Section 3. Functions:

3.01 The Immediate Office of the Director, in addition to the usual responsibilities for planning and directing the functions listed in this order, shall:

- 1 Develop, coordinate and control Maritime Administration's (MARAD) marine war risk insurance program under Title XII, Merchant Marine Act, 1936, as amended (Act). Approve commitments for standby marine war risk insurance. Activate the Title XII program, preparing requests for Presidential approval, during times of national emergency at the request of the Department of Defense (DOD). Underwrite marine war risk insurance under section 1205 of the Act for DOD-chartered vessels during national emergencies.
- 2 Develop, coordinate and control MARAD's marine insurance program activities, including the provisions of 46 CFR Part 249 governing American underwriter participation in government-sponsored programs, e.g., Title XI program.
- 3 Approve or disapprove requests by foreign underwriters to participate in insuring vessels and risks under MARAD-sponsored programs. Review terms, conditions and underwriters of reinsurance when needed.

- 4 Negotiate and settle or recommend settlement of claims of a marine insurance and marine war risk insurance nature, except claims in litigation; recommend for approval the purchase of marine protection and indemnity insurance and other forms of insurance from commercial underwriters as required by MARAD.
- 5 Declare a ship owned by or chartered to MARAD to be an actual or constructive total loss, and determine the exact time of loss for the purpose of establishing the basis for determination and adjustment of claims and other financial obligations of the parties concerned.
- 6 Serve at international conferences as a technical marine war risk insurance adviser to the United States Delegate to the NATO Planning Board for Ocean Shipping and as U.S. delegate to its subsidiary bodies dealing with marine war risk insurance issues. Represent MARAD at meetings of the: (a) Backstop Committee for Planning Board for Ocean Shipping on the subject of marine war risk insurance, (b) Board of Managers of the American Hull Insurance Syndicate, (c) P&I Club, and (d) inter-agency International Maritime Organization (IMO) working group on marine insurance/liability issues.
- 7 Administer MARAD's insurance or liability risk management and self-insurance program, including the Ready Reserve Force (RRF) claims handling process, as well as liaison with ship managers, Department of Justice and other MARAD offices. Carry out analyses, as needed, of the cost of commercial insurance versus self-insurance. Administer procedures for reducing personal injury claims and other third party liability claims against RRF ships, schoolships, National Defense Reserve Fleet (NDRF) vessels and other government-owned assets.
- 8 From an economic soundness standpoint, recommend approval or disapproval of applications or requests filed pursuant to Title XI of the Act. Review submissions from Title XI applicants, including charters, contracts of affreightment, power purchase agreements, etc.
- 9 Administer review and process of applications by countries wishing to establish their registered vessels as eligible for Title XII war risk insurance and periodically review the status of existing eligible countries from an economic and political risk standpoint. Coordinate review with the Office of International Activities and DOD, as applicable.
- 10 Coordinate review of the political risk status of countries whose citizens are applying for Title XI export financing. Determine terms and amounts of political risk insurance, when it is determined that such coverage is required to protect the government's interest. Review annual requirements for renewal of political risk cover.
- 11 Recommend approval or disapproval of insurance provisions to be included in Title XI documents, including marine and marine war risk insurance, political risk insurance where applicable, property and casualty risk coverage for shipyard financing and similar types of cover; and insurance provisions and requirements in other MARAD contracts.
- 12 Administer the insurance compliance requirements for vessels and shipyards in the Title XI portfolio. Assure annual insurance coverages are in sufficient amounts, under required terms and conditions and with approved underwriters, in accordance with the MARAD regulations and the Title XI documents.
- 13 Maintain and develop improved insurance products in the marine area through consultation with shipowners, brokers and underwriters. Identify and develop new and qualified insurance market capacity.
- 14 Administer review of insurance requirements for lump sum repair and similar contracts on RRF vessels; and administer review of insurance coverage for compliance.

