



GENERAL AVERAGE & SALVAGE (GA)

Basic Principle of GA - that which has been sacrificed for the benefit of all shall be made good by the contribution of all (ship and cargo). GA largely applies to sacrifices and expenditure.

Salvage is the process of recovering a ship, cargo or other property following a maritime casualty. Salvage relates to the cost of salvage services

The application of GA and Salvage forms part of international conventions relating to carrier liability for loss or damage to marine cargo. In Australia, like many other countries, the Carriage of Goods by Sea Act (COGSA) codifies maritime conventions to introduce a regime of marine cargo liability, including the application of GA and Salvage. GA and Salvage application is placed on cargo owners via shipping contracts - Bills of Lading (a contract/receipt for the carriage of goods) - each time a shipment is made.

Any party who ships goods overseas by sea may be exposed to GA and Salvage losses where the ship is involved in a casualty, whether they are insured or not.

Marine cargo policies issued by Marine Protect incorporate a General Average provision, usually an Institute version - This insurance covers general average and salvage charges, adjusted or determined according to the contract of carriage and/or the governing law and practice, incurred to avoid or in connection with the avoidance of loss....

The four (4) essential features of GA -

1. The GA sacrifice or expenditure must be extraordinary
2. The GA act must be intentional or voluntary but, not inevitable
3. There must be a peril (real & substantial)
4. The action must be for the common safety and not just for part of the property involved

As a consequence, GA & Salvage declarations tend to occur following major casualties - ship fires, groundings or ship engine breakdown.

HOW DOES A GA LOSS UNFOLD

- When a marine casualty occurs the shipowner will commence proceedings to save the ship and cargo, including engagement of salvors and the supply of tugs. As these costs escalate, they will take a decision to declare General Average. The shipowner will also appoint an average adjuster to manage the GA & Salvage on behalf of all parties.
- The shipowner/ ship agents will commence contacting all the parties to the voyage including cargo owners and charterers to advise of the GA declaration and to inform them of the appointment of the average adjuster. At this point, Insured parties should contact their insurer.
- Following completion of salvage or the end of the casualty, the average adjuster will quickly move to estimate the likely expenditure and sacrifices from the casualty and set

an interim percentage contribution to be made by each and every party to the voyage. The contribution of each cargo owner will be an adjusters' determined percentage levied on the CIF value of the cargo on board the ship.

- It is important to note that cargo will not be released by the ship until GA and/or Salvage guarantee/security is provided to the average adjuster to cover the likely GA contribution. This guarantee is held against the ultimate contribution which each party will make to settle /make good the GA and Salvage expenditure and sacrifices.
- Insurers provide guarantees/ security to gain release of insured cargo as part of any GA and Salvage claim.
- Un-insured parties will need to provide cash deposits in order to gain release of their cargo.
- Once the GA and Salvage adjustment has been completed (this process can take years), a final percentage contribution is set and the individual parties will settle their proportion - in the case of an insured party, their insurer will settle the loss under the policy. Un-insured parties will need to settle any additional amounts directly to the average adjuster.

It is important to remember that cargo owners are legally liable for GA and Salvage costs and will not gain access to their cargo until a suitable guarantee or cash deposit is made to the average adjuster.

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