

P90

Diploma in Insurance

Unit P90 – Cargo and goods in transit insurances

April 2015 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. Compare and explain the method of sending goods by full container load, with the method used for non-bulk cargoes, by sea, before containers began to be used. **(15)**

2.
 - (a) List **four** main producing countries of maize. **(4)**
 - (b) List **six** main producing countries of sugar cane. **(6)**

3. Goods packed in a cardboard carton are found to be damaged when delivered to a buyer. The cardboard carton has been pierced by the forks of a fork lift truck. The buyer admits to specifying a thinner cardboard carton than standard, in order to save costs. As a result of this admission the insurer rejects the claim, citing exclusion 4.3 of the Institute Cargo Clauses (A) 1/1/09.
 - (a) State the purpose of packaging for goods in transit. **(5)**
 - (b) State whether you agree or disagree with the insurer, giving your reasons. **(5)**

4. Identify the **two** instances of mis-delivery of goods by a haulage contractor, explaining briefly why they may happen. **(8)**

5.
 - (a) Identify **four** occasions upon which the duty of disclosure arises. **(4)**
 - (b) Define a material fact. **(4)**
 - (c) Identify the **two** parties who are bound to reveal material facts. **(2)**

6. A groupage container, carrying three used printing machines, is dropped onto the quayside at the port of departure whilst being loaded onto the overseas vessel. As a result one machine is damaged beyond economic repair whilst the remaining two machines receive damage that can be repaired for less than their market values. Cover is provided under Institute Cargo Clauses (B) 1/1/09.
- (a) Identify under which provision of the Institute Cargo Clauses (B) 1/1/09 you think a claim should be submitted, stating the cover it provides. (7)
 - (b) State whether the claims will be accepted by insurers. (4)
 - (c) Identify the party who must make the claim, stating the reason why. (2)
7. (a) List **eight** Incoterms which do not require the seller to provide insurance for the benefit of the buyer. (8)
- (b) Identify **one** Incoterm that requires the seller to provide insurance for the buyer where the goods are carried by multimodal transport. (1)
- (c) Identify **one** Incoterm which imposes total responsibility on one party for the movement of goods. (1)
8. A container vessel leaving Marseilles under the control of a pilot is holed when it hits rocks due to the negligence of the pilot in ignoring warnings from the master of the vessel that it was too close to rocks. Cargo is damaged in the accident and insurers attempt to recover the cost of the claims from the shipowner.
- State, with explanations, whether they will be successful or not. (12)
9. (a) Identify the criteria which determine whether the CMR Convention applies to the carriage of goods. (4)
- (b) State the types of goods to which the CMR Convention does not apply. (3)

QUESTIONS CONTINUE OVER THE PAGE

10. A consignment of frozen seafood which has arrived in the UK has been rejected by an Environmental Health Officer as unfit for sale in the European Union because there is evidence of thawing and refreezing. Cover was provided by the Institute Frozen Food Clauses (A) (Excluding Frozen Meat) 1/1/86 but the insurer has refused to admit the claim as it does not cover rejection risks.
- (a) State, with reasons, whether the insurer is correct. (6)
- (b) Explain briefly whether the rejected consignment can be sold for salvage. (2)
11. Following a sacrifice of cargo, a vessel declares general average. When the adjustment is completed the total general average amounts to \$5 million.
- The contributory values are:
- | | | |
|---------|---|--------------|
| Ship | - | \$30,000,000 |
| Freight | - | \$3,000,000 |
| Cargo | - | \$25,000,000 |
- Calculate, **showing all your workings**, the general average contributions that would be required from the following cargo owners, whose goods are undamaged. Their respective values, which are included within the total cargo value shown above, are:
- | | | |
|---------------|---|-----------|
| Cargo owner A | - | \$435,000 |
| Cargo owner B | - | \$116,000 |
| Cargo owner C | - | \$580,000 |
- (10)
12. (a) