

THE ASSOCIATION OF
AVERAGE ADJUSTERS
OF THE
UNITED STATES and CANADA INC.

Rules of Practice

Version: September 2014.2
Adopted September 30, 2015.
Confirmed October 5, 2016.

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Introduction To The Rules of Practice

The Association of Average Adjusters of the United States and Canada, Inc., was formed in 2011, tracing its roots back to the preceding and separate Associations of Canada and the United States.

After the formation of the new Association one of its first tasks was to consider the areas of divergence in current practice of Average Adjusters in the United States and those in Canada and to embark upon a review to bring about a uniform practice. It was also believed that during the course of reviewing the existing Rules it was an opportune time to bring the new Rules of Practice into line with current practices and technologies and to incorporate an international character.

It was also the intent of the Association to set down in print the various customs and practices that it believes its Full Members should abide by and a practice that is acceptable to Insurers that is clearly notated and which Insurers can readily insure is complied with. Furthermore, the Association sought to provide a legacy for future generations of Claim Professionals, Underwriters and others practicing in the marine industry to follow.

Nothing in these Rules is intended to override the laws of the United States or Canada.

RULES OF PRACTICE
SECTION A – GENERAL RULES

- A1 In all claims, the Average Adjuster, except when otherwise stated, will have sighted copies of the relevant policies and endorsements and will give particulars in a prominent position in the adjustment of the provisions contained in the policies for the adjustment of loss. This shall include reference to the cause and incidence of damage and the clause in the policy covering the peril involved. The Adjuster shall also state whether Canadian or United States law and practice is applicable and that the adjustment is issued in accordance with the provisions of the Rules of Practice of the Association of Average Adjusters of United States and Canada.

Where the contract or policy of insurance provides for the adjustment in accordance with Great Lakes Practice or Great Lakes Clauses, the rules of Practice for the Great Lakes will apply.

A2 ADJUSTMENTS FOR THE CONSIDERATION OF UNDERWRITERS

Any claim prepared for the consideration of Underwriters shall include a statement of the reasons of the Average Adjuster for stating such a claim, and when submitted in conjunction with a claim for which Underwriters are liable, shall be shown in such a manner as clearly to distinguish the claim for consideration from other claims embodied in the same adjustment.

A3 AGENCY COMMISSION AND AGENCY

In practice, neither commission (except bank commission) nor any charge by way of agency or remuneration for trouble is allowed to the Shipowner in Average, except in respect of services rendered on behalf of cargo when such services are not contractually required in the ordinary performance of the contract of affreightment.

A4 DUTY OF ADJUSTERS IN RESPECT OF COST OF REPAIRS

In adjusting Particular Average on ship or General Average which includes repairs, it is the duty of the Adjuster to satisfy themselves that all repair accounts have been examined by the surveyor acting for Hull & Machinery Underwriters or, in the case of General Average, the surveyor in the general interest, before the statement is issued.

(cont.)

A4 DUTY OF ADJUSTERS IN RESPECT OF COST OF REPAIRS (cont.)

The Average Adjuster shall insert a note in the Average statement that this has been done and the result of same.

A5 APPORTIONMENT OF COSTS IN COLLISION CASES

1. When a vessel sustains and causes damage by collision and litigation consequently results for the purpose of testing liability, the legal costs and/or other expenses incurred to determine liability shall be apportioned between the claim and counterclaim in proportion to the amount, excluding interest, which has been or would have been allowed, provided that when a claim or counterclaim is made solely for the purpose of defense, and is not allowed, the costs apportioned thereto shall be treated as costs of defense.
2. Nothing contained in '1' above shall affect those legal costs and/or other expenses incurred specifically for the purpose of defense or recovery which shall be divided into the following categories:
 - a) Attack; relating to the proceedings for the recovery of damages sustained by the insured ship in collision.
 - b) Defense; relating to proceedings against the insured ship for damage sustained by another ship in collision.
3. Owner and Underwriters shall contribute to the legal expense of attack in the proportion that Owner's claim for their deductible, demurrage or other expense, and Underwriters' claim for the balance, bears to the entire provable damage claim of the insured ship.
4. Where the insured ship becomes legally liable for the damage sustained by another ship, the legal expense of defense shall be charged to those Underwriters affording coverage for the costs which the vessel owner has incurred or is compelled to pay, but where defense is successfully maintained the legal expense shall be divided between Owner and Underwriters in the proportion which the Owner's deductible (the payment of which is avoided) bears to the estimated potential liability of the insured ship to the other ship.
5. The foregoing principles shall govern in respect of Court Actions, arbitrations or determination by consent of the parties.

