AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

to the U.S. Coast Guard NPFC at the addresses in paragraph (a) of this section.

[USCG–2005–21780, 73 FR 53697, Sept. 17, 2008, as amended by USCG–2009–0416, 74 FR 27441, June 10, 2009; USCG–2012–0306, 77 FR 37315, June 21, 2012; USCG–2013–0397, 78 FR 39175, July 1, 2013]

§ 138.50 Time to apply.

(a) A vessel operator who wishes to obtain a Certificate must submit a completed Application form and all required supporting evidence of financial responsibility, and must pay all applicable fees, at least 21 days prior to the date the Certificate is required. The Director, NPFC, may grant an extension of this 21-day deadline upon written request and for good cause shown. An applicant seeking an extension of this deadline must set forth the reasons for the extension request and deliver the request to the Director, NPFC, at least 15 days before the deadline. The Director, NPFC, will not consider a request for an extension of more than 60 days.

(b) The Director, NPFC, generally processes Applications and requests for renewal in the order in which they are received at the NPFC.

§ 138.60 Applications, general instructions.

(a) You may obtain an Application for Vessel Certificate of Financial Responsibility (Water Pollution) (Form CG–5585) by following the instructions in §§ 138.40 and 138.45.

(b) Your Application and all supporting documents must be in English, and express all monetary terms in United States dollars.

(c) An authorized official of the applicant must sign the signature page of the Application. The title of the signer must be shown in the space provided on the Application. The operator must submit the original signature page of the Application to NPFC in hard copy.

(d) If the signer is not identified on the Application as an individual (sole proprietor) applicant, a partner in a partnership applicant, or a director, chief executive officer, or any other duly authorized officer of a corporate applicant, the Application must be accompanied by a written statement certifying the signer's authority to sign on behalf of the applicant.

(e) If, before the issuance of a Certificate, the applicant becomes aware of a change in any of the facts contained in the Application or supporting documentation, the applicant must, within 5 business days of becoming aware of the change, notify the Director, NPFC, in writing, of the changed facts.

§ 138.65 Issuance of Certificates.

Upon the satisfactory demonstration of financial responsibility and payment of all fees due, the Director, NPFC, will issue a Vessel Certificate of Financial Responsibility (Water Pollution) (Form CG–5585) in electronic form. Copies of the Certificate may be downloaded from NPFC's E–COFR Web site.

§ 138.70 Renewal of Certificates.

(a) The operator of a vessel required to have a Certificate under this subpart must submit a written or E–COFR request for renewal of the Certificate to the NPFC at least 21 days, but not earlier than 90 days, before the expiration date of the Certificate. A letter may be used for this purpose. The request for renewal must comply in all other respects with the requirements in § 138.60 concerning Applications. The Director, NPFC, may waive this 21-day requirement for good cause shown.

(b) The operator must identify in the request for renewal any changes which have occurred since the original Application for a Certificate was filed, and must set forth the correct information in full.

§ 138.80 Financial responsibility, how established.

(a) *General.* In addition to submitting an Application, requests for renewal, and fees, an applicant must file, or cause to be filed, with the Director, NPFC, evidence of financial responsibility acceptable to the Director, NPFC, in an amount equal to the total applicable amount determined under § 138.80(f)(3). A guarantor may file the evidence of financial responsibility on behalf of the applicant directly with the Director, NPFC.

(b) *Methods*. An applicant or certificant must establish and maintain evidence of financial responsibility by one or more of the following methods:

(1) *Insurance*. By filing with the Director, NPFC, an Insurance Guaranty (Form CG–5586) or, when applying for a Master Certificate under §138.110, a Master Insurance Guaranty (Form CG–5586–1), executed by not more than four insurers that have been found acceptable by, and remain acceptable to, the Director, NPFC, for purposes of this subpart.

(2) *Surety bond*. By filing with the Director, NPFC, a Surety Bond Guaranty (Form CG–5586–2), executed by not more than 10 acceptable surety companies certified by the United States Department of the Treasury with respect to the issuance of Federal bonds in the maximum penal sum of each bond to be issued under this subpart.

