General Average

During seafreight transportation, not only is cargo exposed to the risk of unexpected events, but if there is a situation where the ship is in danger, the costs of saving must be shared proportionally between cargo owners and the owners of the ship/charterers. This status is known as General Average: „what is given to everyone should be contributed by everyone” (The digest of Justinian Code 533 AD).

TYPICAL EXAMPLES OF GENERAL AVERAGE SACRIFICES

- Jettison of cargo (throwing cargo overboard to lighten the vessel)
- Hull and engine damage caused by efforts to refloat
- Tugs engaged to assist refloating
- Hull and cargo damage caused by fire fighting
- Discharge and reloading of cargo at a port of refuge

CALCULATION OF GENERAL CARGO

Example - Calculation of General Average
You could ship EUR 1 million worth of machinery parts and be faced with EUR 80,000 General Average claim for sacrifices made to save the vessel. In case your goods are not insured, you bear all expenses on your own. Unless you provide a cash deposit or a bank guarantee, your cargo will not be released. This can negatively affect your business. In addition you are under the obligation to arrange all needed documentation to the General Average adjuster, which can be a very time consuming task.

Therefore, even if your cargo arrived safely, under General Average you can be forced to pay for the loss of others and expenses incurred while saving the vessel in danger. Most shippers do not realize that they are partly legally responsible for the safe journey of the ship.

Cargo value: 25,000,000 EUR
Ship value: 25,000,000 EUR
Total value: 50,000,000 EUR

Expenditure and sacrified goods = 4,000,000 EUR
Proportional contribution of the Assured to compensate for sacrifices and expenditure = 2% of 4,000,000 EUR = 80,000 EUR payable by assured of marine insurer

YOUR ADVANTAGES

- Competitive premium tariffs which are only a small fraction of the total cost of packing, shipping and handling your goods.
- Protection of your investments and business; in the event of General Average, you will be obliged to pay for the loss of the ship-owner and other shippers, costs that will be covered by KN Sure.
- No need to worry about bureaucracy or documentation; you can instead focus on further developing your own business.

www.kn-sure.kuehne-nagel.com

Insurance.ee@nacora.com