



International Oil Pollution Compensation Funds

Claims Manual

2019 Edition



The original text of the 1992 Fund Claims Manual was adopted by the 1992 Fund Assembly in 1998 and has since been revised by the Assembly on several occasions which has gradually led to some minor inconsistencies in terminology throughout the text. On the occasion of the 2013 edition, the Secretariat carried out a review of the language used in the Claims Manual to ensure that it was consistent and that the terms employed remained in common use. This harmonisation of the text took place in English, French and Spanish and resulted in a number of minor editorial amendments, none of which affect the meaning or substance of the text.

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Claims Manual

2019 Edition

**As adopted by the 1992 Fund Assembly in April 1998 and amended,
most recently in April 2018, by the 1992 Fund Administrative Council**





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Scope of compensation

Presentation of claims

The International Oil Pollution Compensation Funds are two intergovernmental organisations (the 1992 Fund and the Supplementary Fund) which provide compensation for oil pollution damage resulting from spills of persistent oil from tankers.

introduction

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This Claims Manual is a practical guide to presenting claims against the 1992 Fund. It was first adopted by the 1992 Fund Assembly in 1998. This is the 6th edition and incorporates the latest amendments adopted in April 2016. The Manual was developed in accordance with the provisions of the 1992 Civil Liability Convention (1992 CLC) and the 1992 Fund Convention and would also be applicable in the event of an incident involving the Supplementary Fund.

Compensation is only available in respect of claims that fulfil specific criteria. This Manual, adopted by the 1992 Fund Assembly, is designed to assist claimants by giving a general overview of the Fund's admissibility criteria. It does not address legal issues in detail and should not be seen as an authoritative interpretation of the relevant international Conventions.

The Manual is divided into three Sections.

- Section 1 briefly describes the compensation regime and how the 1992 Fund works.
- Section 2 contains general information on how claims for compensation should be submitted. It sets out the 1992 Fund's policy on handling claims and paying compensation.
- Section 3 provides more specific information to assist claimants in presenting their claims and is divided into six parts, each dealing with one of the main categories of claim covered by the compensation regime, namely:
 - **clean up and preventive measures**
 - **property damage**
 - **economic loss in the fisheries, mariculture and fish processing sectors**
 - **economic loss in the tourism sector**
 - **measures to prevent pure economic loss**
 - **environmental damage and post-spill studies**



How does the compensation regime work?

Section One





1.1 THE COMPENSATION REGIME

- 1.1.1 **The compensation regime was originally established in 1978 and is now based on two Conventions: the 1992 International Convention on Civil Liability for Oil Pollution Damage (1992 Civil Liability Convention) and the 1992 International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage (1992 Fund Convention). A Protocol to the 1992 Fund Convention was adopted in 2003, which established a Supplementary Fund (Supplementary Fund Protocol).**



Headquarters of the International Maritime Organization and home to the IOPC Funds Secretariat.

The 1992 Civil Liability Convention

- 1.1.2** Under the 1992 Civil Liability Convention, claims for compensation for oil pollution damage caused by persistent oil may be made against the registered owner of the ship from which the oil that caused the damage originated (or his insurer). However, the shipowner can normally limit his financial liability to an amount determined by the size (tonnage) of the particular ship involved. The shipowner is obliged to maintain insurance to cover his liability under the Convention, although this obligation does not apply to ships carrying less than 2 000 tonnes of oil as cargo.
- 1.1.3** The shipowner is liable to pay compensation for pollution damage caused by the escape or discharge of persistent oil from his ship even if the pollution was not due to any fault on his part. The shipowner is exempt from this liability only in very special circumstances.

The 1992 Fund Convention

- 1.1.4** The 1992 Fund was established in 1996 under the 1992 Fund Convention and is financed by companies and other entities in Member States that receive certain types of oil carried by sea. The Fund is an intergovernmental organisation set up and governed by States.
- 1.1.5** The 1992 Fund is governed by two bodies: the Assembly and the Executive Committee. The Assembly is composed of representatives of the governments of all Member States. The Executive Committee, composed of 15 Member States, is a subsidiary body elected by the Assembly. The main function of this Committee is to approve claims. However, the Executive Committee normally gives the Fund's Director very extensive authority to approve and pay claims.

- 1.1.6** Under the 1992 Fund Convention additional compensation is made available by the 1992 Fund when claimants do not obtain full compensation under the 1992 Civil Liability Convention. This can happen in the following cases:

- The damage exceeds the limit of the shipowner's liability under the 1992 Civil Liability Convention.
- The shipowner is not liable under the 1992 Civil Liability Convention because the damage was caused either by a grave natural disaster, or wholly caused intentionally by a third party, or wholly caused as a result of the negligence of public authorities in maintaining lights or other navigational aids.
- The shipowner is financially incapable of meeting his obligations under the 1992 Civil Liability Convention in full, and the insurance is insufficient to pay valid compensation claims.

- 1.1.7** The 1992 Fund does not pay compensation if:

- the pollution damage resulted from an act of war, hostilities, civil war or insurrection, or was caused by a spill from a warship (in which case the shipowner is also not liable under the 1992 Civil Liability Convention), or
- the claimant cannot prove that the damage resulted from an incident involving one or more ships as defined in the Conventions (that is, a laden, or, under certain circumstances, unladen sea-going vessel or seaborne craft constructed or adapted to carry oil in bulk as cargo).



The Supplementary Fund Protocol

1.1.8 The 2003 Protocol to the 1992 Fund Convention established a Supplementary Fund to provide additional compensation for pollution damage in those States that are Members of the Supplementary Fund. The criteria under which compensation claims qualify for compensation from the Supplementary Fund are identical to those of the 1992 Fund. The 1992 Fund's claims settlement policy set out in this Manual therefore applies also to compensation payments by the Supplementary Fund.

1.2 HOW MUCH COMPENSATION IS AVAILABLE?

Under the 1992 Civil Liability Convention – the shipowner pays

1.2.1 The shipowner is normally entitled to limit his liability to an amount calculated on the basis of the tonnage of the ship. For a ship not exceeding 5 000 units of gross tonnage, the limit is 4.51 million Special Drawing

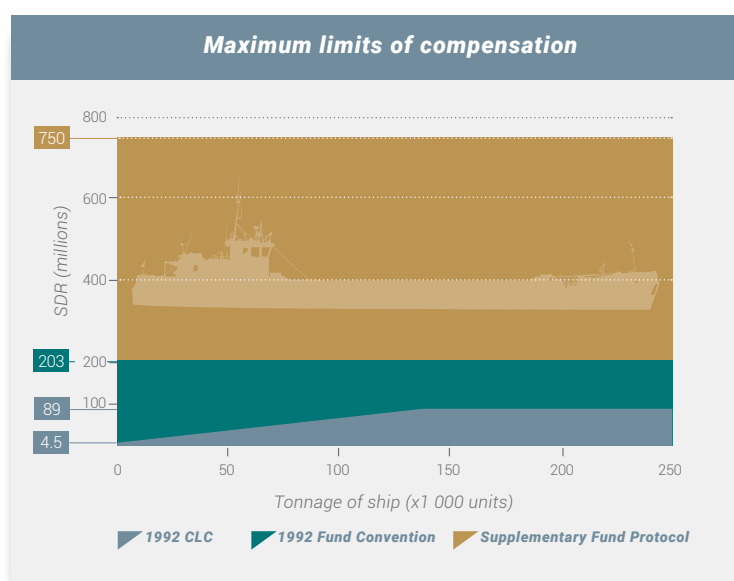
Rights (SDR)^[1] (US\$6.30 million); for a ship with a tonnage between 5 000 and 140 000 units of tonnage, the limit is 4.51 million SDR (US\$6.30 million) plus 631 SDR (US\$882) for each additional unit of tonnage; and for a ship of 140 000 units of tonnage or over, the limit is 89.77 million SDR (US\$125.4 million)^[2].

The shipowner is deprived of the right to limit his liability, however, if it is proved that the pollution damage resulted from his personal act or omission, committed with the intent to cause pollution damage, or recklessly and with knowledge that such damage would probably occur.

Under the 1992 Fund Convention – the 1992 Fund pays

1.2.2 The maximum compensation payable by the 1992 Fund for any one incident is 203 million SDR (US\$283.6 million)^[3] whatever the size of the ship. This maximum amount includes the compensation paid by the shipowner or his insurer under the 1992 Civil Liability Convention.

1.2.3 If the total amount of the established claims exceeds the total amount of compensation



[1] Amounts in the 1992 Conventions are expressed in the Special Drawing Right (SDR) of the International Monetary Fund. The SDR is converted into the currency of the State where the pollution damage occurred on the basis of the appropriate exchange rate. In this Manual, the conversion from Special Drawing Rights to US Dollars has been made using the rate of exchange applicable on 1 September 2016, ie 1 SDR = US\$1.397085. Up to date conversions may be found on the Organisation's website.