(3) *Self-insurance*. By filing with the Director, NPFC, the financial statements specified in paragraph (b)(3)(i) of this section for the applicant's fiscal year preceding the date of Application and by demonstrating that the applicant or certificant maintains, in the United States, working capital and net worth each in amounts equal to or greater than the total applicable amount determined under §138.80(f)(3), based on a vessel carrying hazardous substances as cargo. As used in this paragraph, working capital means the amount of current assets located in the United States, less all current liabilities anywhere in the world; and net worth means the amount of all assets located in the United States, less all liabilities anywhere in the world. For each fiscal year after the initial filing, the applicant or certificant must also submit statements as follows:

(i) *Initial and annual filings*. An applicant or certificant must submit annual, current, and audited non-consolidated financial statements prepared in accordance with Generally Accepted Accounting Principles, and audited by an independent Certified Public Accountant in accordance with Generally Accepted Auditing Standards. These financial statements must be accompanied by an additional statement from the Treasurer (or equivalent official) of the applicant or certificant certifying both the amount of current assets and the amount of total assets included in the accompanying balance sheet, which are located in the United States. If the financial statements cannot be submitted in non-consolidated form, a consolidated statement may be submitted if accompanied by an additional statement prepared by the same Certified Public Accountant, verifying the amount by which the applicant's or certificant's—

(A) Total assets located in the United States exceed its total (*i.e.*, worldwide) liabilities; and

(B) Current assets located in the United States exceed its total (*i.e.*, worldwide) current liabilities. This additional Certified Public Accountant statement must specifically name the applicant or certificant, indicate that the amounts so verified relate only to the applicant or certificant, apart from any other affiliated entity, and identify the consolidated financial statement to which it applies.

(ii) *Semiannual self-insurance submissions*. When the self-insuring applicant's or certificant's demonstrated net worth is not at least ten times the total applicable amount of financial responsibility determined under §138.80(f)(3), the applicant's or certificant's Treasurer (or equivalent official) must file affidavits with the Director, NPFC, covering the first six months of the applicant's or certificant's current fiscal year. The affidavits must state that neither the working capital nor the net worth have, during the first six months of the current fiscal year, fallen below the applicant's or certificant's required total applicable amount of financial responsibility as determined under this subpart.

(iii) *Additional self-insurance submissions*. A self-insuring applicant or certificant—

(A) Must, upon request of the Director, NPFC, within the time specified in the request, file additional financial information; and

(B) Must notify the Director, NPFC, within 5 business days of the date the applicant or certificant knows, or has reason to know, that its working capital or net worth has fallen below the

total applicable amounts required by this subpart.

(iv) *Time for self-insurance filings.* All required annual financial statements must be received by the Director, NPFC, within 90 days after the close of the applicant's or certificant's fiscal year, and all affidavits required by paragraph (b)(3)(ii) of this section must be received by the Director, NPFC, within 30 days after the close of the applicable six-month period. The Director, NPFC, may grant an extension of the time limits for filing the annual financial statements, semi-annual affidavits or additional financial information upon written request and for good cause shown. An applicant or certificant seeking an extension of any deadline must set forth the reasons for the extension request and deliver the request to the Director, NPFC, at least 15 days before the annual financial statements, affidavits or additional information are due. The Director, NPFC, will not consider a request for an extension of more than 60 days.

(v) *Failure to submit.* The Director, NPFC, may deny or revoke a Certificate for failure of the applicant or certificant to timely file any statement, data, notification, or affidavit required by paragraph (b)(3) of this section.

(vi) *Waiver of working capital.* The Director, NPFC, may waive the working capital requirement for any applicant or certificant that—

(A) Is a regulated public utility, a municipal or higher-level governmental entity, or an entity operating solely as a charitable, non-profit organization qualifying under Section 501(c) Internal Revenue Code. The applicant or certificant must demonstrate in writing that the grant of a waiver would benefit a local public interest; or

(B) Demonstrates in writing that working capital is not a significant factor in the applicant's or certificant's financial condition. An applicant's or certificant's net worth in relation to the amount of its required total applicable amount of financial responsibility and a history of stable operations are the major elements considered by the Director, NPFC.