A6 CREDIT FOR EXPENSES SAVED

Any normal commercial operating costs and/or expenses saved as a result of alternative costs incurred and claimed in Average shall be duly credited to the claim, whether General or Particular Average.

SECTION B – GENERAL AVERAGE
Rules of General Application

B1 BASIS OF ADJUSTMENT

a) An adjustment of General Average shall be prefaced by a statement setting forth on what principle or according to what law the adjustment has been made, and the reason for so adjusting the claim.

b) In all cases the Adjuster shall give particulars in a prominent position in the Average statement of the clause or clauses contained in the charter-party and/or bills of lading with reference to the adjustment of General Average.

B2 VESSEL IN TOW

When a vessel is proceeding on a voyage in tow, or being towed or pushed by another vessel, and an accident and/or breakdown occurs which results in services being rendered to any or all the vessels involved, the charges rendered for the services performed will be apportioned between the vessels, on the basis that they are separate interests, and the portion of the charges and/or expenses which fall on a vessel with cargo shall be apportioned between that vessel and her cargo, on the basis of General Average.

A vessel is not in common peril with another vessel(s) if by simply disconnecting from the other vessel(s) that vessel is in safety; but if the disconnection itself is a General Average act the common maritime adventure continues.

B3 VESSEL IN BALLAST

When a vessel in ballast is in the course of voyage and suffers damage which requires her to proceed to a port or place of safety, or is delayed in a port or place on account of damage which requires temporary or permanent repairs to be made to enable the vessel to safely continue her voyage, the expenses incurred, as outlined in Rule X and Rule XI of the York/Antwerp Rules, 1994, shall be included as a claim on Underwriters insuring the vessel, in the same manner as if the vessel had cargo on board.

B4 CLAIMS ARISING OUT OF DEFICIENCY OF FUEL

In adjusting General Average arising out of deficiency of fuel, the facts on which the General Average is based shall be set forth in the adjustment, including the material dates and distances, and particulars of fuel supplies and consumption.

B5 DECKLOAD JETTISON

Costs and expense arising from the jettison of a cargo carried according to the usage of trade and not in violation of the contracts of affreightment are allowable in General Average.

B6 EXTINGUISHING FIRE ON SHIPBOARD

Damage done to a ship and cargo, or either of them, by water or otherwise, including damage by beaching or scuttling a burning ship, in extinguishing a fire on board the ship, shall be made good as General Average; except that no compensation shall be made for damage by smoke or heat however caused.

B7 FIRE EXTINGUISHERS

The cost of replacing gas or any commodity used in efforts to extinguish a fire on board a vessel shall be allowed in General Average even though the gas or commodity was on board the vessel at the time the fire was discovered.

B8 VOLUNTARY STRANDING

Where a ship is intentionally run on shore for the common safety, whether or not she might have been driven on shore, the consequent loss or damage shall be allowed as General Average.

B9 EXPENSES LIGHTENING A SHIP WHEN ASHORE

When a ship is ashore and, in order to float her, cargo and ship's fuel and stores or any of them are discharged as a General Average act, the whole cost of lightering, lighter hire and reshipping (if incurred), and any loss or damage to the property involved in consequence thereof, shall be allowed as General Average.

B10 STRANDED VESSELS: DAMAGE TO ENGINES WHILE ENDEAVORING TO REFLOAT

Damage caused to machinery and boilers of a stranded vessel, in endeavoring to refloat for the common safety, shall be allowed in General Average.

B11 RESORT TO PORT OF REFUGE FOR GENERAL AVERAGE REPAIRS

1. Treatment of the Charges Incurred

When a ship shall have entered a port or place of refuge or shall have returned to her port or place of loading in consequence of accident, sacrifice or other extraordinary circumstances which render that necessary for the common safety, and sails thence with her original cargo, or a part of it, the outward as well as the inward port charges shall be treated as General Average; and when cargo is discharged for the purpose of repairing such damage, the warehouse rent and cost of insurance on cargo while therein and reloading of the same shall, as well as the discharge, be treated as General Average.