[2] These amounts apply to incidents occurring after 1 November 2003.

[3] These amounts apply to incidents occurring after 1 November 2003.

available under the two 1992 Conventions, the compensation paid to each claimant will be reduced proportionately. When there is a risk that this situation will arise, the 1992 Fund may have to restrict compensation payments to ensure that all claimants are given equal treatment. The payment level may increase at a later stage if the uncertainty about the total amount of the established claims is reduced.

Under the Supplementary Fund Protocol – the Supplementary Fund pays

- 1.2.4** The Supplementary Fund makes additional compensation available, so that the total amount of compensation payable for any one incident for damage in a State that is a Member of that Fund is 750 million SDR (US\$1 047 million), including the amount payable under the 1992 Civil Liability and Fund Conventions. One important benefit of the Supplementary Fund is that, even in the most serious pollution incidents, there should rarely be any need to reduce compensation payments proportionately for pollution damage in States that are Members of that Fund: it should be possible from the outset for claimants to receive 100% of their proven compensation claim.

1.3 WHAT TYPES OF INCIDENT ARE COVERED?

- 1.3.1** The 1992 Civil Liability and Fund Conventions cover incidents in which persistent mineral oil is spilled from a sea-going vessel constructed or adapted to carry oil in bulk as cargo (normally a tanker). The 1992 Conventions cover not only spills of cargo and bunker oil (the vessel's own fuel) from laden tankers, but also in certain circumstances spills of bunker oil from unladen tankers.
- 1.3.2** Examples of persistent mineral oil are crude oil, fuel oil, heavy diesel oil and lubricating oil. Such oils are usually slow to dissipate naturally when spilled into the sea and are therefore likely to spread and require cleaning up. Damage caused by spills of non-persistent mineral oil, such as gasoline, light diesel oil

and kerosene, is not compensated under the Conventions. Such oils tend to evaporate quickly when spilled and do not normally require cleaning up.

1.4 WHAT TYPES OF DAMAGE ARE COVERED?

- 1.4.1** The 1992 Conventions cover pollution damage, which is defined as:
- 'loss or damage caused outside the ship by contamination resulting from the escape or discharge of oil from the ship, wherever such escape or discharge may occur, provided that compensation for impairment of the environment other than loss of profit from such impairment shall be limited to costs of reasonable measures of reinstatement actually undertaken or to be undertaken.'
- 1.4.2** Pollution damage includes preventive measures, which are defined in the 1992 Conventions as:
- 'any reasonable measures taken by any person after an incident has occurred to prevent or minimize pollution damage.'
- 1.4.3** The 1992 Civil Liability and Fund Conventions and the Supplementary Fund Protocol apply to pollution damage caused in the territory, territorial sea and exclusive economic zone (EEZ), or equivalent area of States that are Party to these treaties. Lists of these States may be obtained directly from the 1992 Fund or from its website (www.iopcfunds.org).
- 1.4.4** The main types of pollution damage covered are described below.

Clean-up and preventive measures

- 1.4.5** Compensation is payable for the cost of reasonable clean-up measures and other measures taken to prevent or minimise pollution damage in a State Party, wherever these measures are taken. For example, if a response were undertaken on the high seas or within the territorial waters of a State ►

that is not a Party to the Conventions in order to prevent or reduce pollution damage within the territorial sea or EEZ of a State Party, the cost of the response would in principle qualify for compensation. Expenses for preventive measures are recoverable even if no spill of oil occurs, provided that there was a grave and imminent threat of pollution damage.

- 1.4.6** Compensation is also payable for reasonable costs associated with the capture, cleaning and rehabilitation of wildlife, in particular birds, mammals and reptiles.

Property damage

- 1.4.7** Compensation is payable for reasonable costs of cleaning, repairing or replacing property that has been contaminated by oil.

Consequential loss

- 1.4.8** Compensation is payable for loss of earnings suffered by the owners of property contaminated by oil as a result of a spill (consequential loss). One example of consequential loss is loss of income by fishermen as a result of their nets becoming oiled, which prevents them from fishing until their nets are either cleaned or replaced.

Pure economic loss

- 1.4.9** Under certain circumstances compensation is also payable for loss of earnings caused by oil pollution suffered by persons whose property has not been polluted (pure economic loss). For example, a fisherman whose nets have not been contaminated may nevertheless be prevented from fishing because the area of the sea where he normally fishes is polluted and he cannot fish elsewhere. Similarly, an owner of a hotel or a restaurant located close to a contaminated public beach may suffer losses because the number of guests falls during the period of the pollution.

- 1.4.10** Compensation may also be payable for the costs of reasonable measures, such as

marketing campaigns, which are intended to prevent or reduce economic losses by countering the negative effects which can result from a major pollution incident.

Use of economic models

- 1.4.11** Where insufficient documentary evidence is provided to support a claim and it is unjustified to request, or expect, additional data, compensation may be paid on the basis of an estimate of losses calculated from a recognised and reliable economic model. Any such economic model must be derived from actual data closely associated with the loss claimed and taken from the relevant sector or industry. The model would be carefully examined by the Fund and its experts to ensure that the data used, the assumptions made and the method of calculation were valid.

Environmental damage

- 1.4.12** Compensation is payable for the costs of reasonable reinstatement measures aimed at accelerating natural recovery of environmental damage. Contributions may be made to the costs of post-spill studies provided that they relate to damage which falls within the definition of pollution damage under the Conventions, including studies to establish the nature and extent of environmental damage caused by an oil spill and to determine whether or not reinstatement measures are necessary and feasible.
- 1.4.13** Compensation is not paid in respect of claims for environmental damage based on an abstract quantification calculated in accordance with theoretical models. Nor is compensation paid for damages of a punitive nature on the basis of the degree of fault of the wrong-doer.

Use of advisers

- 1.4.14** Claimants may wish to use advisers to assist them in presenting claims for compensation. Compensation is paid for reasonable costs

of work carried out by advisers in connection with the presentation of claims falling within the scope of the Conventions. The question of whether such costs will be compensated is assessed in connection with the examination of the particular claim for compensation. Account is taken of the necessity for the claimant to use an adviser, the usefulness and quality of the work carried out by the adviser, the time reasonably needed and the normal rate in the country concerned for work of that kind.

1.5 WHEN ARE CLAIMS ADMISSIBLE FOR COMPENSATION?

1.5.1 The 1992 Fund's governing bodies, that is, the Assembly and the Executive Committee, have emphasised that a uniform interpretation of the Conventions in all Member States is essential for the functioning of the compensation regime. They have established the Fund's claims policy and have adopted criteria on the admissibility of claims, that is, when claims qualify for compensation. The following general criteria apply to all claims:

- Any expense, loss or damage must actually have been incurred.
- Any expense must relate to measures that are considered reasonable and justifiable.
- Any expense, loss or damage is compensated only if and to the extent that it can be considered as caused by contamination resulting from the spill.
- There must be a reasonably close link of causation between the expense, loss or damage covered by the claim and the contamination caused by the spill.
- A claimant is entitled to compensation only if he or she has suffered a quantifiable economic loss.
- A claimant has to prove the amount of his or her expense, loss or damage by producing appropriate documents or other evidence.

Claimants are required to make a declaration that their claims are a true reflection of their losses as follows:

“My claim is, to the best of my knowledge and belief, a true and accurate reflection of my actual loss. It includes information on all financial or material gains I have received, including from clean-up activities, aid organisation or government funds, during the period claimed. I am aware that the IOPC Funds take the presentation of fraudulent documentation seriously and if they become aware that such documentation has been submitted in support of my claim, the IOPC Funds reserve the right to inform the appropriate national authority should that be the case.”

1.5.2 A claim therefore qualifies for compensation only to the extent that the amount of the loss or damage is actually demonstrated. All elements of proof are considered, but sufficient evidence must be provided to give the shipowner, his insurer and the 1992 Fund the possibility of making their own judgement as to the amount of the expense, loss or damage actually suffered. The extent to which claimants are able to reduce their losses is taken into account.

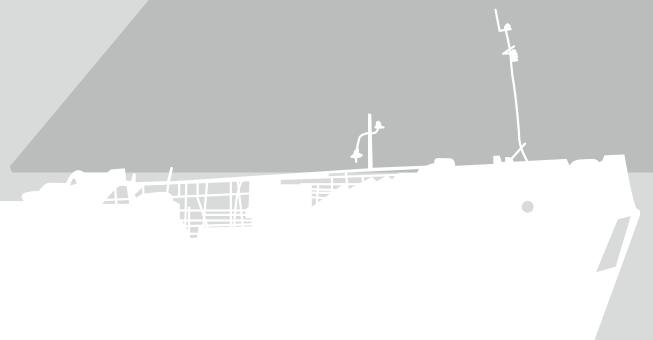
1.5.3 However, each claim has its own particular characteristics, and it is therefore necessary to consider each claim on the basis of its own merits. The criteria therefore allow for some degree of flexibility depending on the particular circumstances of the claimant, industry or country concerned, for example, in respect of the requirement to present documents.

