

## GENERAL AVERAGE

What is it and how does it affect importing?

"There is a General Average Act **WHEN** and **ONLY WHEN**, any **EXTRAORDINARY SACRIFICE** or **EXPENDITURE** is **INTENTIONALLY** and **REASONABLY** made or incurred for **THE COMMON SAFETY** or the purpose of **PRESERVING FROM PERIL** the property involved in a **COMMON MARITIME ADVENTURE**."

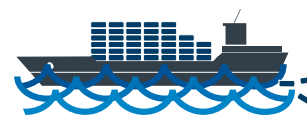
### Effect of General Average on Importers

All parties involved in the venture, including all cargo owners, are responsible for making a proportional contribution to cover the costs incurred during the General Average event, including the loss of cargo sacrificed during the event.

For General Average to be declared, the voyage has to be preserved from peril.



Total Loss



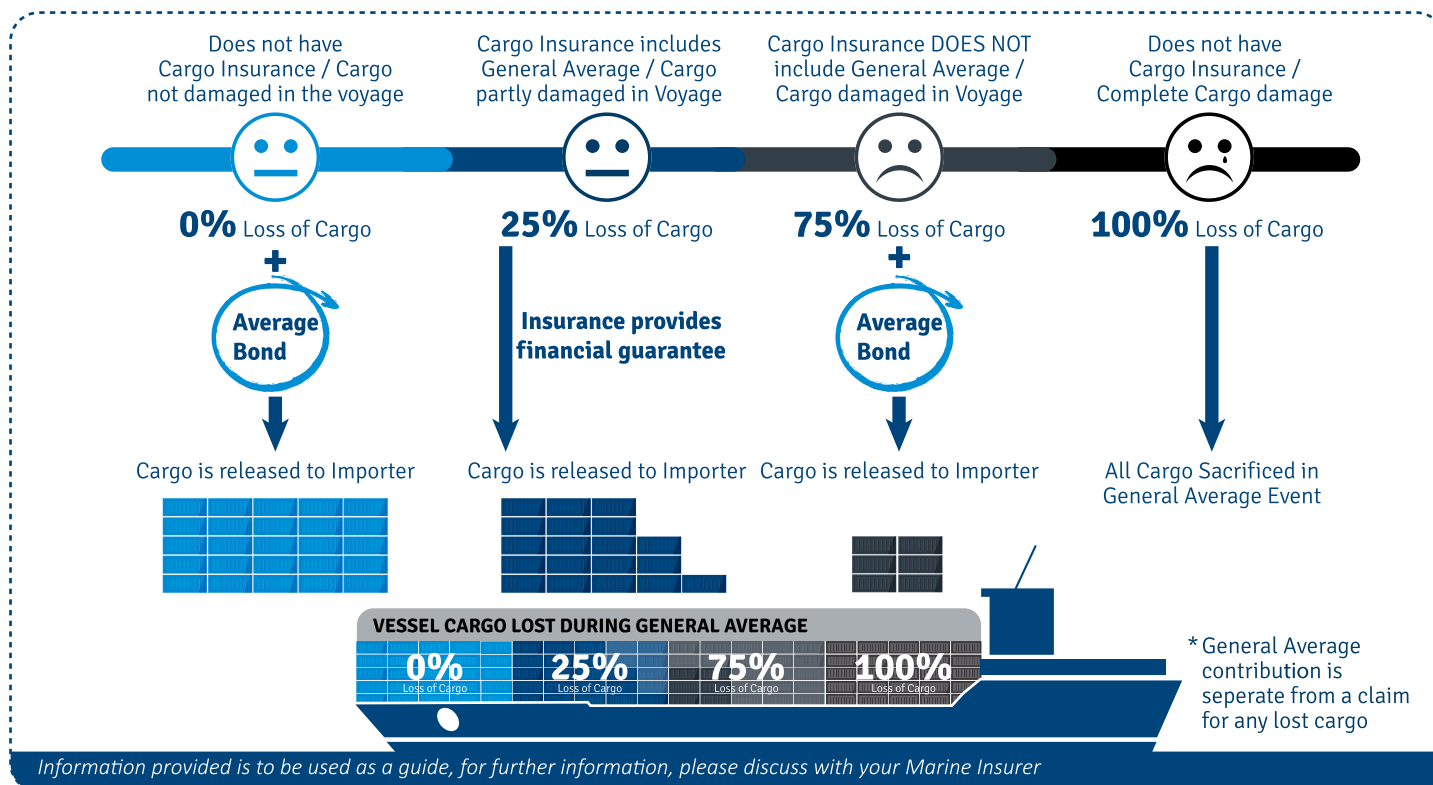
Preserved from Peril

#### Average Bond

This is a promise to pay general average contributions in the form of a cash bond. In most cases, the carrier requires this before agreeing to unload the ship and has the right to take part of the cargo as payment of the cargo owners' contribution if the bond is not received.

\*If the cargo owner has Cargo Insurance that includes coverage for General Average, the insurance provider will pay their contribution and a cash bond will not be required.

### General Average cases can take up to 5 years to finalize



\* General Average contribution is separate from a claim for any lost cargo

### Examples of General Average Events

An event that results in a declaration of General Average can be any type of incident where the master of the vessel has to take action to make an extraordinary sacrifice for the common safety of the vessel, and all that is within here.

Common examples include, but are not limited to, the following:



Fire on Board Ship



Running Aground



Mechanical Failure



Caught in Storm