(4) *Financial guaranty.* By filing with the Director, NPFC, a Financial Guaranty (Form CG–5586–3), or, when applying for a Master Certificate, a Master Financial Guaranty (Form CG–5586–4), executed by not more than four financial guarantors, including, but not limited to, a parent or affiliate acceptable to the Director, NPFC. A financial guarantor must comply with all of the self-insurance provisions of paragraph (b)(3) of this section. In addition, a person who is a financial guarantor for more than one applicant or certificant must have working capital and net worth no less than the aggregate total applicable amounts of financial responsibility determined under § 138.80(f)(3) provided as a financial guarantor for each applicant or certificant, plus the total applicable amount required to be demonstrated by a self-insurer under this subpart if the financial guarantor is also acting as a self-insurer.

(5) *Other evidence of financial responsibility.* The Director, NPFC, will not accept a self-insurance method other than the one described in paragraph (b)(3) of this section. An applicant may in writing request that the Director, NPFC, accept a method different from one described in paragraph (b)(1), (2), or (4) of this section to demonstrate evidence of financial responsibility. An applicant submitting a request under this paragraph must submit the request to the Director, NPFC, at least 45 days prior to the date the Certificate is required. The applicant must describe in detail the method proposed, the reasons why the applicant does not wish to use or is unable to use one of the methods described in paragraph (b)(1), (2), or (4) of this section, and how the proposed method assures that the responsible parties for the vessel are able to fulfill their obligations to pay costs and damages in the event of an incident or a release or threatened release. The Director, NPFC, will not accept a method under this paragraph that merely deletes or alters a provision of one of the methods described in paragraph (b)(1), (2), or (4) of this section (for example, one that alters the termination clause of the Insurance Guaranty (Form CG–5586). An applicant that makes a request under this paragraph must provide the Director, NPFC, a

proposed guaranty form that includes all the elements described in paragraphs (c) and (d) of this section. A decision of the Director, NPFC, not to accept a method requested by an applicant under this paragraph is final agency action.

(c) *Forms*—(1) *Multiple guarantors.* Four or fewer insurers (a lead underwriter is considered to be one insurer) may jointly execute an Insurance Guaranty (Form CG–5586) or a Master Insurance Guaranty (Form CG–5586–1). Ten or fewer sureties (including lead sureties) may jointly execute a Surety Bond Guaranty (Form CG–5586–2). Four or fewer financial guarantors may jointly execute a Financial Guaranty (Form CG–5586–3). If more than one insurer, surety, or financial guarantor executes the relevant form—

(i) Each is bound for the payment of sums only in accordance with the percentage of vertical participation specified on the relevant form for that insurer, surety, or financial guarantor. Participation in the form of layering (tiers, one in excess of another) is not acceptable; only vertical participation on a percentage basis and participation with no specified percentage allocation is acceptable. If no percentage of participation is specified for an insurer, surety, or financial guarantor, the liability of that insurer, surety, or financial guarantor is joint and several for the total of the unspecified portions; and

(ii) The guarantors must designate a lead guarantor having authority to bind all guarantors for actions required of guarantors under the Acts, including but not limited to receipt of designation of source, advertisement of a designation, and receipt and settlement of claims.

(2) *Operator name.* An applicant or certificant must ensure that each form submitted under this subpart sets forth in full the correct legal name of the vessel operator to whom a Certificate is to be issued.

(d) *Direct action*—(1) *Acknowledgment.* Any evidence of financial responsibility filed with the Director, NPFC, under this subpart must contain an acknowledgment by each insurer or other guarantor that an action in court by a claimant (including a claimant by right of subrogation) for costs or damages arising under the provisions of the Acts, may be brought directly against the insurer or other guarantor. The evidence of financial responsibility must also provide that, in the event an action is brought under the Acts directly against the insurer or other guarantor, the insurer or other guarantor may invoke only the following rights and defenses:

(i) The incident, release, or threatened release was caused by the willful misconduct of the person for whom the guaranty is provided.

(ii) Any defense that the person for whom the guaranty is provided may raise under the Acts.

(iii) A defense that the amount of a claim or claims, filed in any action in any court or other proceeding, exceeds the amount of the guaranty with respect to an incident or with respect to a release or threatened release.