1.5.4 The specific criteria that apply to various types of claims are set out in Section 3.

Submission and assessment of claims

Section Two





2.1 WHO CAN MAKE A CLAIM?

- 21.1 **Anyone who has suffered pollution damage in a State that is Party to the 1992 Conventions may make a claim for compensation. If the damage is caused in a State that is only Party to the 1992 Civil Liability Convention, claims can only be made against the shipowner and his insurer. Claims for damage in States that are Parties to both the 1992 Civil Liability Convention and the 1992 Fund Convention, however, may be made against the shipowner and his insurer and the 1992 Fund. As mentioned earlier, lists of States Parties to these Conventions and to the Supplementary Fund Protocol may be obtained from the Fund Secretariat or from the Organisation's website.**



- 21.2** Claimants may be private individuals, partnerships, companies, private organisations or public bodies, including States or local authorities. If several claimants suffer similar damage, they may find it more convenient to submit co-ordinated claims, which will also facilitate the processing and assessment of the claims.

2.2 TO WHOM SHOULD A CLAIM BE SUBMITTED?

- 22.1** When an incident occurs the 1992 Fund co-operates closely with the shipowner's insurer, which will normally be one of the Protection and Indemnity Associations (P&I Clubs) that insure the third-party liabilities of shipowners, including liability for oil pollution damage. The P&I Club concerned and the 1992 Fund usually co-operate in the handling of claims, particularly when it is clear from the outset that compensation will be paid under both Conventions. Since in most cases the 1992 Fund only pays compensation once the shipowner/insurer has paid up to the limit applicable to the ship involved, claims should first be submitted to the shipowner or his P&I Club. In practice, claims are often channelled through the office of the P&I Club's correspondent closest to the incident location. Because of the close co-operation between the Fund and the insurer, claims, including supporting documentation, need only be sent to either the P&I Club/correspondent or the Fund.

- 22.2** Occasionally, when an incident gives rise to a large number of claims, the 1992 Fund and the P&I Club jointly set up a local claims office so that claims may be processed more easily. Claimants should then submit their claims to that local claims office. Details of claims offices are given in the local press and are available on www.iopcfunds.org

- 22.3** If claimants suffer damage in a State that is Party to the Supplementary Fund Protocol, their claims will automatically be considered for compensation from the Supplementary Fund, if the amount available from the shipowner/insurer and the 1992 Fund is insufficient to pay full compensation for proven losses.

- 22.4** Claimants who wish to claim directly against the 1992 Fund should submit their claims to the following address:

International Oil Pollution Compensation Funds

4 Albert Embankment
London SE1 7SR
United Kingdom

Telephone: +44 (0)20 7592 7100

Telefax: +44 (0)20 7592 7111

E-mail: info@iopcfunds.org

- 22.5** All claims are referred to the 1992 Fund and the shipowner's P&I Club for decisions on whether or not they qualify for compensation, and, if so, the amounts of compensation due to the claimants. Neither designated local correspondents nor local claims offices have the authority to make these decisions.

2.3 HOW SHOULD A CLAIM BE PRESENTED?

- 23.1** Claims should be made in writing (including telefax or electronic mail). If appropriate, the P&I Club and/or the Fund will issue claims forms to assist claimants in the presentation of claims.



- 23.2** A claim should be presented clearly and with sufficient information and supporting documentation to enable the amount of the damage to be assessed. Each item of a claim must be substantiated by an invoice or other relevant supporting documentation, such as work sheets, explanatory notes, accounts and photographs. It is the responsibility of claimants to submit sufficient evidence to support their claims. It is important that the documentation is complete and accurate. If the documentation in support of a claim is likely to be considerable, claimants should contact the 1992 Fund (or where appropriate the designated surveyor or local claims office) as soon as possible after the incident to discuss claim presentation.

2.4 WHAT INFORMATION SHOULD A CLAIM CONTAIN?

- 24.1** Each claim should contain the following basic information:
- The name and address of the claimant and of any representative.
 - The identity of the ship involved in the incident.
 - The date, place and specific details of the incident, if known to the claimant, unless this information is already available to the 1992 Fund.
 - The type of pollution damage sustained.
 - The amount of compensation claimed.
- 24.2** Additional information may be required for specific types of claim (see Section 3).

2.5 WITHIN WHAT PERIOD SHOULD A CLAIM BE MADE?

- 25.1** Claimants should submit their claims as soon as possible after the damage has occurred. If a formal claim cannot be made shortly after an incident, the 1992 Fund would appreciate being notified as soon as possible of a claimant's intention to present a claim at a later stage. The claimants should provide as much of the information detailed above as possible.
- 25.2** Claimants will ultimately lose their right to compensation under the 1992 Fund Convention unless they bring court action against the 1992 Fund within three years of the date on which the damage occurred, or make formal notification to the 1992 Fund of a court action against the shipowner or his insurer within the three-year period. Similarly, claimants will lose their right to compensation from the shipowner and his insurer under the 1992 Civil Liability Convention unless they bring court action against them within three years from the date when the damage occurred. Although damage may occur some time after an incident takes place, court action must in both cases in any event be brought within six years of the date of the incident. Claimants are recommended to seek legal advice if they have not been able to settle their claims to avoid their claims becoming time-barred. If steps have been taken to protect the claim against the 1992 Fund, any rights to additional compensation from the Supplementary Fund will be automatically protected.



2.6 CLAIMS ASSESSMENT AND PAYMENT

- 26.1** The 1992 Fund, normally in co-operation with the shipowner's insurer, usually appoints experts to monitor clean-up operations, to investigate the technical merits of claims and to make independent assessments of the losses.
- 26.2** The 1992 Fund and the P&I Clubs have developed a worldwide network of experts with expertise in the various sectors likely to be affected by oil pollution. It also draws on the advice of the International Tanker Owners Pollution Federation Ltd (ITOPF), a non-profit making organisation funded primarily by shipowners through their insurers. ITOPF's technical staff has acquired considerable experience in spill response and are very familiar with the Fund's criteria for accepting claims. During the clean-up phase of an incident members of ITOPF's technical staff usually attend on site where they are able to offer technical advice on the most appropriate response measures consistent with the Fund's admissibility criteria.
- 26.3** Although the 1992 Fund and the P&I Clubs rely on experts to assist in the assessment of claims, the decision as to whether to approve or reject a particular claim rests entirely with the Club concerned and the Fund.
- 26.4** Once the Fund and the P&I Club have made their decision regarding a claim, the claimant is contacted, usually in writing, to explain the basis of the assessment. If the claimant decides to accept an offer of compensation, he or she will be asked to sign a receipt upon payment of the amount due. In the event that the claimant does not agree with the assessment of the claim, he or she may provide additional information and request a further evaluation.
- 26.5** The 1992 Fund's Director is normally given extensive authority to approve and pay or

reject claims. However, in certain situations, for example if a claim gives rise to questions of principle, the Director must refer the claim to the Executive Committee for decision (see paragraph 1.5.1). The Executive Committee normally meets two or three times a year.

2.7 HOW LONG DOES IT TAKE TO ASSESS AND PAY CLAIMS?

- 27.1** The 1992 Fund and the P&I Clubs try to reach agreement with claimants and pay compensation as promptly as possible. They may make provisional payments before a final agreement can be reached if a claimant would otherwise suffer undue financial hardship. However, provisional payments are subject to special conditions and limits, particularly if the total amount of claims exceeds the total amount of compensation available under the two 1992 Conventions.
- 27.2** The speed with which claims are agreed and paid depends largely on how long it takes for claimants to provide the required information. Claimants are therefore advised to follow this Manual as closely as possible and to co-operate fully with the Fund's experts and provide all information relevant to the assessment of the claims.
- 27.3** The working languages of the 1992 Fund are English, French and Spanish. Claims will be handled more quickly if claims, or at least claim summaries, are submitted in one of these languages.

Target time frame for assessing claims

- 27.4** Within one month of receipt of a completed claim form and registration of a claim, the Secretariat will aim to provide claimants with an acknowledgement of receipt of the claim together with an explanation of the assessment procedure which will be followed thereafter. Additionally within six months of registration of the claim, the ►

Secretariat will aim to provide the claimant with an initial view in the form of a letter notifying the claimant, *inter alia*, of one of the following:

- (a) Claim is admissible and is being assessed;
- (b) Claim is admissible in principle but further supporting documents are required to assess the claim;
- (c) Claim is admissible but further time is required to assess the claim;
- (d) Claim is not admissible and it is therefore rejected.

Depending on the size and complexity of the incident, the Secretariat may have to apply longer time periods of which the claimant will be informed.

