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‘Don’t skimp on general average cover’

Exporters and importers should not under-estimate the impact of a General Average (GA) declaration on their bottom line if they don’t have the correct insurance in place.

This was the message Joelle Downes, a senior associate at Bowman Gilfillan, shared with the Exporter’s Club Western Cape (ECWC) members recently.

While statistics indicate the odds of being involved in a GA claim are only about one incident every eight years, it is becoming a growing concern in the marine industry.

“We are picking up on the trend that GA is being declared more and more following the global economic meltdown,” said Downes. “Indications are that due to the financial impact of the recession, vessel maintenance has not been at its optimum and so more breakdowns are being experienced that result in GA being declared.”

GA is declared when a cargo ship’s master voluntarily sacrifices the cargo, equipment or funds from the ship to save the voyage.

“It is essential to remember that when GA is declared all the parties involved in the venture (including all cargo owners) are required to make a proportional contribution to cover the costs incurred,” said Downes. “If you do not have insurance to cover this then you will be required to make a cash payment and the sums involved can be significant.”

Downes warned cargo owners not to take the risk but rather to have the necessary insurance in place to cover costs.

“Also, do your homework and make sure that your cargo is covered in terms of the incoterm you are using,” she said. “Almost all shipments arrive at their destination every day without incident or problem and so it is easy to think that insurance is unnecessarily costly and a complicated burden to your business. But a marine casualty can happen at any moment; the cargo will not be released and you will be held liable for the cash components. Ultimately all cargo in transit is cargo at risk.”

- Liesl Venter

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