2. Treatment of Costs of Storage and Reloading at Port of Refuge

When the cargo is discharged for the purpose of repairing, reconditioning or diminishing damage to ship or cargo which is itself the subject of General Average, the cost of storage on it and of reloading it shall be treated as General Average, equally with the cost of discharging it. The cost of handling on board or discharging cargo, fuel or stores shall not be admissible as General Average when incurred solely for the purpose of restowage due to shifting during the voyage, unless such restowage is necessary for the common safety.

3. Insurance on Cargo discharged under General Average

That in practice, where the cost of insurance has been reasonably incurred by the shipowner, or his agents, on cargo discharged under General Average, such cost shall be treated as part of the cost of storage.

B12 TREATMENT OF COSTS OF EXTRAORDINARY DISCHARGE

No distinction is to be drawn in practice between discharging cargo for the common safety of ship and cargo, and discharging it for the purpose of effecting, at an intermediate port or ports of refuge, repairs necessary for the prosecution of the voyage.

B13 DAMAGE TO CARGO, FUEL AND STORES IN DISCHARGING ETC.

Damage to or loss of cargo, fuel or stores, sustained in consequence of their handling, discharging, storing, reloading and stowing shall be made good as General Average when, and only when the cost of those measures respectively is admitted as General Average.

B14 ALLOWANCES FOR CARGO LOST, DAMAGED OR SOLD AND CONTRIBUTORY VALUE OF SAME

1. The amount to be allowed as General Average for damage to or loss of cargo sacrificed shall be the loss which has been sustained thereby based on the value at the time of discharge or at the termination of the adventure, ascertained from the commercial invoice rendered to the receiver or if there be no invoice, from the shipped value. The value at the time of discharge shall include the cost of insurance and freight except insofar as such freight is at the risk of interests other than cargo.
2. When cargo so damaged is sold and the amount of the damage has not been otherwise agreed, the loss to be allowed in General Average shall be the difference between the net proceeds of sale and the net sound value as computed in the first paragraph of this Rule.
3. The contributory value of such cargo shall be based on the proceeds of sale to which shall be added any amount made good; deduction being made of charges incurred subsequent to the General Average act, except such charges as are allowed in General Average.
4. The “date of arrival” in the case of a vessel herself delivering all cargo saved shall be the last day of discharge; and in complex cases, this principle shall be followed as far as possible.

B15 TREATMENT OF SUBSTITUTED EXPENSES

For the purpose of avoiding any misinterpretation of the term ‘substituted expenses’, it is understood that the saving of expenses is limited to a saving or reduction of the actual outlay, including the crew’s wages and provisions, if any, which would have been incurred at the port of refuge, if the vessel had been repaired there, but does not include supposed losses or expenses, such as interest, loss of market, demurrage, or assumed damage by discharging.

B16 DEDUCTIONS FROM COST OF REPAIRS IN ADJUSTING GENERAL AVERAGE

Repairs to be allowed in General Average shall not be subject to deductions in respect of “new for old” where old materials or parts are replaced by new unless the ship is over fifteen years old in which case there shall be a deduction of one third. The deductions shall be regulated by the age of the ship from the 31st December of the year of completion of construction to the date of the General Average act, except for insulation, life and similar boats, communications and navigational apparatus and equipment, machinery and boilers for which the deductions shall be regulated by the age of the particular parts to which they apply.

The deductions shall be made only from the cost of the new material or parts when finished and ready to be installed in the ship.

No deduction shall be made in respect of provisions, stores, anchors and chain cables.

Drydock and slipway dues and costs of shifting the ship shall be allowed in full.

The costs of cleaning, painting or coating of bottom shall not be allowed in General Average unless the bottom has been painted or coated within the twelve months preceding the date of the General Average act in which case one half of such costs shall be allowed.

B17 BASIS OF CONTRIBUTION TO GENERAL AVERAGE

The contribution to a General Average shall be made upon the actual net values of the property at the termination of the adventure. To such values shall be added the amount made good as General Average for property sacrificed, if not already included; deduction being also made from the value of the property of all extra charges incurred in respect thereof subsequent to the General Average Act.

