



ASSESSMENT OF CONTRIBUTIONS TO MAJOR CLAIMS FUNDS

Note by the Director

Summary:	<p>The need for 2007 contributions to Major Claims Funds is examined. It is proposed that there should be no levies of 2007 contributions in respect of the two remaining Major Claims Funds, ie the <i>Vistabella</i> and <i>Nissos Amorgos</i> Major Claims Funds.</p> <p>It is further proposed that an amount of £2.2 million of the surplus on the <i>Pontoon 300</i> Major Claims Fund be reimbursed to contributors.</p>
Action to be taken:	<p>Decide on levies of 2007 contributions to the two remaining Major Claims Funds. Decide on reimbursement to contributors of the surplus on the <i>Pontoon 300</i> Major Claims Fund.</p>

1 Introduction

- 1.1 Article 12.1 of the 1971 Fund Convention provides that the Assembly shall determine the amount of contributions to be levied, if any. For this purpose the Assembly shall make an estimate in the form of a budget of the 1971 Fund's expenditure and income for each calendar year, taking into account the necessity to maintain sufficient liquid funds.
- 1.2 The 1971 Fund's expenditure consists of:
 - (a) costs and expenses of the administration of the 1971 Fund, and any deficit from preceding years;
 - (b) payments of claims and claims-related expenditure up to 1 million SDR per incident (minor claims); and
 - (c) payments of claims and claims-related expenditure to the extent that the aggregate amount of the payments in respect of any one incident is in excess of 1 million SDR (major claims).
- 1.3 Expenses mentioned in sub-paragraphs (a) and (b) of paragraph 1.2 above have to be met from the General Fund (Financial Regulation 7.1(c)) and expenses with respect to major claims as defined in sub-paragraph (c) above have to be met from Major Claims Funds (Financial Regulation 7.2(d)).
- 1.4 Since the 1971 Fund Convention has ceased to be in force it is not possible to levy further contributions to the General Fund, the balance of which is dealt with in the 2008 budget contained

in a separate document (document 71FUND/AC.22/15). This document deals only with the assessment of contributions to Major Claims Funds.

- 1.5 As for the individual incidents, reference is made to the information contained in the Financial Statements (document 71FUND/AC.22/5, Annex V, Schedule II) and to the various documents relating to incidents submitted to the 22nd session of the Administrative Council.
- 1.6 It should be noted that any estimate in this document of amounts to be paid by the 1971 Fund in compensation has been made solely for the purpose of the assessment of annual contributions, without prejudice to the position of the 1971 Fund in respect of the claims.
- 1.7 It should also be noted that, unless stated otherwise, information on the payments of compensation and claims-related expenditure reflects the situation as at 30 June 2007.

2 Vistabella Major Claims Fund

2.1 Summary information

Background information for consideration of the *Vistabella* Major Claims Fund is as follows:

Incident	<i>Vistabella</i>
Place of incident	Caribbean
Date of incident	07/03/91
	Pound Sterling
Maximum amount of compensation payable by 1971 Fund	<i>not an issue</i>
Compensation paid by the 1971 Fund up to 31/12/06	1 002 512
Compensation paid by the 1971 Fund 1/1/07-30/6/07	0
Possible total compensation payable by 1971 Fund 1/7/07 – 1/3/09	0
Claims-related expenses paid by 1971 Fund up to 31/12/06	289 382
Claims-related expenses paid by 1971 Fund 1/1/07 – 30/6/07	17 119
Possible claims-related expenses payable by 1971 Fund 1/7/07 – 1/3/09	40 000
Maximum paid from General Fund (1 million SDR)	743 092
Total previously levied to Major Claims Fund	600 000
Estimated balance on <i>Vistabella</i> Major Claims Fund as at 30 June 2007	43 000