Fast track assessment of claims

2.7.5 In order to avoid undue delay in settlement of small claims, the 1992 Fund Executive Committee could decide, after considering the cost effectiveness and merit of assessing large numbers of small claims, to approve the use of 'fast track' assessments for that incident and set the quantum of a 'small' claim^[4] for that incident. The availability of these 'fast track' assessments will be determined, on a case-by-case basis, by decision of the Executive Committee. 'Fast track' assessments will be made on the basis of a brief investigation by the Fund and its experts of the circumstances of the loss but must include confirmation that such losses did actually occur and that there was a clear link of causation with the incident. Alternatively claimants may prefer to await a settlement based on an in-depth, comprehensive assessment which will inevitably take longer. Claimants who disagree with the settlement offer under 'fast track' assessment will only have the

[4] The quantum of what constitutes a 'small' claim will be decided by the Executive Committee on a case-by-case basis.

assessment of their claim reconsidered based on the provision of new information proving their loss. This may result in higher or lower assessment than that first offered under the fast track assessment process.

2.8 WHAT IF A CLAIMANT DOES NOT AGREE WITH THE FUND'S DECISION?

2.8.1 If it is not possible to reach an agreement on the assessment of the claim, the claimant has the right to bring his or her claim before the competent court in the State in which the damage occurred. However, since the international compensation regime was established in 1978, court actions by claimants have not proved necessary in the majority of incidents involving the 1992 Fund and its predecessor.





Guidelines on the submission of different types of claim

Section Three







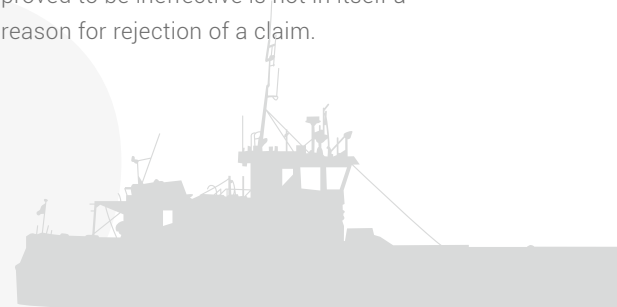
3.1 CLAIMS FOR COSTS OF CLEAN-UP AND PREVENTIVE MEASURES

Scope of compensation

- 3.1.1** Clean-up operations at sea and on shore are in most cases considered as preventive measures since such measures are usually intended to prevent or minimise pollution damage.
- 3.1.2** Compensation is payable for the costs of reasonable measures taken to combat oil at sea, to protect resources vulnerable to oil (such as sensitive coastal habitats, seawater intakes of industrial plants, mariculture facilities and yacht marinas), to clean shorelines and coastal installations and to dispose of collected oil and oily wastes. Compensation is also paid for the costs of mobilising clean-up equipment and salvage resources for the purpose of preventive measures even if no pollution occurs, provided that the incident created a grave and imminent threat of causing pollution damage and on the condition that the measures were in proportion to the threat posed.
- 3.1.3** Loss or damage caused by reasonable measures to prevent or minimise pollution is also compensated. For example, if clean-up measures result in damage to roads, piers and embankments, the cost of the resulting repairs is compensated. However, claims for work that involves improvement rather than the repair of damage resulting from a spill are not accepted.
- 3.1.4** As a consequence of concerns for animal welfare, efforts are often made to clean contaminated animals, particularly oiled birds, mammals and reptiles. The capture, cleaning and rehabilitation of oiled wildlife requires trained personnel and the work is normally carried out by special interest groups, often with the assistance of volunteers who establish cleaning stations close to the spill location. Cleaning is difficult and slow and causes

the animals further distress, and should only be undertaken if there is a reasonable chance of the animals surviving the process. Claims for reasonable costs associated with the provision of local reception facilities appropriate to the scale of the problem, materials, medication and food are normally compensable, as are reasonable food and accommodation costs of volunteers. If several special interest groups undertake cleaning and rehabilitation activities these should be properly co-ordinated to avoid duplication of effort. Deductions will be made for funds raised from the public for the specific purpose of maintaining the field operations for a specific incident.

- 3.1.5** Claims for the costs of measures to prevent or minimise pollution damage are assessed on the basis of objective criteria. The fact that a government or other public body decides to take certain measures does not in itself mean that the measures are reasonable for the purpose of compensation under the Conventions. The technical reasonableness is assessed on the basis of the facts available at the time of the decision to take the measures. However, those in charge of the operations should continually reappraise their decisions in the light of developments and technical advice.
- 3.1.6** Claims for costs of response measures are not accepted when it could have been foreseen that the measures taken would be ineffective, for example if dispersants were used on solid or semi-solid oils or if booms were deployed with no regard to their ineffectiveness in fast flowing waters. On the other hand, the fact that the measures proved to be ineffective is not in itself a reason for rejection of a claim.



3.1.7 The costs incurred, and the relationship between those costs and the benefits derived or expected, should be reasonable. For example, a high degree of cleaning, beyond removal of bulk oil, of exposed rocky shores inaccessible to the public is rarely justified, since natural cleaning by wave action is likely to be more effective. On the other hand, thorough cleaning is usually necessary in the case of a public amenity beach, particularly immediately prior to or during the holiday season. Account is taken of the particular circumstances of an incident.

3.1.8 Claims for the cost of measures to remove any remaining persistent oil from a sunken ship are also subject to the overall criterion of reasonableness from an objective point of view, which applies equally to all preventive measures. In order for the costs of such measures to be admissible, the measures should therefore have been reasonable from an objective point of view at the time they were taken, as set out in the previous paragraphs, and the relationship between the costs and the benefits derived or reasonably to be expected at the time the measures were taken should be reasonable as well. If it is possible to measure, with a degree of accuracy, at reasonable cost and with minimal risk of causing further pollution, the quantity of oil remaining on board a sunken ship, this should normally be the first step before deciding whether or not to remove the oil.

3.1.9 Whether measures to remove any remaining oil from a sunken ship were reasonable is determined on a case by case basis, taking into account the following factors, as appropriate:

A. Factors relating to the situation and condition of the sunken ship, such as:

- The likelihood of the release of the remaining oil from the ship, for example because of damage to its structure, corrosion, etc.;

- The quantity, type and characteristics of the oil remaining on board the ship;
- The stability of the seabed at the location of the ship.

B. Factors relating to the likelihood, nature and extent of the possible damage, such as:

- The likely pollution damage which would have resulted from the release of the remaining oil from the ship, especially in relation to the cost of the removal operation;
- The extent to which areas which were most likely to be affected by a release of the remaining oil from the ship were vulnerable to oil pollution damage, either from an economic or an environmental point of view;
- The likely environmental damage which would have resulted from the release of the remaining oil from the ship.

C. Factors relating to the feasibility of the operation, such as:

- The technical feasibility and likelihood of success of the operation, for example taking into account visibility, currents, the presence of other wrecks in the vicinity and whether the ship was at a depth at which operations of the kind envisaged were likely to be carried out successfully;
- The likelihood of a release of a significant quantity of oil from the ship during the removal operation.

D. The cost of the operations, especially in relation to the likely pollution damage which would have resulted from the release of the remaining oil from the ship.

3.1.10 Costs of reasonable aerial surveillance operations to establish the extent of pollution at sea and on shorelines and to identify resources vulnerable to contamination are accepted. Where several organisations are involved in the response to an incident, aerial surveillance should be properly co-ordinated to avoid duplication of effort.

- 3.1.11** Claims for clean-up operations may include the cost of personnel and the hire or purchase of equipment and materials. Claims for the costs of equipment placed on standby, but not actually deployed, are assessed at a lower rate to reflect the reduced wear on the equipment. Reasonable costs of cleaning and repairing clean-up equipment and of replacing materials consumed during clean-up operations are accepted. In the assessment of claims for the cost of equipment purchased for a particular spill, deductions will be made to take into account the remaining value of the equipment if it is suitable for use in future incidents or for some other purpose. If a public authority, as part of its contingency planning, has purchased and maintained materials or equipment so that they are immediately available to respond should an oil spill occur, compensation is paid for a reasonable part of the purchase price of the items actually used. This is usually based on a daily rate that is calculated in such a way that the capital cost of the item is recovered over its expected useful working life, plus a proportion of the costs of storing and maintaining the equipment. A reasonable element of profit would also be included if the equipment were owned by a private contractor.
- 3.1.12** Clean-up operations frequently result in considerable quantities of oil and oil debris being collected. Reasonable costs for storing and disposing of the collected material are accepted. If the claimant has received any extra income following the sale of the recovered oil, these proceeds would normally be deducted from any compensation to be paid.
- 3.1.13** Clean-up operations are often carried out by public authorities or quasi-public bodies using permanently employed personnel or vessels and vehicles owned by such authorities or bodies. Compensation is paid for reasonable additional costs incurred by such organisations, that is, expenses that

arise solely as a result of the incident and which would not have been incurred had the incident and related operations not taken place.