- 15 Recommend approval or disapproval of applications or requests filed pursuant to sections 502(g), 506, 605(b), 605(c), 608, 613, 614, 615, 714, 804, and 805 of the Act, and Article II-21(b) of the operating-differential subsidy contracts.
- 16 Administer contract provisions of operating-differential subsidy and construction-differential subsidy contracts, including amendments. Approve or disapprove requests for withdrawal from subsidized service for six months or less.
- 17 Recommend approval or disapproval of actions in relation to the construction, reconstruction, acquisition, or charter of vessels, including national defense allowance provisions. Recommend approval or disapproval of actions in relation to the trade-in of vessels pursuant to section 507 and 510 of the Act.
- 18 Perform financial analysis of applications for deepwater port licenses and recommend approval or disapproval of applications from a financial standpoint.
- 19 Coordinate review and processing of applications for deepwater port licenses as requested by the Project Director, Deepwater Port Licensing Program.

3.02 The Division of Shipping Analysis shall:

- 1 Analyze the traffic and revenue aspects of Title XI applications and coordinate with the Industry and industry segment macro analyses of the Office of Data and Economic Analysis. Review charter rates, day rates, container rates, etc., and analyze their impact on revenue forecasts.
- 2 Perform economic risk analysis for Title XI vessel financing applications for U.S.-flag vessels, export vessel projects, and shipyard improvement projects and prepare recommendations of approval or disapproval from an economic soundness standpoint.
- 3 Review the economic and political risk status of countries whose citizens are applying for Title XI export financing.
- 4 Within areas of responsibility, maintain liaison with international agencies such as OPIC, Ex/Im Bank, World Bank, especially with respect to Title XI export financing projects where other agencies have direct or indirect interest in the financing project.
- 5 Review and process applications by countries wishing to establish their registered vessels as eligible for Title XII war risk insurance. Periodically review status of existing eligible countries from an economic and political risk standpoint. Coordinate review with DOD.
- 6 Evaluate and prepare recommendations on applications filed pursuant to section 506 of the Act.
- 7 Administer contract provisions of construction-differential subsidy (CDS) contracts. For purposes of obtaining repayment of CDS, conduct analyses of vessels in the domestic trade.
- 8 Receive and review applications and prepare reports and recommendations for action by the appropriate authority for:
 - (1) Complete repayment of CDS in exchange for removal of domestic trading restrictions.
 - (2) Construction and charter of ships pursuant to section 714 of the Act.
 - (3) Purchase of ships under section 502(g) of the Act, which were acquired by the Government pursuant to section 215 of the Act.

- (4) Corporate reorganization, contract transfers pursuant to section 608 of the Act, and disposal of assets.
- (5) Trade-in of vessels pursuant to sections 507 and 510 of the Act.
- (6) Administer the national defense allowance provisions included in contracts.

For the above applications ((1)-(6)), obtain recommendations from other offices necessary to qualify applicants, including financial qualifications, citizenship, other legal requirements, operating ability, traffic aspects of the undertakings, technical adequacy of the proposed ships, etc., and conduct negotiations with applicants.

- 9 Prepare recommendations for approval or disapproval of waivers, permissions, consents, and findings requested by operators pursuant to sections 605(b), 605(c), 804, and 805 of the Act.
- 10 Perform periodic analysis and assessment of MARAD'S liability risk exposure, primarily with respect to third party liability. Assist the Division of Marine Insurance in quantifying potential risk liability relating to RRF vessels, school-ships, NDRF vessels and other non-MARAD assets especially with respect to personal injury and oil pollution liability. Assist the Division of Marine Insurance in performing periodic analyses of the cost of commercial insurance versus self-insurance.
- 11 Track government security interest rates and perform periodic interest rate analyses.
- 12 Coordinate Office's peacetime emergency planning functions including: 1) contingency planning for possible wartime transition into the National Shipping Authority; 2) participation in interagency planning activities including exercises conducted by the Federal Emergency Management Agency; 3) preparation of presentations and participation in classes and war gaming conducted by the Industrial College of the Armed Forces (ICAF) and the Naval War College; and 4) assist the Office Director in preparing working papers dealing with NATO planning issues involving commercial shipping and insurance and assist the Director in preparing Directing Staff work for NATO exercises and training sessions.
- 13 Administer the contract provisions of the operating-differential subsidy contracts, including applications for amendment. Examine and approve sailing schedules for the payment of operating-differential subsidy. Collaborate with the Office of Chief Counsel in preparation of contracts and addenda where required.
- 14 Recommend approval or disapproval of requests of subsidized operators for approval of voyages and for charters, which would withdraw ships from subsidized service.
- 15 Maintain liaison with government agencies, shipbrokers, shippers, and shipowners to keep currently informed on liner and nonliner market conditions, as well as economic and political factors which may affect existing or future market conditions.