2.2 Analysis

- 2.2.1 During 1994 the total payments by the 1971 Fund in respect of the *Vistabella* incident reached the maximum amount payable from the General Fund, ie 1 million SDR (£743 092).
- 2.2.2 The 1971 Fund has taken legal action against the owner of the *Vistabella* and his insurer for the purpose of recovering the amount of compensation paid by the Fund. The insurer was ordered by the competent Court of first instance to reimburse the 1971 Fund the FF8.2 million or €1.25 million (£839 000) paid by the Fund in compensation plus interest. The insurer appealed against the judgement. In 2004 the Court of Appeal confirmed the judgement. The insurer did not appeal to the Court of Cassation. The 1971 Fund is taking steps to enforce the judgement.
- 2.2.3 In view of the uncertainty in respect of the legal proceedings referred to above and the relatively small amounts involved, the governing bodies had up to 2002 decided that the levy of annual contributions to the *Vistabella* Major Claims Fund should be postponed until the final total cost of the incident to the 1971 Fund could be established. Payments in excess of 1 million SDR were made from money borrowed from the General Fund. This loan was repaid with interest to the General Fund when contributions to the *Vistabella* Major Claims Fund were levied and received (cf Financial Regulations 7.1(c)(iv)).
- 2.2.4 In the interest of making progress towards winding up the 1971 Fund, the Administrative Council decided, at its 12th session in October 2003, to levy contributions to the *Vistabella* Major Claims Fund for £600 000 for payment by 1 March 2004 to cover the deficit on that Major Claims Fund

and the costs resulting from the legal proceedings (document 71FUND/AC.12/22, paragraph 22.2).

- 2.2.5 All established claims totalling £1 002 512 have been paid. The 1971 Fund will therefore only incur certain fees relating to the enforcement of the Court of Appeal's judgement.
- 2.2.6 As at 30 June 2007 there was a balance on the *Vistabella* Major Claims Fund of some £43 000. It is estimated that there will be a balance on the *Vistabella* Major Claims Fund of approximately £3 000 as at 1 March 2009 (the date when any 2008 contributions would be receivable) after payments of fees and other expenses.
- 2.2.7 The Director considers it unlikely that any further contributions will have to be levied to the *Vistabella* Major Claims Fund.
- 2.2.8 Should the amount to be paid during the period 1 July 2007 - 1 March 2009 exceed the Director's estimate of £40 000, the deficit could be covered by a loan from the General Fund under Financial Regulation 7.1(c) (iv), to be repaid with interest.

3 *Nissos Amorgos* Major Claims Fund

3.1 Summary information

Background information for consideration of the *Nissos Amorgos* Major Claims Fund is as follows:

Incident	<i>Nissos Amorgos</i>
Place of incident	Venezuela
Date of incident	28/02/97
	Pound Sterling
Maximum amount of compensation payable by 1971 Fund US\$83 221 800 – US\$7 274 268 = US\$75 947 532 (ie 60 million SDR – CLC limit)	37 852 638 ^{<1>}
Compensation paid by the 1971 Fund up to 31/12/06	10 979 550
Compensation paid by the 1971 Fund 1/1/07 to 30/6/07	0
Possible total indemnification/compensation payable by 1971 Fund 1/7/07 - 1/3/09	1 000 000
Claims-related expenses paid by 1971 Fund up to 31/12/06	1 409 216
Claims-related expenses paid by 1971 Fund 1/1/07 – 30/6/07	427
Possible claims-related expenses payable by 1971 Fund 1/7/07 – 1/3/09	100 000
Maximum paid from General Fund (1 million SDR)	849 762
Total previously levied to Major Claims Fund	13 500 000
Estimated balance on <i>Nissos Amorgos</i> Major Claims Fund as at 30 June 2007	2 980 000

3.2 Analysis

- 3.2.1 The maximum amount payable from the General Fund (£849 762) has been used.
- 3.2.2 A total of £13.5 million has been levied as contributions to the *Nissos Amorgos* Major Claims Fund. There was a surplus on this Major Claims Fund of some £2.9 million as at 31 December 2006 (document 71FUND/AC.22/5, Annex V, Statement IV).
- 3.2.3 At its 14th session, held in May 2004, the Administrative Council authorised the Director to increase the level of payments from 65% to 100% of the established claims, once the Director had been given the assurance by the Republic of Venezuela that the Republic's understanding of the meaning of 'standing last in the queue' coincided with that of the Fund (document 71FUND/AC.14/4, paragraph 3.1.54). Such assurance was given. The level of payments was therefore increased to 100% in August 2004.

^{<1>} Conversion of currency has been made on the basis of the rate of exchange applicable on 29 June 2007, ie £1=US\$2.0064.