- 3.1.14** Compensation is also paid for a reasonable proportion of so-called fixed costs incurred by public authorities and quasi-public bodies, that is, costs which would have arisen for the authorities or bodies even if the incident had not occurred, such as normal salaries for permanently employed personnel. However, in order to qualify for compensation, such costs must correspond closely to the clean-up period in question and should not include remote overhead charges.

- 3.1.15** Salvage operations may in some cases include an element of preventive measures. If the primary purpose of such operations is to prevent pollution damage, the costs incurred qualify in principle for compensation under the 1992 Conventions. However, if salvage operations have another purpose, such as saving the ship and/or the cargo, the costs incurred are not accepted under the Conventions. If the operations are undertaken for the purpose of both preventing pollution and saving the ship and/or the cargo, but it is not possible to establish with any certainty the primary purpose, the costs are apportioned between pollution prevention and salvage. The assessment of claims for the costs of preventive measures associated with salvage is not made on the basis of the criteria applied for determining salvage awards, but the compensation is limited to costs, including a reasonable element of profit.

Presentation of claims

- 3.1.16** It is essential that claims for the costs of clean up are submitted with supporting documentation showing how the expenses for the operations are linked with the actions taken. The key to the successful ▶

recovery of costs is good record keeping. A claim should clearly set out what was done and why, where and when it was done, by whom, with what resources and for how much. Invoices, receipts, worksheets and wage records, whilst providing useful confirmation of expenditure, are insufficient by themselves. A brief report describing the response activities and linking these with expenses will greatly facilitate the assessment of claims.

3.1.17 Spreadsheets offer a particularly useful way of summarising some of the key information required in support of a claim. Each response organisation or contractor should maintain a daily log of activities, including details of the number of personnel involved, the type and quantity of equipment and materials used and the type and length of shoreline cleaned. If response vessels are used to combat oil at sea, extracts from their deck logs covering their period of deployment provide a useful source of information.

3.1.18 Specific information should be itemised as follows:

- Delineation of the area affected, describing the extent of the pollution and identifying those areas most heavily contaminated (for example using maps or nautical charts, supported by photographs, video or other recording media).
- Analytical and/or other evidence linking the oil pollution with the ship involved in the incident (such as chemical analysis of oil samples, relevant wind, tide and current data, observation and plotting of floating oil movements).
- Summary of events, including a description and justification of the work carried out at sea, in coastal waters and on shore, together with an explanation of why the various working methods were selected.
- Dates on which work was carried out at each site.

- Labour costs at each site (number and categories of response personnel, the name of their employer, hours or days worked, regular or overtime rates of pay, method of calculation or basis of rates of pay and other costs).
- Travel, accommodation and living costs for response personnel.
- Equipment costs at each site (types of equipment used, by whom supplied, rate of hire or cost of purchase, method of calculation of hire rates, quantity used, period of use).
- Cost of replacing equipment damaged beyond reasonable repair (type and age of equipment, by whom supplied, original purchase cost and circumstances of damage supported by photographs, video or other recording material).
- Consumable materials (description, by whom supplied, quantity, unit cost and where used).
- Any remaining value at the end of the operations of equipment and materials purchased specifically for use in the incident in question.
- Age of equipment not purchased specifically for use in the incident in question, but used in that incident.
- Transport costs (number and types of vehicles, vessels or aircraft used, number of hours or days operated, rate of hire or operating cost, method of calculating rates claimed).
- Cost of temporary storage (if applicable) and of final disposal of recovered oil and oily material, including quantities disposed, unit cost and method of calculating the claimed rate.

3.1.19 Claims for the costs of treatment of oiled wildlife should essentially follow a similar pattern to that set out above for clean-up costs. Details of the number of animals treated and the number successfully

released back into the wild should be provided. If the specialist groups undertaking the work mounted campaigns to raise public funds for the purpose of maintaining field operations for a specific incident, details should be provided, including the costs of the campaigns, the amounts raised and how the money was used.

Claims for VAT by central governments

- 3.1.20** The central government of an affected State may incur significant costs following an oil spill, *inter alia*, by using its own resources to undertake the clean-up and counter-pollution operations, or by engaging private contractors specialising in the collection, transport and treatment of waste.
- 3.1.21** The central government of a Member State which incurs VAT in connection with the prevention of oil pollution operations may recover VAT, if its national law allows for its inclusion in the claim for compensation.
- 3.1.22** In cases where it is not clear whether national law allows for the inclusion of VAT in the claim for compensation, the claim will be assessed applying the rules of the law of damages, namely that:
- (1) a party may not recover damages where it has suffered no loss; and
 - (2) a party may not enjoy a double recovery of damages.

3.2 CLAIMS FOR PROPERTY DAMAGE

Scope of compensation

- 3.2.1** Reasonable costs of cleaning, repairing or replacing property that has been contaminated by oil, for example the hulls of vessels, including pleasure craft, fishing gear and mariculture facilities, are compensable. This also applies to the costs of cleaning the intakes, machinery and equipment of industrial installations that abstract seawater, such as power

stations and desalination units. If it is not possible for the property to be cleaned or repaired, then replacement costs are accepted. However, compensation is not paid for the full costs of replacing old items with new ones, but account is taken of the age of the property and its expected durability. For example, if a two-year old fishing net has to be replaced due to heavy contamination, but it would have needed replacing after three years' use anyway, only one third of the replacement cost would be compensated.

- 3.2.2** Property damage may in some cases result in an economic loss until the property is cleaned, repaired or replaced as a consequence of the owner of the property not being able to conduct his or her normal business. For example, mariculture may be disrupted if the facilities are contaminated by oil. Such consequential loss is compensable (see sub-sections 3.3–3.5, dealing with claims for economic loss).
- 3.2.3** Claims are also accepted for costs of repairs to roads, piers and embankments damaged by heavy vehicles, such as trucks and earth-moving equipment, involved in clean-up operations. In assessing these claims account is taken of the condition of the property prior to the incident and the normal repair schedules.

Presentation of claims

- 3.2.4** Claimants should provide evidence of the damage to their property and invoices confirming that repairs, cleaning or replacement have been undertaken or quotations for the work to be carried out. It is important that property is retained or at least photographed. Claimants are advised to contact the 1992 Fund or the P&I Club (or where appropriate the designated surveyor or local claims office) without delay so that a joint survey of the damaged property can be carried out if appropriate.

3.2.5 Specific information should be itemised as follows:

- Extent of pollution damage to property and an explanation of how the damage occurred.
- Description and photographs of items destroyed, damaged or needing cleaning, repair or replacement (for example boats, fishing gear, roads, clothing), including their location.
- Cost of repair work, cleaning or replacement of items.
- Age of damaged items replaced.
- Cost of restoration after clean up, such as repair of roads, piers and embankments damaged by the clean-up operations, with information on normal repair schedules.

3.3 CLAIMS FOR ECONOMIC LOSS IN THE FISHERIES, MARICULTURE AND FISH PROCESSING SECTORS

Scope of compensation

3.3.1 Compensation is payable in the fisheries, mariculture and fish processing sectors for loss of earnings by the owners of property contaminated by oil (consequential loss).

For example, fishermen whose gear becomes contaminated may suffer loss of income for the period when they are prevented from fishing pending the gear being cleaned or replaced.

3.3.2 However, losses can also be suffered by persons whose property has not been contaminated by oil (pure economic loss). For example, fishermen whose gear does not become contaminated may decide not to go fishing in order to prevent their gear and catch becoming contaminated resulting in economic loss.

3.3.3 In some instances natural and cultivated stocks of fish, shellfish and other marine products may become contaminated with oil to such an extent that governments, due to human health concerns, impose temporary fishing and harvesting bans.

Owners of mariculture facilities may suffer losses as a result of the interruption of feeding, growth or normal stocking cycles. If the level of contamination is not sufficient to cause health concerns, fishermen and fish cultivators may nevertheless impose their own temporary bans to protect markets. Owners of fish processing facilities may suffer losses due to the contamination of premises and equipment or shortages of supply due to interruption of fishing and mariculture activities.

3.3.4 Claims for economic loss not resulting from property damage, for example from businesses that depend directly on the fisheries and mariculture activities (including suppliers of fuel and ice, fish porters, fish wholesalers and retailers), qualify for compensation only if the loss was caused by contamination. In other words, a claim is not accepted solely because a pollution incident occurs. All claims in the fisheries, mariculture and fish processing sectors should satisfy the general criteria set out in Section 2. However, in order for a claim for pure economic loss to be accepted for compensation there should be a sufficiently close link of causation between the contamination and the loss or damage. When considering whether such a close link exists, account is taken of the following factors:

- The geographic proximity of the claimant's business activity to the contaminated area (for example whether a fisherman operates predominantly in the affected area or whether a fish farm or processing facility is located on or very close to the affected coast).
- The degree to which a claimant's business is economically dependent on an affected resource, such as a polluted fishing ground (for example whether a fisherman also exploits a nearby, unaffected fishing ground, or is able to exploit an alternative fishing ground to the one affected without being economically disadvantaged).
- The extent to which a claimant had alternative sources of supply or business opportunities (for example whether a fish processor was able to find alternative sources of fish).