1. Ship

In any adjustment of General Average there shall be set forth the Certificate on which the contributory value of the ship is based, or if there be no such Certificate, the information adopted in lieu thereof, and any amount made good shall be specified. The value should not take into account the beneficial or detrimental effect of any demise or time charter-party to which the ship may be committed.

(cont.)

B17 BASIS OF CONTRIBUTION TO GENERAL AVERAGE (cont.)

2. Cargo

The value of cargo shall be the value at the time of discharge, ascertained from the commercial invoice rendered to the receiver, or if there is no such invoice, from the shipped value. The value of the cargo shall include the cost of insurance and freight unless and insofar as such freight is at the risk of interests other than the cargo, deducting therefrom any loss or damage suffered by the cargo prior to or at the time of discharge.

3. Subsequent Damage to Ship or Cargo.

When property saved by a General Average act is injured or destroyed by subsequent accident, the contributing value of that property to a General Average which is less than the total contributing value, shall, when it does not reach the port of destination, be its actual net proceeds; when it does it shall be its actual net value at the port of destination on its delivery there; and in all cases any values allowed in General Average shall be added to and form part of the contributing value as above.

B18. FREIGHT – CONTRIBUTORY VALUE AND AMOUNT MADE GOOD IN GENERAL AVERAGE

The contributory value of freight shall be the amount at risk of the Shipowners or Charterers and earned on cargo on board, to which shall be added the allowance in General Average for net freight lost, and from the total shall be deducted the expenses (except those allowed in General Average) incurred to earn it after the date of the General Average act; and if there be any cargo on board on which the freight is not at risk of the Shipowners or Charterers the charges to be deducted from the freight at their risk shall be only those which would have been incurred if such cargo had not been aboard:

When loss of freight at risk of the Shipowners or Charterers is allowed in General Average the allowance shall be for the net freight lost, to be ascertained by deducting from the gross freight sacrificed the expenses that would have been incurred, subsequent to the sacrifice, to earn it, but which, because of the sacrifice, have not been incurred.

Where the General Average is prepared in accordance with York-Antwerp Rules and there be any cargo on board on which the freight is not at risk of the Shipowners or Charterers, the deductions made from the freight at their risk to arrive at the contributory value of freight shall be determined in accordance with the principles set forth above.

**B19 SALVAGE SETTLEMENTS UNDER YORK ANTWERP RULES 2004 –
ALLOWANCE FOR INTEREST**

When the adjustment is subject to the York Antwerp Rules 2004 and includes, applying the provisions of Rule VI (a) of those Rules, contributions to salvage paid by one party to the adventure on behalf of another party to the adventure as well as on its own behalf, the provisions of Rule XXI of the Rules will apply to the paying party's salvage payments, including interest thereon and legal fees associated with such payments, as if they were General Average expenditure.

**B20 INTEREST AND COMMISSION ON ALLOWANCES IN GENERAL
AVERAGE**

Unless otherwise provided for in the relevant contract of carriage then:

- i) **INTEREST:** where allowances, sacrifices or expenditures are charged to or made good in General Average, interest shall be allowed thereon at the prime rate prevailing on the last day of discharge, plus 2%, and continue until three months after the issue date of the General Average statement.
- ii) **COMMISSION:** A commission of 2.5 percent on General Average disbursements other than wages and maintenance of master, officers and crew and fuel and stores not replaced during the voyage shall be allowed in General Average, but when the funds are not provided by any of the contributing interests, the necessary cost of obtaining the funds required or the loss sustained by owners of goods sold for the purpose, shall be allowed in General Average.

The cost of insuring money advanced to pay for General Average disbursements shall also be allowed in General Average.

