

IUMI WEBINAR

PRACTICAL ASPECTS OF GENERAL AVERAGE

MICHAEL HARVEY - Director of HARVEY ASHBY LIMITED

Member of ASSOCIATION MONDIALE DE DISPACHEURS (AMD)

Fellow of THE ASSOCIATION OF AVERAGE ADJUSTERS



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PART 2

General average surveys, average disbursements insurances, the provision of documents, the general average adjustment and the response to it

Surveys on behalf of general average interests

- Why? - Impartial assessment of sacrifices.
- Examples:
 - * Where cargo is discharged to lighten a ship ashore and in a position of peril.
 - * Where cargo is discharged, stored and reloaded to enable repairs to the vessel which are necessary for the safe prosecution of the voyage to be carried out.
 - * To assess the extent of extinguishing damage to ship and cargo.
 - * To assess the extent of damage done in refloating a grounded vessel which is in a position of peril.

Average Disbursements Insurance

- GA expenses and sacrifices at risk until completion of the adventure.
- This exposure can be insured using Average Disbursements Clauses (A) or (B)

Average Disbursements Clauses

- Clauses (A) - Broader coverage.
 1. To cover the contributing interests remaining at the end of the voyage against any shortfall in the amount required to settle the salvage remuneration and/or general average expenses incurred, in the event that the residual value of the contributing interests at the end of the voyage is less, by reason of subsequent loss, than the amount for which liability has been incurred.
 2. To preserve the proportionate liability of the contributing interests as at the time that the guarantees were given to the salvors and/or when the expenditure was incurred, so that in the event of subsequent loss or damage sustained by any of the interests affecting their value at the completion of the voyage, their contributions will not be affected.
- Clauses (B) - Coverage (1) above only.

Average Disbursements - Examples

- **Clauses (A) & (B)**

Total general average / salvage	240,000
Value of property at the termination of adventure	<u>140,000</u>
Claim	100,000

- **Clauses (A) only**

Ship value	100,000	pays	10,000
Cargo value	40,000	pays	4,000
Reduction in value	<u>2,260,000</u>	pays	<u>226,000</u>
	2,400,000		240,000

Claim = 226,000

So what's next?

- ✱ Immediate actions taken - over to the average adjuster
- ✱ Adjuster needs documents and information:
 - ◆ To establish allowances in GA
 - ◆ To establish contributory values

Provision of Documents - SHIP

- ✱ Crew reports and log extracts
- ✱ Invoices in support of costs incurred
- ✱ Details of amounts paid in respect of salvage, including legal costs
- ✱ Dates of payment of submitted costs
- ✱ Valuation of ship at termination of adventure
- ✱ Details of repair costs including pre-existing damages

Provision of Documents - CARGO

- ✱ Valuation form
- ✱ Commercial invoice rendered to receiver
- ✱ Ensure includes freight & insurance cost (if applicable)
- ✱ Confirmation that goods received in good order
- ✱ If not provide survey reports indicating extent of loss and invoices for remedial costs
- ✱ Details of amounts paid in respect of salvage, including legal costs
- ✱ Dates of payment of submitted costs

Provision of Documents - FREIGHT

- ✱ Contracts of carriage
- ✱ Freight statements
- ✱ Details of crew wages
- ✱ Details of contingent expenses (canal - port charges - discharging costs)
- ✱ Time charter hire

Adjustment of General Average

- ✱ Quantifies general average expenses and sacrifices and should include justification for allowances
- ✱ Adds general average commission (pre 2004 Rules) and interest (Current rates - 1994Rules 7% - 2004Rules 2.5% - 2016Rules 5.6%)
- ✱ Adds adjustment charges
- ✱ Assesses value of contribution interests (including made good)
- ✱ Apportions total general average between contributing interests

Response to Adjustment

- ✱ Review
- ✱ Consider defences
- ✱ Pay or receive balance under the Statement
- ✱ Submit GA Deposit Receipt to recover balance of cash deposit
- ✱ Is there any need to request return of security?

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