- The extent to which a claimant's business forms an integral part of the economic activity within the area affected by the spill (for example whether a claimant's business is located or has assets in the affected area, or provides employment for people living there).

3.3.5 Claims for economic losses suffered by employees who have suffered a reduction in wages, been placed on part-time work, or been made redundant as a consequence of pollution damage qualify for compensation if there is a close link of causation between their loss and the pollution damage. The period for which the claimant may be compensated will not exceed the period for which the employer has, or would have had an admissible claim, since the employer theoretically would be in a position to re-employ the claimant at the end of the admissible period. When considering whether such a close link exists, consideration should be given to the employment practices, laws and regulations of the affected Member State, in particular, to the following factors:

- claimants must have a concluded contract of employment (either written, oral or implied) at the time of the pollution damage. Actual commencement of employment by the time of the pollution damage is not necessarily required, but mere expectation of employment is regarded as insufficient link of causation;
- claimants must have suffered economic loss as a result of a reduction in wages, having been placed on part-time work or having been made redundant by his/her employer for the reason that the employer's business was affected by the pollution damage (regardless of the status of the submission of any claim(s) by the employer);
- if alternative employment opportunities exist in the same geographical area, claimants must have tried to mitigate their losses by applying for such opportunities. The meaning of 'alternative employment opportunity' and 'same geographical area' should be determined on a case-by-case basis, taking into account the circumstances of the claimants, their employment and those of the areas affected.

3.3.6 A Member State government may recover the amount of the social security paid to victims in relation to their economic losses suffered as a result of a reduction in wages, having been placed on part-time work or having been made redundant as a consequence of the pollution damage, if its national law allows it to recover the amounts paid from the paying parties.

3.3.7 Experience shows that mortalities of wild fishery stocks arising from oil spills are very rare. However, if there is concern amongst fishermen that mortalities have occurred then they should contact the 1992 Fund or the P&I Club (or where appropriate the designated surveyor or local claims office) without delay so that a joint survey of the damaged resource can be carried out.

3.3.8 Mortalities in mariculture stocks following an incident are also rare, but if they do occur the claimant should document the loss by preserving samples and taking photographic records to demonstrate the nature and extent of the loss. Claimants are again advised to contact the 1992 Fund or the P&I Club (or where appropriate the designated surveyor or local claims office) without delay so that a joint survey of the damaged resource can be carried out.

3.3.9 If farmed fish or shellfish are destroyed, it is important that scientific or other evidence in support of the destruction decision is provided. The decision by a public authority to impose fishing or harvesting bans is not considered as conclusive justification for destroying produce affected by a ban. Claims for losses resulting from the destruction of marine products or fishing or harvesting bans are accepted if and to the extent that such destruction or bans were reasonable. When assessing whether the destruction or a ban was reasonable, account is taken of the following factors:

- Whether the produce was contaminated.
- The likelihood that the contamination would disappear before the normal harvesting time.
- Whether the retention of the produce in the water would prevent further production.
- The likelihood that the produce would be marketable at the time of normal harvesting.

3.3.10 Since the assessment of whether the destruction or ban was reasonable is based on scientific and other evidence, it is important that sampling and testing are carried out by chemical analysis and for oil taste (taint). Samples from an area affected by the spill (suspect samples) and control samples from a nearby stock or commercial outlet outside the polluted area should be tested at the same time. The two groups of samples should be of equal numbers. In the case of taint testing, the testers should not be able to identify whether the sample being tasted is a suspect or a control sample (blind testing).

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3.3.11 The assessment of claims for economic loss in the fisheries, mariculture and processing sectors is, whenever possible, based on a comparison between the actual financial results during the claim period and those for previous periods, for example in the form of audited accounts or tax returns of the individual claimant for the three years before the incident. The assessment is not based on budgeted figures. The criterion is whether the claimant's business as a whole has suffered economic loss as a result of the contamination. The purpose of examining historical financial results is to make it possible to determine the revenue that could have been expected during the period covered by the claim if the spill had not occurred by taking into account the past economic performance of the claimant's business, for example whether its revenues had been increasing or decreasing or had remained stable over recent years, and any underlining reasons for such trends. In doing so, account is taken of the particular circumstances of the claimant and any evidence presented. In addition, catch records, sales records and records of fishing expenses, or other evidence that indicates normal fishing income and expenditure, may be considered, as well as various aspects of fishing regulations that apply to the

fisheries in the polluted area. Consideration is also given, as appropriate, to changes in fishing effort, species mix, catch rates, sales prices and expenses, according to prevailing trends in the fishing activities in which the claimant is engaged and their regulation. In the case of a relatively new fishing activity or business with incomplete or no trading records, the average reduction from similar activities or businesses in the affected area can sometimes be used by assuming that the new enterprise would have suffered a similar downturn.

3.3.12 Compensation is paid on the basis of lost gross profit, and so saved overheads or other normal expenses not incurred as a result of the incident have to be deducted from the loss in revenue. Such variable costs fluctuate depending on the level of business achieved. The nature of items to be taken into account would be business-specific but could include cost of purchases such as food, fishing bait, ice and packaging, fuel and lubricants, utilities such as gas and electricity, and transport. Any saved labour or crew costs should also be deducted from the reduction in turnover.

3.3.13 Claimants need to substantiate their loss with appropriate evidence, including the following information:

- Nature of the loss, including evidence that the alleged loss resulted from the contamination.
- Monthly breakdown of income for the period of the loss and over the previous three years.
- Where possible, monthly breakdown of the quantity (kilograms) of each marine product caught, harvested or processed for the period of the loss and over the previous three years.
- Saved overheads or other normal variable expenses.
- Method of calculation of loss.



3.3.14 Claimants should indicate whether they have received any extra income as a result of the incident. For example, claimants should indicate whether they have received any payments or interim compensation from public authorities or other bodies in connection with the incident. Deductions will not normally be made, however, for small amounts paid to individuals who, without acting to protect their own property or trade, take part in clean-up operations.

3.3.15 Claimants who have suffered a reduction in wages, been placed on part-time work, or been made redundant as a consequence of pollution damage, should disclose any compensation received from social security, contractually or non-contractually agreed redundancy payment, or any other source, whether determined by national law or otherwise, which provided extra income to remedy the loss. Compensation may be payable to the claimant for the unrecovered part of his/her loss, taking into account any such payments. A claimant should not receive double payment.

3.3.16 It is recognised that some fishery and mariculture sectors are operated on a very small scale, some of which are at a subsistence or only semi-commercial level. Such claimants may not be required to maintain records of catches or income and will therefore have difficulty in submitting documentary evidence in support of their claims. In such circumstances claims would be assessed on the basis of relevant information available, such as government statistics or other published information and field surveys of the affected fishery and similar unaffected fisheries. The 1992 Fund has published a number of sets of guidelines to assist claimants in presenting claims in specific sectors, including the fisheries, mariculture and fish processing sector. Guidelines are also available to assist experts in the assessment of claims in that sector. All sets of guidelines are available on the IOPC Funds' website.

3.4 CLAIMS FOR ECONOMIC LOSS IN THE TOURISM SECTOR

Scope of compensation

3.4.1 Businesses in the tourism sector, or that derive a large part of their income from tourists, which are located close to contaminated public amenity beaches may suffer loss of profit because the number of guests falls during the period of the pollution. However, claims for such economic loss (normally referred to as pure economic loss, see paragraphs 1.4.9–1.4.10) qualify for compensation only if the loss was caused by contamination. In other words a claim is not accepted solely on the grounds that a pollution incident occurs. All claims in the tourism sector should satisfy the general criteria set out in Section 2. However, in order for a claim within this sector to qualify for compensation there should be a sufficiently close link of causation between the contamination and the loss or damage. When considering whether such a close link exists, account is taken of the following factors:

- The geographic proximity of the claimant's business activity to the contaminated area (for example whether a tourist hotel, campsite, restaurant or bar is located on or close to the affected coast).
- The degree to which the claimant's business is economically dependent on an affected coastline (for example whether a hotel or restaurant located close to an affected coast caters solely or predominantly for leisure visitors or for the business community).
- The extent to which a claimant had alternative sources of supply or business opportunities (for example whether a reduction in income from tourists was offset by income from those involved in the response to an oil pollution incident, such as clean-up personnel and representatives from the media).

- The extent to which the claimant's business forms an integral part of the economic activity within the area affected by the spill (for example whether the business is located or has assets in the area, or employs people living there).