3.03 The Division of Marine Insurance shall:

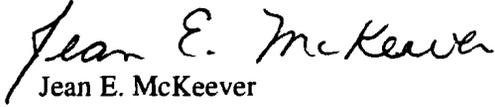
- 1 Administer the marine insurance and the marine war risk insurance activities of MARAD from a technical standpoint, including the War Risk Insurance Revolving Fund.
- 2 Develop information and data relative to forms of insurance coverage, amounts and costs of marine insurance policies procured by operators; determine the fairness and reasonableness of such costs and recommend approval to the extent the insurance coverage is determined eligible for subsidy accrual. Provide technical assistance in the audit of marine insurance claims.

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- 3 Examine and recommend settlement of claims of a marine insurance and marine war risk insurance nature, except claims in litigation; prepare and execute release agreements and other necessary documents in connection with claims.
- 4 Prepare recommendations on the insurance provisions to be included in contracts executed by MARAD, including e.g., political risk insurance requirements for Title XI export projects and property damage and liability coverage for Title XI shipyard improvement projects.
- 5 Arrange for the purchase of marine protection and indemnity insurance and other forms of insurance from commercial underwriters as required by MARAD.
- 6 Maintain custody of insurance policies and cover notes as required under MARAD contracts, except under real estate leases.
- 7 Review cover notes and other evidences of insurance to ensure compliance with the insurance provisions of Title XI contracts and proper distribution of insurance proceeds collected under the insurance policies. Recommend corrective action in cases where there is evidence of non-compliance.
- 8 Execute hold-harmless agreements in favor of underwriters in consideration of payment by underwriters of claims under policies which have been lost.
- 9 Provide advice on insurance matters (including those associated with nonappropriated fund instrumentalities) to MARAD officials upon request.
- 10 Prepare recommendations on the claims-handling procedures of RRF Ship Manager contracts and General Agency Agreements and process or oversee the processing of personal liability and third party physical damage claims arising out of the self-insurance provisions of the RRF fleet. Approve settlement of marine and marine war risk claims, not in excess of \$30,000.
- 11 Administer the compliance of shipowners and brokers with the provisions of 46 CFR Part 249, governing American underwriter participation in government sponsored programs, including Title XI. Review confirmation of insurance placements and renewals to assure compliance.
- 12 Review insurance requirements for lump sum repair and similar contracts on RRF vessels. Review insurance coverage for compliance.
- 13 Coordinate the activities of the American War Risk Agency in the administration of the Title XII marine war risk insurance program, including processing of standby insurance binders and the underwriting of policies during periods of national emergency.
- 14 Process requests by foreign underwriters for approval to participate in insuring vessels and risks under the MARAD sponsored programs. Coordinate with other MARAD offices to establish financial qualifications of applicants. Review for approval the regulatory regime in the country of the requesting applicant. After Federal Register Notice process, review to assure reciprocal and nondiscriminatory market in applicant's country. Make recommendation for approval or disapproval.

- 15 Perform all other functions related to the administration of the marine insurance program as directed by the Director.

Concurrence:



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for Marine Asset Development



Eileen S. Roberson
Associate Administrator
for Administration



John Jamian
Acting Maritime Administrator