(iv) A defense that the amount of a claim or claims that exceeds the amount of the guaranty, which amount is based on the gross tonnage of the vessel as entered on the vessel's International Tonnage Certificate or other official, applicable certificate of measurement, except when the guarantor knew or should have known that the applicable tonnage certificate was incorrect.

(v) The claim is not one made under either of the Acts.

(2) *Limitation on guarantor liability.* A guarantor that participates in any evidence of financial responsibility under this subpart will be liable because of that participation, with respect to an incident or a release or threatened release, in any proceeding only for the amount and type of costs and damages specified in the evidence of financial responsibility. A guarantor will not be considered to have consented to direct action under any law other than the Acts, or to unlimited liability under any law or in any venue, solely because of the guarantor's participation in providing any evidence of financial responsibility under this subpart. In the event of any finding that liability of a guarantor exceeds the amount of the guaranty provided under this subpart, that guaranty is considered null and void with respect to that excess.

(e) *Public access to data.* Financial data filed with the Director, NPFC, by an applicant, certificant, and any other person is considered public information to the extent required by the Freedom of Information Act (5 U.S.C. 552) and permitted by the Privacy Act (5 U.S.C. 552a).

(f) *Total applicable amount.* The total applicable amount is determined as follows:

(1) The applicable amount under OPA 90 is equal to the applicable vessel limit of liability, which is determined as provided in subpart B of this part.

(2) The applicable amount under CERCLA is determined as follows:

(i) For a vessel over 300 gross tons carrying a hazardous substance as cargo, the greater of $5,000,000 or $300 per gross ton.

(ii) For any other vessel over 300 gross tons, the greater of $500,000 or $300 per gross ton.

(3) The total applicable amount is the applicable amount determined under paragraph (f)(1) of this section plus the applicable amount determined under paragraph (f)(2) of this section.

§ 138.85 Implementation schedule for amendments to applicable amounts by regulation.

Each operator of a vessel described in § 138.15 must establish evidence of financial responsibility acceptable to the Director, NPFC, in an amount equal to or greater than the total applicable amounts determined under § 138.80(f), by not later than January 15, 2009. In the event an applicable amount determined under § 138.80(f) is thereafter amended by regulation, each operator of a vessel described in § 138.15 must establish evidence of financial responsibility acceptable to the Director, NPFC, in an amount equal to or greater than the amended total applicable amount, by not later than 90 days after the effective date of the final rule, unless another date is required by statute or specified in the amending regulation.

§ 138.90 Individual and Fleet Certificates.

(a) The Director, NPFC, issues an individual Certificate for each vessel listed on a completed Application or request for renewal when the Director, NPFC, determines that acceptable evidence of financial responsibility has been provided and appropriate fees have been paid, except where a Fleet Certificate is issued under this section or where a Master Certificate is issued under § 138.110. Each Certificate of any type issued under this subpart is issued only in the name of a vessel operator and is effective for not more than 3 years from the date of issuance, as indicated on each Certificate. An authorized official of the applicant may submit to the Director, NPFC, a letter requesting that additional vessels be added to a previously submitted Application for an individual Certificate. The letter must set forth all information required in item 5 of the Application form. The authorized official must also file, or cause to be filed with the Director, NPFC, acceptable evidence of financial responsibility, if required, and must pay all applicable certification fees for the additional vessels.

(b) An operator of a fleet of two or more barges that are not tank vessels and that from time to time may be subject to this subpart (e.g., a hopper barge over 300 gross tons when carrying oily metal shavings or similar cargo) may apply to the Director, NPFC, for issuance of a Fleet Certificate, so long as the operator of such a fleet is a self-insurer or arranges with an acceptable guarantor to cover, automatically, all such barges for which the operator may from time to time be responsible.

(c) A person must not make any alteration on any copy of a Certificate issued under this subpart.

(d) If, at any time after a Certificate has been issued, a certificant becomes aware of a change in any of the facts contained in the Application or supporting documentation, the certificant must notify the Director, NPFC, in writing within 10 days of becoming aware of the change. A vessel or operator name change or change of a guarantor must be reported by the operator as soon as possible by telefax or other electronic means to the Director, NPFC, and followed by a written notice sent within 3 business days. (See, § 138.45, Where to apply for and renew Certificates, for contact information).