3.4.2 Claims for economic losses suffered by employees who have suffered a reduction in wages, been placed on part-time work, or been made redundant as a consequence of pollution damage qualify for compensation if there is a close link of causation between their loss and the pollution damage. The period for which the claimant may be compensated will not exceed the period for which the employer has, or would have had an admissible claim, since the employer theoretically would be in a position to re-employ the claimant at the end of the admissible period. When considering whether such a close link exists, consideration should be given to the employment practices, laws and regulations of the affected Member State, in particular, to the following factors:

- claimants must have a concluded contract of employment (either written, oral or implied) at the time of the pollution damage. Actual commencement of employment by the time of the pollution damage is not necessarily required, but mere expectation of employment is regarded as insufficient link of causation;
- claimants must have suffered economic loss as a result of a reduction in wages, having been placed on part-time work or having been made redundant by his/her employer for the reason that the employer's business was affected by the pollution damage (regardless of the status of the submission of any claim(s) by the employer);
- if alternative employment opportunities exist in the same geographical area, claimants must have tried to mitigate their losses by applying for such opportunities. The meaning of 'alternative employment opportunity' and 'same geographical area' should be determined on a case-by-case basis, taking into account the circumstances of the claimants, their employment and those of the areas affected.

3.4.3 A Member State government may recover the amount of the social security paid to victims in relation to their economic losses suffered as a result of a reduction in wages, having been placed on part-time work or having been made redundant as a consequence of the pollution damage, if its national law allows it to recover the amounts paid from the paying parties.

3.4.4 A distinction is made between (a) claimants who sell goods or services directly to tourists (for example the owners of hotels, campsites, bars and restaurants) and whose businesses are directly affected by a reduction in visitors to the area affected by an oil spill, and (b) those who provide goods or services to other businesses in the tourist industry but not directly to tourists (for example wholesalers, manufacturers of souvenirs and postcards and hotel launderers). It is considered that in the case of category (b) there is not a sufficiently close link of causation between the contamination and any losses suffered by claimants. Claims of this type will therefore normally not qualify for compensation in principle.

Presentation of claims

3.4.5 The assessment of claims for pure economic loss in the tourism sector is, whenever possible, based on a comparison between the actual financial results during the claim period and those for previous periods, for example in the form of audited accounts or tax returns of the individual claimant for the three years before the incident. The assessment is not based on budgeted figures. The criterion is whether the claimant's business as a whole has suffered economic loss as a result of the contamination. The purpose of examining historical financial results is to make it possible to determine the revenue that could have been expected during the period covered by the claim by taking into account the past economic performance of the claimant's business, for example whether its revenues had been increasing or decreasing or had remained stable over recent years, and any underlying reasons for such trends. In doing so, account is taken of the particular circumstances of the claimant and any evidence presented. In the case of relatively new businesses with incomplete or no trading records, the average reduction of similar businesses in the affected area can sometimes be used by assuming that ►

the new business would have suffered a similar downturn.

3.4.6 Compensation is paid on the basis of lost profit, and so saved overheads or other normal variable expenses not incurred as a result of the incident have to be deducted from the loss in revenue. Such variable costs fluctuate depending on the level of business achieved. The nature of items to be taken into account would be business-specific but could include cost of purchases such as food, hotel toiletries and goods for sale such as souvenirs, utilities such as fuel and electricity, cleaning and maintenance costs. Any saved labour costs should also be deducted from the reduction in turnover, but the employee may be eligible to claim separately.

3.4.7 Claimants need to substantiate their loss with appropriate evidence, including the following information:

- Nature of the loss, including evidence that the alleged loss resulted from the contamination.
- Monthly breakdown of income for the period of the loss and for the same period for the previous three years.
- Where possible, monthly breakdown of the number of units sold for the period of the loss and for the previous three years (for hotels the number of bedrooms let, for campsites the number of pitches let, for self-catering accommodation the number of weeks let, for restaurants the number of meals sold and for tourist attractions the number of visitors/tickets sold; for other businesses such as shops and bars, only a breakdown of income is required).
- Details of changes in capacity of the business (for example the number of bedrooms in a hotel) and changes in opening hours or prices charged in the year in which the loss occurred and during the previous three years.
- Saved overheads or other normal variable expenses.
- Method of calculation of loss.

3.4.8 Claimants should indicate whether they have received any extra income as a result

of the incident. For example, claimants should indicate whether they have received any payments or interim compensation from public authorities or other bodies in connection with the incident.

3.4.9 Claimants who have suffered a reduction in wages, been placed on part-time work, or been made redundant as a consequence of pollution damage, should disclose any compensation received from social security, contractually or non-contractually agreed redundancy payment, or any other source, whether determined by national law or otherwise, which provided extra income to remedy the loss. Compensation may be payable to the claimant for the unrecovered part of his/her loss, taking into account any such payments. A claimant should not receive double payment.

3.4.10 The 1992 Fund has published a number of sets of guidelines to assist claimants in presenting claims in specific sectors, including the tourism sector. All sets of guidelines are available on the IOPC Funds' website.

3.5 CLAIMS FOR COSTS OF MEASURES TO PREVENT PURE ECONOMIC LOSS

Scope of compensation

3.5.1 Claims may be accepted for the costs of measures to prevent or minimise pure economic loss, which if sustained, would qualify for compensation under the 1992 Conventions. Such measures may be aimed at counteracting the negative impact of the pollution on the fishery and tourism sectors. In order to qualify for compensation the measures should fulfil the following requirements:

- The cost of the measures should be reasonable.
- The cost of the measures should not be disproportionate to the further damage or loss that they are intended to mitigate.
- The measures should be appropriate

and offer a reasonable prospect of being successful (for example, measures to restore confidence in seafood products should normally only be undertaken once fishing grounds are cleared of contamination and there is little or no risk of further contamination).

- In the case of marketing campaigns, the measures should relate to actual targeted markets (for example, measures to counteract the negative effects on tourism in a particular area should normally be focused on the normal visitor client base of that area).

3.5.2 Claims for the costs of marketing campaigns or similar activities are accepted only if the activities undertaken are additional to measures normally carried out for this purpose. In other words, compensation is granted only for additional costs resulting from the need to counteract the negative effects of the pollution. Marketing campaigns of too general a nature are not accepted. If several public bodies undertake campaigns relating to the same negative effects, these campaigns should be properly co-ordinated to ensure that there is no duplication of effort. Claims for measures to prevent pure economic loss are not normally accepted until the measures have been carried out.

3.5.3 The criterion of reasonableness is assessed in the light of the particular circumstances of the case, taking into account the interests involved and the facts known at the time the measures were taken. When claims for the cost of an organisation's marketing activities are considered, account is taken of the claimant's attitude towards the media after the incident and, in particular, whether that attitude increased the negative effects of the pollution.

Presentation of claims

3.5.4 Claims relating to marketing campaigns should include the following information:

- Details of the nature, purpose, timing and target group for each additional marketing activity undertaken.
- Detailed breakdown of the costs of

any marketing strategy or campaign to mitigate the economic impact of the incident with relevant invoices/documentation to support costs.

- Details and costs of the claimant's normal marketing strategies and campaigns (if any).
- Results of the additional marketing activity, where measurable results are available.

3.6 CLAIMS FOR ENVIRONMENTAL DAMAGE AND POST-SPILL STUDIES

Scope of compensation

3.6.1 Under the 1992 Conventions compensation for impairment of the environment is limited to loss of profit from such impairment and costs of reasonable measures of reinstatement actually undertaken or to be undertaken.

3.6.2 Examples of acceptable claims for economic loss due to environmental damage include a reduction in revenue for a marine park or nature reserve which charges the public for admission or a reduction in catches of commercial species of marine products directly affected by the oil. Reference is made to the previous sections in the Manual dealing with economic losses in the fisheries, mariculture and processing sectors and in the tourism sector (sub-sections 3.3 and 3.4).

3.6.3 In most cases a major oil spill will not cause permanent damage to the marine environment due to its great potential for natural recovery. Whilst there are limits to what measures can be taken to improve on natural processes, in some circumstances it is possible to enhance the speed of natural recovery after an oil spill through reasonable reinstatement measures. The costs of such measures will be accepted for compensation under certain conditions.

3.6.4 In view of the fact that it is virtually impossible to bring a damaged site back to the same ecological state that would ➤

have existed had the oil spill not occurred, the aim of any reasonable measures of reinstatement should be to re-establish a biological community in which the organisms characteristic of that community at the time of the incident are present and are functioning normally. Reinstatement measures taken at some distance from, but still within the general vicinity of, the damaged area may be acceptable, so long as it can be demonstrated that they would actually enhance the recovery of the damaged components of the environment. This link between the measures and the damaged components is essential for consistency with the definition of pollution damage in the 1992 Conventions (see sub-section 1.4).

3.6.5 In addition to satisfying the general criteria for the acceptance of claims for compensation set out in sub-section 1.5, claims for the costs of measures of reinstatement of the environment will qualify for compensation only if the following criteria are fulfilled:

- The measures should be likely to accelerate significantly the natural process of recovery.
- The measures should seek to prevent further damage as a result of the incident.
- The measures should, as far as possible, not result in the degradation of other habitats or in adverse consequences for other natural or economic resources.
- The measures should be technically feasible.
- The costs of the measures should not be out of proportion to the extent and duration of the damage and the benefits likely to be achieved.