SECTION C – DAMAGE AND REPAIRS TO SHIP

C1 EXPENSES OF REMOVING A VESSEL FOR REPAIR

1. For the purpose of ascertaining the reasonable cost of repairs, and subject to any express provisions in the policy, where a vessel is at any port place or location (hereinafter referred to as 'port') and is necessarily or reasonably removed to some other port for the purpose of repairs, either because the repairs cannot be effected at the first port, or cannot be effected prudently, the additional expenses reasonably incurred by the shipowner in removing the vessel (other than any expenses allowable in General Average) shall be treated as part of the reasonable cost of repairs.
2. (a) Where the vessel after repairing forthwith returns to the port from which she was removed, the expenses incurred both in removing the vessel to the port of repair and in returning shall be treated as part of the expenses of removal.
(b) Where the vessel loads a new cargo at the port of repair or proceeds thence to some other port for the same purpose, the removal expenses shall be calculated as though, but for the repairs, the vessel had previously been engaged to proceed direct from the port from which she was removed to the loading port.
(c) Where, immediately following a casualty, or upon completion of the voyage on which the casualty occurred, the vessel is removed solely to enable repairs to be effected which are essential for continued trading, the expenses may, at the Owners' option, be calculated only for the single passage to the repair port.
3. (a) The expenses of removal shall include, inter alia, the cost of any necessary temporary repairs, wages and provisions of crew, pilotage, towage, extra marine insurance, port charges, bunkers and stores.
(b) Where by moving the vessel to or from the port of repair any new freight or hire is earned, such net earnings shall be deducted from the expenses of removal.
4. The expenses of removing the vessel for repair shall be charged as follows:
 - (a) Where the vessel is removed to the port of repair as an immediate consequence of damage for the repair of which Underwriters are liable, or the vessel is necessarily taken out of service especially to effect repairs arising from that damage, the whole cost of removal shall be treated as part of the cost of repairing that damage, notwithstanding that the Shipowner may have taken advantage of the removal to carry out survey for classification purposes or to effect other average repairs or repairs on his own account. (cont.)

C1 EXPENSES OF REMOVING A VESSEL FOR REPAIR (cont.)

However, where the vessel is removed for Owners' purposes, other than a routine overhaul as in 4(b) below, or as an immediate consequence of damage for which Underwriters are not liable, no part of the cost of removal shall be charged to Underwriters, notwithstanding that repairs for which they are liable may be carried out at the port of repair.

- (b) Where the vessel is removed to the port of repair for routine overhaul at which repairs on both Owners' and Underwriters' accounts are effected, the expenses of removal shall be apportioned pro rata to the cost (including drydock dues and general services) of all work effected at the port, other than to any damage sustained after the commencement of the removal passage and the cost of any major parts shipped to the repair port from elsewhere.

C2 DRY DOCK EXPENSES

1. In practice, where repairs, for the cost of which Underwriters are liable, are necessarily effected in dry dock as an immediate consequence of the casualty, or the vessel is taken out of service especially to effect such repairs in dry dock, the cost of entering and leaving the dry dock, in addition to so much of the dock dues and other expenses incidental to the drydocking of the vessel as are necessary for the repair of the damage, shall be chargeable in full to the Underwriters, notwithstanding that the Shipowner may have taken advantage of the vessel being in dry dock to carry out survey for classification purposes or to effect repairs on his account which are not immediately necessary to make the vessel seaworthy.
- 2.(a) Where repairs on Owners' account which are immediately necessary to make the vessel seaworthy and which can only be effected in dry dock are executed concurrently with other repairs, for the cost of which Underwriters are liable, and which also can only be effected in dry dock,

or

- (b) Where the repairs, for the cost of which Underwriters are liable, are deferred until a routine dry-docking and are then executed concurrently with repairs on Owners' account which require the use of the dry dock, whether or not such Owners' repairs affect the seaworthiness of the vessel, the cost of entering and leaving the dry dock, in addition to so much of the dock dues and other expenses incidental to the drydocking of the (cont.)

C2 DRY DOCK EXPENSES (cont.)

vessel as is common to both repairs, shall be divided equally between the Shipowner and the Underwriters, irrespective of the fact that the repairs for which Underwriters are liable may relate to more than one accident or may be payable by more than one set of Underwriters.

- c) Sub-division between Underwriters of the proportion of the common dry-docking expenses chargeable to them shall be made on a common user basis.

