

# Trade & Transportation Insurance News



General Average

September 2006

## Introduction

We are often asked how General Average works and with General Average being declared recently for both the grounding of 'APL Panama' and the fire onboard 'Hyundai Fortune', this is a timely issue.

General Average (GA) is an international maritime practice which applies to all sea shipments where there is a ship and at least one cargo that does not belong to the shipowner.

The settlement of a General Average can take a substantial period of time due to the complexities of the issues involved.

This newsletter summarises the key points about a very complex subject. If a Customer is involved in a GA event, contact Vero National Marine as soon as possible.

Interesting Websites:

<http://www.dolphin-maritime.com/casualty567.html>

<http://www.usaverageadjusters.org/YAR.htm>

[www.lloydsagency.com](http://www.lloydsagency.com)

## GA Principles

The guiding principle is that if items belonging to one party are deliberately sacrificed for the common good (ie: to save the other interests from loss) then all parties 'share' the loss incurred in proportion to their values at the termination of the common maritime adventure.

It also includes extraordinary costs incurred by the ship to save the other interests.

If the venture is not saved then there is no GA and each of the parties bears their own loss.

GA applies for the period the goods are in transit on the sea.

**GA applies whether or not the goods are insured.**

## GA Examples

- Goods jettisoned to lighten a grounded vessel so she can refloat.
- Goods damaged by water used to extinguish shipboard fire.
- Damage to ship when she is deliberately grounded to avoid sinking.

## GA Terms

The terms of a GA are usually set out in the Bill of Lading or the contract of carriage. Otherwise, the laws of the country where the voyage ends will apply to the GA settlement.

It is important to know under what terms the GA will be adjusted.

Commonly, contracts of carriage refer to York Antwerp Rules. They were developed in 1877 to bring uniformity to the handling of GA's and have been revised a number of times - most recently 2004. The most common form is still the 1994 Rules which are more generous to ship interests.

## Procedure

In order to declare a GA event under York Antwerp, 1994 (most common) or 2004 (most recent) it must be:

1. A common maritime adventure.
2. An extraordinary sacrifice or expenditure.
3. Intentionally and reasonably made/incurred.
4. Successful in preserving property from peril.

Once a loss occurs:

1. Shipper declares a GA.
2. Shipper exercises lien over the cargo until the GA settlement is reached and payment made.
3. Goods unloaded and stored.
4. Average Adjuster appointed.
5. Cargo owners lodge a GA guarantee (from bank or insurer) to obtain release of their goods.
6. Adjuster calculates GA loss plus costs and the value of each party's contribution (can take a substantial period of time)
7. Parties make final GA contributions.

**The Team at  
Vero National Marine**

## Disclaimer

This newsletter is for information purposes only and is not legal advice.