3.6.6 Claims are assessed on the basis of the information available when the reinstatement measures were undertaken. Compensation is paid only for reasonable measures of reinstatement actually undertaken or to be undertaken. Claims for economic loss as a result of environmental damage that can be quantified in monetary terms are assessed in a similar way to other economic loss claims.

3.6.7 Studies are sometimes required to establish the nature and extent of environmental damage caused by an oil spill and to determine whether or not reinstatement measures are necessary and feasible. Such studies will not be necessary after all spills and will normally be most appropriate in the case of major incidents where there is evidence of significant environmental impact.

3.6.8 The Fund may contribute to the cost of such studies provided that they concern damage that falls within the definition of pollution damage in the Conventions, including reasonable measures to reinstate a damaged environment. In order to qualify for compensation it is essential that any such post-spill studies are likely to provide reliable and usable information. For this reason the studies must be carried out with professionalism, scientific rigour, objectivity and balance. This is most likely to be achieved if a committee or other mechanism is established within the affected Member State to design and co-ordinate any such studies, as well as the reinstatement measures.

3.6.9 The scale of the studies should be in proportion to the extent of the contamination and the predictable effects. On the other hand, the mere fact that a post-spill study demonstrates that no significant long-term environmental damage has occurred or that no reinstatement measures are necessary, does not by itself exclude compensation for the costs of the study.



3.6.10 The Fund should be invited at an early stage to participate in the determination of whether or not a particular incident should be subject to a post-spill environmental study. If it is agreed that such a study is justified, the Fund should then be given the opportunity of becoming involved in planning and establishing the terms of reference for the study. In this context the Fund can play an important role in helping to ensure that any post-spill environmental study does not unnecessarily repeat what has been done elsewhere. The Fund can also assist in ensuring that appropriate techniques and experts are employed. It is essential that progress with the studies is monitored, and that the results are clearly and impartially documented. This is not only important for the particular incident but also for the compilation of relevant data by the Fund for future cases.

3.6.11 It is also important to emphasise that the participation of the Fund in the planning of environmental studies does not necessarily mean that any measures of reinstatement later proposed or undertaken will qualify for compensation.

Presentation of claims

3.6.12 Claims for the costs of reinstatement measures and associated studies should be itemised as follows:

- Delineation of the area affected by the spill, describing the extent, distribution and level of pollution and the resources impacted by the oil (for example using maps or nautical charts, supported by photographs, video or other recording media).
- Analytical and/or other evidence linking the oil pollution with the ship involved in the incident (such as chemical analysis of oil samples, relevant wind, tide and current data, observation and plotting of floating oil movements).

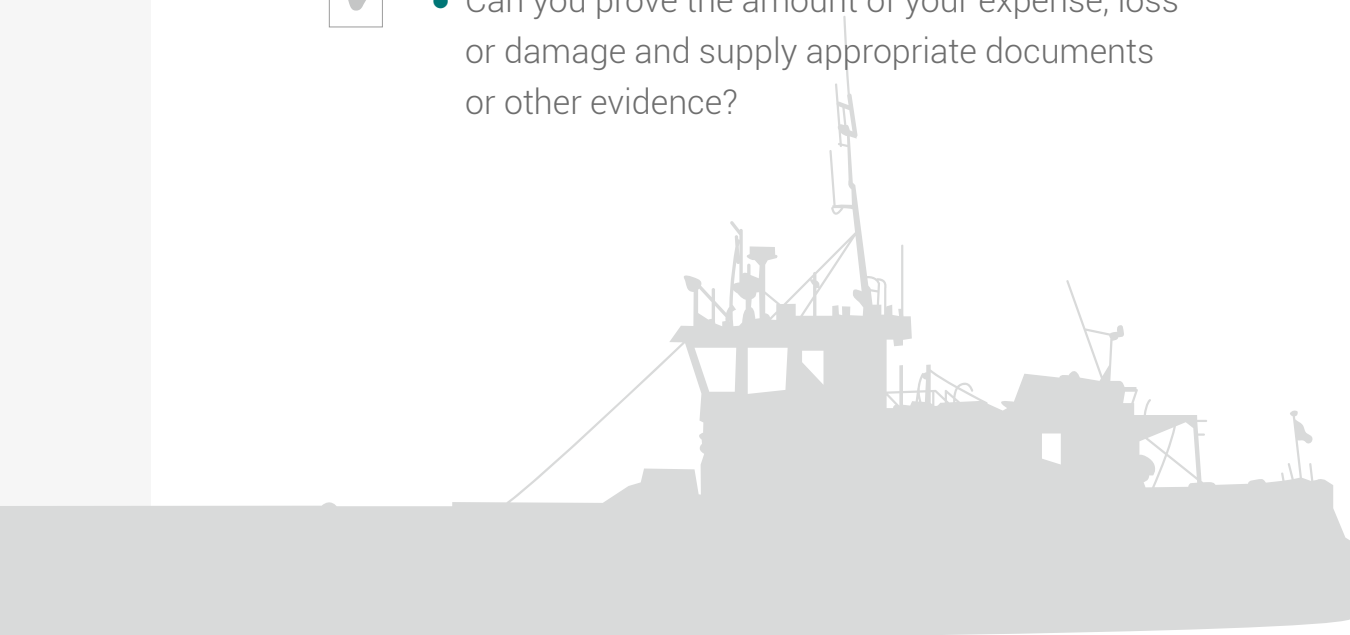
- Details and results of any studies undertaken to assess environmental damage and to monitor the effectiveness of any reinstatement measures proposed, together with a breakdown of the costs involved.
- Detailed description of any reinstatement measures undertaken or to be undertaken and a breakdown of the costs.

3.6.13 Claims for economic losses resulting from environmental damage should essentially follow a similar pattern to those set out for pure economic losses (see paragraphs 1.4.9–1.4.10).

IS MY CLAIM ADMISSIBLE FOR COMPENSATION?

Before submitting a claim, make sure you can answer yes to the following questions (see paragraph 1.5.1):

- ☒ • Have you already actually suffered the expense, loss or damage?
- ☒ • Does the expense relate to measures taken following the incident which are reasonable and can be justified?
- ☒ • Was the expense, loss or damage caused by contamination resulting from the spill?
- ☒ • Can you reasonably link the cause of the expense, loss or damage covered by the claim to the contamination caused by the spill?
- ☒ • Can you quantify the loss you have suffered?
- ☒ • Can you prove the amount of your expense, loss or damage and supply appropriate documents or other evidence?



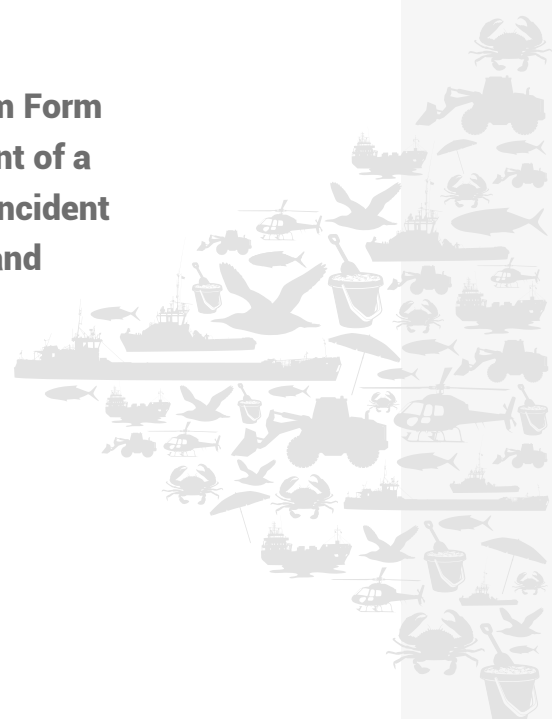
WHAT INFORMATION DO I NEED TO PROVIDE WITH MY CLAIM?

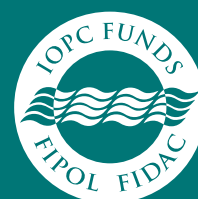
When submitting a claim for compensation you must provide the following information (see paragraph 2.4.1):

- ☒ • Your name and address.
- ☒ • The name of the ship involved in the incident.
- ☒ • The date, place and specific details of the incident, if you know them, unless the 1992 Fund is already aware of that information.
- ☒ • The type of pollution damage caused by the incident.
- ☒ • The amount of compensation you are claiming.

You may need to provide additional information depending on the type of claim you have (see Section 3).

You may find it helpful to read the example Claim Form available on the IOPC Funds website. In the event of a major incident, you will be able to download an incident specific-claims form that you should complete and return to the IOPC Funds/shipowner's insurer.





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