

P90

Diploma in Insurance

Unit P90 – Cargo and goods in transit insurances

October 2014 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. List the items that a marine policy must specify in order to comply with the Marine Insurance Act 1906. (7)

2. Identify the conditions of carriage and state the standard levels of compensation payable by carriers if they are **not** able to use the following defences:
 - (a) Fire, unless caused by the actual fault or privity of the carrier. (3)
 - (b) Strikes or lockouts, or stoppage or restraint of labour from whatever cause, whether partial or general. However, the carrier is not relieved of liability for its own acts. (3)
 - (c) The use of open unsheeted vehicles, when their use has been expressly agreed and specified in the consignment note. (2)
 - (d) Where loss or damage was the fault of the person entitled to make a claim. (2)

3. Explain briefly whether a master of a ship is correct in sacrificing cargo, in response to a forecast of force 12 heavy seas that might overwhelm his ship later that day. (8)

4.
 - (a) Identify **six** Incoterms 2010 that can be used for any mode of transport. (6)
 - (b) Identify the Incoterm 2010 which requires the seller to place the goods at the disposal of the buyer at the seller's warehouse. (1)

5. Describe briefly the ship owner's rights if he discovers his ship is carrying dangerous goods which he had not consented to carry. (8)
6. (a) Identify the perils covered by Condition 1.2 of the Institute War Clauses (Cargo) 1/1/09. (8)
- (b) During a political dispute between two countries, a vessel is arrested by the port authorities, who refuse to release it unless the dispute is settled. As the goods are perishable, the owner of the goods elects to make a claim under the Institute War Clauses (Cargo) 1/1/09.
- State, with reason, whether or not the claim is admissible. (3)
7. During heavy seas, a cargo vessel loses cargo due to the action of the seas in washing some of it overboard. At the same time, the master of the vessel decides to release some of the cargo into the sea to save the vessel from capsizing.
- (a) State, giving a brief explanation for **each** of your decisions, which of these losses would be covered under the Institute Cargo Clauses (A), (B) or (C) 1/1/09 and which losses would not be covered. (11)
- (b) State the action the master will take upon the safe arrival of the vessel in port and the consequences for the cargo owners. (3)
8. Describe briefly the differences between a valued policy and an unvalued policy giving **one** example of **each**. (6)

QUESTIONS CONTINUE OVER THE PAGE

9. Seven and a half tonnes of goods, worth £150,000, are stolen from a lorry on a UK domestic transit whilst parked overnight. These goods were carried under terms which compelled the haulage contractor to pay compensation at the rate of £1,300 per tonne. This is paid by the haulage contractor immediately.
- (a) Calculate, **showing all your workings**, how much compensation was paid by the haulage contractor and how much can be claimed from the cargo insurers. (4)
- (b) State the procedure the owner of the goods should follow if the haulage contractor does not pay the stipulated compensation. (3)
- (c) State what the position would be if the lorry and its load had come from France and was parked overnight in the UK. (3)
10. A cargo of T-shirts and jeans, in a full container load, has arrived at its destination, where it is discovered that part of it is missing and there is damage to some of the remaining cargo caused by stowaways.
- (a) Identify the proximate causes of the loss and damage and state, with reasons, whether the claims are admissible if cover is provided by:
- (i) Institute Cargo Clauses (A) 1/1/09. (5)
- (ii) Institute Cargo Clauses (B) 1/1/09. (2)
- (b) Explain with reasons the action the insured must take to mitigate the loss to the remaining cargo. (5)
- (c) Identify the heading under which the cost of such action may be claimed. (2)
11. (a) Calculate, **showing all your workings**, the liability in pounds sterling of a CMR carrier for 26 tonnes of goods lost, where the exchange rate is £1 to special drawing rights 1.25. (7)
- (b) Outline the items additional to the compensation for loss or damage to goods, which a CMR carrier may be liable to pay in a claim. (6)

12. Outline the reliefs of liability granted to a carrier under Article 17.4, sub-paragraphs (a), (b) and (c), of the CMR Convention. (13)
13. Outline the reasons for changes to the traditional centres of production in the UK and Europe to countries in the Far East. (10)
14. (a) List **three** risks to which computers in transit are particularly vulnerable. (3)
- (b) List **three** risks to which chocolate, containing nuts and raisins, is vulnerable. (3)
- (c) List **three** risks to which grain is vulnerable. (3)

QUESTIONS CONTINUE OVER THE PAGE

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

- 15.** A consignment of stainless steel in sheet form, sold Cost, Insurance & Freight from UK manufacturers to consignees in Canada, sent via Rotterdam, is found to be stained and pitted upon arrival at its final destination. Heavy rain, with hailstones, was encountered during the road journey from the UK to Rotterdam but the bill of lading from the overseas vessel was not claused upon receipt of the goods and the CMR consignment note did not bear any qualification noting that the goods were carried unsheeted on an open vehicle. There was no rain during the crossing of the Atlantic nor on final road carriage in Canada.
- Explain with reasons, as the cargo insurer, whether you will admit the claim and whether a claim can be made against the CMR carrier, who denies liability. You insured the goods under Institute Cargo Clauses (A) 1/1/09. **(30)**
- 16.** You are an insurance broker whose clients, UK Widgets Ltd, has decided to expand its business by creating an export division selling goods to customers in Europe, the Far East and Australasia. UK Widgets Ltd has never exported before and knows nothing about insuring goods whilst in transit to customers overseas.
- (a)** Explain briefly to your clients the modes of transport by which the widgets will be carried. **(8)**
- (b)** Identify the relevant Incoterm 2010 your clients should adopt. **(8)**
- (c)** Identify to your clients the point at which interest in the goods passes from seller to buyer. **(2)**
- (d)** Explain to your clients the insurance facility it can offer its customers as part of the total sales package. **(12)**

- 17.** As a lecturer in insurance, you have been asked to explain to a group of insurance students two important aspects involved in the sending of goods from sellers to buyers throughout the world.
- (a)** Explain the importance of goods being properly packed. **(7)**
- (b)** Explain the facility adopted for sending goods throughout the world in the latter half of the 20th Century. **(23)**

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