C3 TREATMENT OF THE COST OF TANK CLEANING AND/OR GAS-FREEING

1. In practice, where repairs, for the cost of which Underwriters are liable, require the tanks and/or other areas of the vessel to be rough cleaned and/or gas-freed as an immediate consequence of the casualty, or the vessel is taken out of service especially to effect such repairs, the cost of such rough cleaning and/or gas-freeing shall be chargeable in full to the Underwriters, notwithstanding that the Shipowner may have taken advantage of the vessel being rough cleaned and/or gas-freed to carry out survey for classification purposes or to effect repairs on his account which are not immediately necessary to make the vessel seaworthy.
2. (a) Where repairs on Owners' account which are immediately necessary to make the vessel seaworthy and which require the tanks or other areas of the vessel to be rough cleaned and/or gas-freed are executed concurrently with other repairs, for the cost of which Underwriters are liable, and which also require the tanks being rough cleaned and/or gas-freed, or

(b) Where the repairs, for the cost of which Underwriters are liable, are deferred until a routine dry-docking or repair period, at which time repairs on Owners' account which also require the tanks or other areas of the vessel to be rough cleaned and/or gas-freed are effected, whether or not such Owners' repairs affect the seaworthiness of the vessel, the cost of such rough cleaning and/or gas-freeing as is common to both repairs shall be divided equally between the Shipowners and the Underwriters, irrespective of the fact that the repairs for which Underwriters are liable may relate to more than one accident or may be payable by more than one set of underwriters.

(cont.)

C3 TREATMENT OF THE COST OF TANK CLEANING AND/OR GAS-FREEING (cont.)

3. The cost of fine cleaning specifically for a particular repair or particular repairs shall be divided in accordance with the principles set forth above.
4. Sub-division between Underwriters of the proportion of rough tank cleaning and/or gas-freeing and/or fine cleaning chargeable to them shall be made on a common user basis.

C4 BOTTOM PLATING - Preparation and painting.

Where the Policy includes a Clause to the effect that:

“No claim shall in any case be allowed in respect of scraping or painting the vessel’s bottom”.

- (1) Gritblasting and/or other surface preparation and recoating as original of new bottom plating;
- (2) Gritblasting and/or other surface preparation of:
 - (i) the butts or areas of plating immediately adjacent to any renewed or refitted plating damaged during the course of welding and/or repairs;
 - (ii) areas of plating damaged during the course of fairing, either in place or ashore;

The surface preparation and recoating as original to those particular areas mentioned in (i) and (ii) above shall be allowed as part of the reasonable cost of repairs in respect of bottom plating damaged by an insured peril and shall be deemed not to be excluded by the wording of this Clause.

The gritblasting and/or other surface preparation and the painting of all other areas of the bottom is excluded by the Clause.

C5 TEMPORARY REPAIRS – PARTICULAR AVERAGE

The cost of reasonable temporary repairs shall be allowed:

- When made in order to effect a saving in the cost of permanent repairs;
- When complete repairs cannot be made at the port where the vessel is;
- When the material or parts necessary for permanent repairs are unobtainable at the port where the vessel is, except after unreasonable delay

The Adjuster shall insert a note in the Average Statement in explanation of the allowances made.

C6 AIR FREIGHT

The cost of ordinary air freight on repair parts shall be allowed as part of the reasonable cost of repairs.

The cost of any extraordinary shipments by air, such as chartered aircraft or similar means, shall be dealt with by the Adjuster considering (1) the reasons for such shipment and/or (2) the savings resulting therefrom. The Adjuster shall insert a note in the Average statement in explanation of the allowances or charges made.

C7 CREDITS FOR OLD MATERIAL

Where old material is replaced by new, credit shall be given in the Average statement for the value of proceeds of the old material, or, if there is no credit, the Adjuster shall insert a note in explanation.

C8 COMPENSATION AND EXPENSES OF OWNERS' SUPERINTENDENT

In cases where a superintendent, or other shore employee, in the permanent employ of the Owners of the vessel, superintends the repair of average damage, compensation for such service and incidental expenses shall be allowed in average:

First: When an independent surveyor or outside person, has not been employed by the Owners for this purpose and the vessel is repaired at a port other than where the superintendent or other employee makes his headquarters; or,

Second: When the Owner has incurred extra expense by employing, temporarily, another man to do the work of the superintendent or other shore employee, while either of the latter is engaged in superintending repair of average damage.

