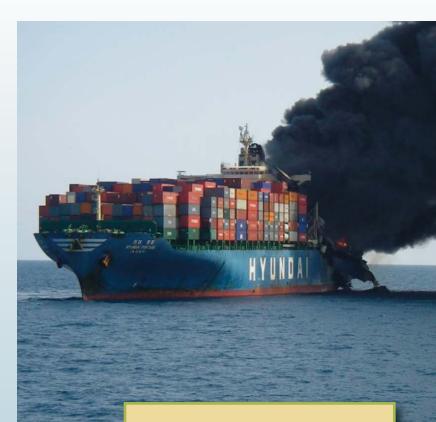
## General Average AND THE NEED FOR Cargo Insurance

General Average is a legal principle of maritime law. A General Average occurs when a voluntary sacrifice is made to safeguard the vessel, cargo or crew from a common peril (e.g., jettison of cargo to extinguish a fire).

If the sacrifice is successful, all parties contribute to the loss based on their cargo's value.



## **IF CARGO ISN'T INSURED**

- Cargo will not be released until the shipper posts a guarantee.
- The guarantee must be in the form of a cash deposit, bank guarantee or bond.

## **IF CARGO IS INSURED**

- The marine cargo insurer should be notified immediately.
- The insurance company will post the General Average Bond and Guarantee to meet the cargo owner's contribution and facilitate release of the cargo.

## SAMPLE GENERAL AVERAGE LOSS

General Average claims require all cargo owners on a vessel to contribute to the loss. Even if your cargo isn't damaged, you still need to make a financial contribution (based on the total value of the ship's cargo) for your goods to be released. Here's how it works:

- Value of vessel Value of cargo Total value of voyage
- \$60 million\$140 million\$200 million
- Assume cargo loss and vessel repairs total \$20 million.
- Therefore, \$20 million out of \$200 million, or 10%, of the voyage suffered a loss.
- Each cargo owner must contribute 10% of the value of their cargo.

For more information on how Cargo Insurance can protect you from the threat of General Average, contact your local representative.



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