

# P90

## Diploma in Insurance

### Unit P90 – Cargo and goods in transit insurances

April 2013 examination

#### Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and form B.
- You are allowed to write on the inside pages of this question paper, but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- The answer book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**



## Unit P90 – Cargo and goods in transit insurances

### Instructions to candidates

#### Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 200 marks, as follows:

Part I	14 compulsory questions	140 marks
Part II	2 questions selected from 3	60 marks

- You should answer **all** questions in Part I and two out of the three questions in Part II.
- You are advised to spend no more than two hours on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.
- It is important to show each step in any calculation, even if you have used a calculator.
- If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

## PART I

## Answer ALL questions in Part I

Note form is acceptable where this conveys all the necessary information

1. (a) Explain briefly the term containerisation. (4)
- (b) List **three** types of dry cargo containers. (3)
- (c) State the way containers are secured to a lorry. (1)
  
2. List the:
  - (a) **three** main exporting countries and **one** exporting continent of timber; (4)
  - (b) **two** main exporting countries and **one** main exporting continent of chipboard or medium density fibreboard (MDF); (3)
  - (c) **two** main exporting countries that specialise in seafood products. (2)
  
3. Describe the duties of the seller and buyer under the Incoterm Delivery at Place (DAP). (8)
  
4. State **nine** details that must be shown on an ocean bill of lading. (9)
  
5. Identify the items described in the Marine Insurance Act 1906 which form part of a marine adventure that is exposed to maritime perils. (12)
  
6. (a) State when a proposer for insurance is bound to declare material facts. (3)
- (b) Outline the circumstances that a proposer for insurance is not bound to disclose. (4)
  
7. (a) Ten tonnes of goods, consisting of 95 packages, and valued at £48,000, are carried by sea under Hague-Visby Rules. During the voyage 60% of the consignment suffers damage for which the shipowner is liable.  
  
Calculate, **showing all your workings**, the liability of the shipowner, in accordance with Hague-Visby Rules, assuming that the rate of the pound sterling exchanges at £1 = 1.25 special drawing rights (SDRs). (8)
- (b) Identify the basis of settlement that is best for the owner of the goods and show the maximum amount that the shipowner must pay. (4)

8. (a) List the circumstances under the United Kingdom Warehousing Association (UKWA) conditions of storage which relieve a warehouse keeper of his contractual obligation to provide storage space. (8)
- (b) State the standard compensation payable under the UKWA conditions of storage. (1)
- (c) State how this standard compensation may be increased. (3)
9. List the perils causing loss or damage to cargo as contained in Institute Cargo Clauses (B) 1/1/09. (15)
10. Identify the perils covered in the Institute Bulk Oil Clauses 1/2/83 that are in addition to those found in the Institute Cargo Clauses (C) 1/1/09, on which oil clauses are historically based. (8)
11. The estimated annual charges of Carriers Ltd are £625,000 for Road Haulage Association (RHA), £950,000 for CMR and £75,000 for All Risks carryings. As an underwriter, your rates on these charges are 0.075% for RHA, 0.30% for CMR and 0.50% for All Risks. Your minimum retention is 85% of the gross premium upon adjustment by declaration of actual charges at the insurance year end.
- Calculate, **showing all your workings**:
- (a) the initial deposit premium; (4)
- (b) the adjusted premium when the annual charges are 20% less than estimated; (4)
- (c) the adjusted premium if a minimum retention was not specified in the policy. (4)
12. Describe the contingent cover provided in a haulage contractor's liability policy for consequential losses. (8)
13. (a) Describe briefly the circumstances contained in the Marine Insurance Act 1906 in which a constructive total loss may be claimed. (6)
- (b) State the point at which the assured may change its mind and withdraw its claim for constructive total loss. (1)
14. Outline 13 defences available to a shipowner under the Hague-Visby Rules. (13)

Questions continue over the page

## PART II

Answer TWO of the following THREE questions  
Each question is worth 30 marks

15. As a training manager of a large insurance organisation, explain to your class of students the risk characteristics of timber, chipboard and medium density fibreboard (MDF) in transit, advising the cover you would recommend. (30)
16. Goods are the common link between haulage contractor's liability and marine cargo insurance.  
Explain why the rating bases for each class are different and why haulage contractors usually pay only limited amounts in compensation, or sometimes pay nothing at all. (30)
17. Cold Carriers plc arrive at the London premises of Fancy Meats Ltd, to load frozen meat and carry it to an address in Scotland. Due to a shortage of loading staff Cold Carriers plc's driver is used at short notice to help with the loading, working under the orders of the customers' warehouse supervisor but without any of the protective clothing worn by the employees of Fancy Meats Ltd. After loading is completed, the vehicle doors are closed and the driver signs for the load. He then proceeds to Scotland but, upon arrival, the consignees notice that some of the goods are dirty, and there are shortages in the load. They reject the whole consignment.  
Fancy Meats Ltd claim against Cold Carriers plc, alleging their driver caused both the shortage, either by stealing or by negligence in loading, and the dirtying of the meat by wearing shoes that were muddy. They say the goods were effectively in the driver's custody and control when he agreed to assist with the loading. They hold Cold Carriers plc responsible under the CMR Convention, claiming that this is the way in which they contract with all of their carriers, regardless of whether their goods are to be carried within the UK or to another country.  
Advise Cold Carriers plc of their legal position and explain why there is no mention of loading or unloading in their haulage contractor's liability policy. (30)

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