C9 CLASSIFICATION SURVEYOR'S FEES – PARTICULAR AVERAGE

Fees of Classification Societies for surveys of Particular Average damages shall be allowed (notwithstanding that a survey of such damages would have been required for classification purposes) in addition to a fee paid an independent surveyor.

SECTION D

RULES OF PRACTICE FOR THE GREAT LAKES

(These Rules to apply to adjustments where the Contract of Affreightment or policy of insurance, including Great Lakes Hull Clauses, provides for adjustment in accordance to Canadian or American Lake Practice or Adjustment. Any matters not addressed by these Rules to be determined in accordance with the preceding Rules of Practice)

D1. DEDUCTIONS FROM COST OF REPAIRS IN ADJUSTING GENERAL AVERAGE

In adjusting claims for General Average, repairs to be allowed in General Average shall not be subject to deductions in respect of “new for old”.

D2. DEFERMENT OF REPAIRS FOR OWNERS’ CONVENIENCE

Where repairs of known damage are deferred for the convenience of the owner beyond fifteen (15) months, any increase in the claim upon Underwriters resulting from such deferment shall be borne by the Owners. Nevertheless, if it can be established that such deferment resulted in a saving to Underwriters, the increase in the amount of the claim up to the amount of savings to Underwriters, shall be charged to Underwriters.

D3. INTEREST AND COMMISSION IN GENERAL AVERAGE

1. Bulk Cargo and Vessel in Ballast

Interest and commission on allowances, sacrifices or expenditures are not allowable in General Average in ballast cases or in cases involving the carriage of bulk cargoes.

2. General Cargo

- a) Where allowances, sacrifices or expenditures are charged to or made good in General Average, interest shall be allowed thereon at the prime rate prevailing at the last place or port of destination, plus 2% and continue until three months after the issue date of the general average statement.
- b) A commission of 2.5 percent on General Average disbursements, other than the wages and maintenance of master, officers and crew and fuel and stores not replaced during the voyage, shall be allowed in General Average.

D4. WAGES AND PROVISIONS IN GENERAL AVERAGE.

Where cargo is lightered, wages and provisions are allowable while the cargo is being reloaded.

D5. VALUATION OF CONTRIBUTING INTERESTS IN GENERAL AVERAGE

The vessel shall contribute to General Average on a value based upon the full agreed insurance valuation appearing in the insurance policy or policies on Hull and Machinery, without taking into consideration any insurance effected on said vessel on increased value or excess liabilities.

The cargo shall contribute to General Average on a value based upon its insured value or, if uninsured, its invoice value including guaranteed freight paid or payable.

The freight shall contribute to General Average based on the gross amount at risk and earned less one half.

D6. CARGO AND FREIGHT – AMOUNT MADE GOOD IN GENERAL AVERAGE

The amounts to be made good as General Average for damage to or loss of cargo and loss of freight arising therefrom shall be calculated on the same basis as for the contributory values dealt with in Rule D5.

D7. APPORTIONMENT OF COMMON EXPENSE WHEN REPAIRS ARE MADE

Common expenses for making repairs such as moving the vessel to and from a repair yard, towage, docking and undocking, dry dock charges and other expenses which are common and required by both classes of work, shall be divided equally between the Owner and the Underwriters when a vessel is dry docked and/or undergoes repairs:-

a) For Owner's account and damage previously unknown is discovered chargeable to Underwriters for which repairs are concurrently made:

or

b) For survey and/or repairs chargeable to Underwriters and repairs for Owner's account are concurrently made which are immediately necessary for the seaworthiness or the continued operation of the vessel even though the necessity for such Owner's repairs was previously unknown.

A classification survey, although it is for the Owner's account, shall not be considered as requiring the division of common expenses under this Rule since classification societies defer such surveys for the Owner's convenience. The entire amount of any common expense shall be chargeable to the Underwriters unless repairs are concurrently made for Owner's account which are immediately necessary for seaworthiness or the continued operation of the vessel.

When as a matter of convenience an Owner takes advantage of the vessel being at a repair yard for Underwriters' repairs and makes repairs or has maintenance work performed for Owner's account not immediately necessary for seaworthiness of the continued operation of the vessel, the entire amount of the common expense shall be chargeable to the Underwriters.