

IUMI REFORMS TO YORK-ANTWERP RULES
PRESENTATION TO AIMU 20TH January 2004

1. Introduction

2. Costs of G.A.

US\$300 million p.a.

Most of the money shifted in G.A. relates to large claims.

Therefore limited role for absorption clauses.

G.A. Claims form a fairly high percentage of contributory values.

3. G.A. is inefficient

- Adjustments take a considerable amount of time
- After two years only one third of the money shifted has been adjusted.
- G.A. costs underwriters administrative time and inconvenience.
- G.A. is increasingly inappropriate and unpopular with commercial users.

4. G.A. is inequitable

- Temporary repairs
- New Engines – the “ALPHA” (1991)
- Fault or unseaworthiness is likely or acknowledged to cause about 90% of all G.A.'s but cargo pays about 65% of all sums adjusted in G.A.

5. The costs of G.A.

- Ingredients of G.A. claim
- Salvage 40%
- Interest and Commission 12%
- Adjusters' fee and expenses 10%
- Crew Wages, maintenance and stores 4%
- Fuel at POR 1%
- Others 33%

6. The IUMI Proposals

- The aims of the proposals are to reduce the number of G.A. adjustments, reduce the amount of money shifted in G.A. by limiting G.A.'s scope and to try to speed up adjustments.
- The original IUMI proposals were approved the Joint Hull and Cargo Committees in draft from the mid-1990's and adopted by IUMI in 1997.
- Many of the original IUMI proposals have been jettisoned.

7. Port of Refuge Expenses

- The proposal is to remove crew wages and maintenance (and possibly fuel and stores) at a Port of Refuge from G.A.
- This should produce a saving of around 6%. Shipowners will bear most of this.

8. Temporary Repairs

- The proposal is to allow marine property underwriters to share the saving and the cost of permanent repairs which an owner might make by having temporary repairs done at a Port of Refuge thus enabling him to have a wider choice of cheaper permanent repair ports.
- This saving is in practice de minimis.

9. Salvage

- The proposal is to substitute the existing Rule VI YAR with the following:

“(a) Salvage payments, including interest thereon and legal fees associated with such payments, shall lie where they fall and shall not be allowed in General Average, save only that if one party to the salvage shall have paid all or any of the proportions of salvage (including interest and legal fees) due from another party (calculated on the basis of salvaged values and not General Average contributory values), the unpaid contribution to salvage due from that other party shall be credited in the adjustment to the party that has paid it, and debited to the party on whose behalf the payment was made ...”

- Salvage payments are about 40% of sums shifted in G.A.
- Salvage will still be payable by hull and cargo to the salvors direct but it will just not be readjusted in G.A.
- The saving in interest, commission and adjuster's fees would, on a conservative estimate, amount to around 10% - 12% of sums shifted in G.A.

10. Time Limit

- The proposal is to introduce a limit for claims in G.A. of one year after the adjustment or six years after the G.A. Act whichever is the earlier.
- At present 10% of funds shifted in G.A. are still not adjusted six years after the incident but in practice this proposal will be unlikely to save much money although it may speed things up.

11. Interest

- Interest is not chargeable on G.A. disbursements and sacrifices at 7%.
- IUMI wants to abolish interest in G.A. altogether but in practice a more flexible solution is likely to be found which will produce in the short term a lower and more commercial rate.
- This proposal will adversely affect whoever contributes G.A. disbursements: it could be hull and/or cargo underwriters or the shipowner. It will also have a minor damping effect on adjuster's fees.

12. Commission

- Commission is charged on all disbursements (except crew wages) at 2% under the YAR 1994. The proposal is to abolish commission on G.A. disbursements altogether and perhaps allow office administration expenses (often claimed anyway in addition to commission).
- The combined effect of a 50% reduction in the rate of interest and the abolition of commission would probably be a reduction in the amount shifted in G.A. of approximately 6%.

Summary

If those IUMI proposals outlined above are adopted there will be a significant reduction in the number of G.A. adjustments (most “single issue” G.A.’s are salvage and crew wages) and a saving in the amount shifted in G.A. on average of around 20% to 25%. It is hoped that quicker claims handling and casualty procedures will also be the results of the reforms.

Ben Browne
Shaw and Croft
115 Houndsditch
London EC3A 7BR
Tel: 020 7645 9000
Fax: 020 7645 9001

E-mail: Ben.Browne@shawandcroft.com