- 3.2.4 It is not possible to estimate at this stage the total amount of the established claims. The settled claims total some US\$25 million all of which have been paid.
- 3.2.5 The total amount of the outstanding claims in court by far exceeds the maximum amount payable under the 1971 Fund Convention of just under US\$76 million (£38 million). Some of these claims are pending in the Supreme Court of Venezuela. The outcome of these proceedings is uncertain and there would be no possibility to appeal against the Supreme Court's judgements.
- 3.2.6 It is estimated that the balance on the *Nissos Amorgos* Major Claims Fund is some £3 million as at 30 June 2007.
- 3.2.7 The 1971 Fund may have to pay indemnification of the shipowner amounting to some US\$1.8 million (£897 000) and some £100 000 in claims-related costs by 1 March 2009 (the date when any 2008 contributions would be receivable).
- 3.2.8 As set out in the Annex, it appears that the amount available in the Major Claims Fund would be more than sufficient to cover the anticipated payments. The calculations do not include interest which will be earned on the assets of the Major Claims Fund for the period 1 July 2007 to 1 March 2009.
- 3.2.9 However, if the courts were to accept the outstanding claims, which the 1971 Fund considers inadmissible, a further levy would be required in the future.

4 Pontoon 300 Major Claims Fund

4.1 Summary information

Background information for consideration of the *Pontoon 300* Major Claims Fund is as follows:

Incident	<i>Pontoon 300</i>
Place of incident	United Arab Emirates
Date of incident	07/01/98
	Pound Sterling
Maximum amount of compensation payable by 1971 Fund	48 146 365
Compensation paid by the 1971 Fund up to 31/12/06	1 041 260
Compensation paid by the 1971 Fund 1/1/07 -30/6/07	115 588
Possible total compensation payable by 1971 Fund 1/7/07 – 1/3/09	100 000
Claims-related expenses paid by 1971 Fund up to 31/12/06	681 360
Claims-related expenses paid by 1971 Fund 1/1/07 – 30/6/07	2 940
Possible claims-related expenses payable by 1971 Fund 1/7/07 – 1/3/09	15 000
Maximum paid from General Fund (1 million SDR)	819 583
Total previously levied to Major Claims Fund	3 000 000
Estimated balance on <i>Pontoon 300</i> Major Claims Fund as at 30 June 2007	2 361 000

4.2 Analysis

- 4.2.1 The maximum amount payable from the General Fund incident (£819 583) has been used. The Administrative Council decided at its October 2003 session to levy £3 million to the *Pontoon 300* Major Claims Fund for payment by 1 March 2004 (document 71FUND/AC.12/22, paragraph 22.2).
- 4.2.2 The claim submitted by a Municipality that was affected by the oil spill, which was the subject of legal proceedings in the Umm Al Quwain Court of First instance and which the Fund had considered to be time-barred, was settled by the owner of the tug *Falcon 1*. The claim by the Ministry of Agriculture and Fisheries which was not time-barred and also the subject of legal proceedings in the same court has been settled by the Fund. The claimants have successfully withdrawn these legal proceedings from the Umm Al Quwain Court of first instance.

- 4.2.3 In October 2006 the Administrative Council authorised the Fund to increase the level of payments from 75% to 100% of all settled claims if legal action in the Umm Al Quwain Court was withdrawn. These actions were withdrawn in December 2006.
- 4.2.4 All admissible claims have been settled for a total of Dhs 7.9 million. A further payment of 25% is payable to claimants whose claims were settled at 75% of the approved amounts due to the increase in the level of payments resulting in payment of some Dhs 1.6 million (£220 000). The 1971 Fund up to 30 June 2007 made compensation payments totalling Dhs.7.1 million (£1 156 848) leaving a balance to pay of Dhs 800 000 (£100 000) in compensation.
- 4.2.5 The Director estimates that some £115 000, including claims-related expenses, may be payable by the 1971 Fund during 2007.
- 4.2.6 The balance on the *Pontoon 300* Major Claims Fund was £2.3 million as at 30 June 2007, out of which £1 290 represents outstanding contributions. After paying the costs referred to in paragraph 4.2.5 the final surplus (including interest) up to 1 March 2008 would be approximately £2.3 million.

5 Director's proposals

Proposed levy

- 5.1 The Director proposes that no levy should be made as 2007 contributions in respect of the two remaining Major Claims Funds, ie the *Vistabella and Nissos Amorgos* Major Claims Funds (paragraph 2.2.7 and 3.2.8).

Reimbursement of balance on *Pontoon 300* Major Claims Fund

- 5.2 Financial Regulations 4.4 and 4.5 deal with the case where there is a surplus on a Major Claims Fund after the periods set out in Article 6 of the 1971 Fund Convention for bringing actions have lapsed and all claims and expenses arising out of the relevant incident have been settled, or where the Executive Committee is satisfied that no more claims will be made against the 1971 Fund and no more expenses will have to be met. If there remains a substantial amount on the Major Claims Fund, the Assembly shall decide whether such an amount shall be credited or reimbursed pro rata to the contributors to that Major Claims Fund. Should the Assembly consider that the remaining amount is not substantial, this amount shall be transferred to the General Fund.
- 5.3 As set out in paragraph 4.2.6 above, it is estimated that there will be a surplus on the *Pontoon 300* Major Claims Fund of some £2.3 million at 1 March 2008, including interest. The Director proposes, in accordance with Financial Regulations 4.4 and 4.5, that £2.2 million of the balance should be reimbursed to contributors and that the remaining balance should be transferred to the General Fund.
- 5.4 The Director proposes that the reimbursement should be made on 1 March 2008 (ie the date when contributions are due under Internal Regulation 3.7 unless the Administrative Council decides otherwise) and that the transfer of the remaining balance on the *Pontoon 300* Major Claims Fund to the General Fund should also be made on that date.
- 5.5 The Director further proposes that any outstanding contributions received after 1 March 2008 in respect of the closed *Pontoon 300* Major Claims Fund should be transferred to the General Fund.

6 Action to be taken by the Administrative Council

The Administrative Council is invited, in accordance with Article 12 of the 1971 Fund Convention:

- (a) to take note of the information contained in this document;

- (b) to decide on the Director's proposal that there should be no levies of 2007 contributions in respect of the *Vistabella* and *Nissos Amorgos* Major Claims Funds (paragraphs 2.2.7, 3.2.8 and 5.1); and
- (c) to decide on the Director's proposal for distribution of the surplus on the *Pontoon 300* Major Claims Fund and the transfer of any remaining balance to the General Fund (paragraphs 5.3 and 5.4).

* * *

ANNEX

Major Claims Funds expenditure*(Figures in Pounds Sterling)*

Incident	Date	Previous levies/reimbursements				Maximum paid from General Fund: 1 million SDR	Payments by 31/12/06 (including General Fund)		Balance Payable From General Fund 31/12/01	Balance 31/12/06	2007 Expenditure to 30/6/07		2007 Income to 30/6/07		Estimated Balance 30/06/07	Possible Total Expenditure 1/7/07-1/3/09	Projected Surplus (excluding interest income wef 01.07.07) 01/03/09	
		Contribution Year	Assembly/ Administrative Council Session	Date Due	Amount		Compensation paid by 31/12/06	Claims-related expenses paid by 31/12/06			Compensation/ Indemnification paid to 30/6/07	Claims-related expenses paid to 30/6/07	Contributions due in 2007	Estimated Interest to 30/6/07				
Vistabella	07/03/91	2003	12th	01/03/04	600 000	743 092	(1 002 512)	(289 382)		58 799	0	(17 119)	0	1 000	43 000	(40 000)	3 000	
Nissos Amorgos	28/02/97	1997	20th	01/02/98	2 000 000	849 762	(10 979 550)	(1 409 216)		2 908 808	0	(427)	0	72 500	2 980 000	(1 100 000)	1 880 000	
		2003	12th	01/03/04	11 500 000													
					13 500 000													
				<i>Authorised but not levied</i>	<i>01/09/98</i>													<i>3 000 000</i>
				<i>Authorised but not levied</i>	<i>01/09/01</i>													<i>25 000 000</i>
		<i>Authorised but not levied</i>	<i>01/09/02</i>	<i>21 000 000</i>														
		<i>Authorised but not levied</i>	<i>01/09/03</i>	<i>21 000 000</i>														
Pontoon 300	07/01/98	2003	12th	01/03/04	3 000 000	819 583	(1 041 260)	(681 360)		2 425 408	(115 588)	(2 940)	0	55 000	2 361 000	(115 000)	2 246 000	
										5 393 015					5 384 000	(1 255 000)	4 129 000	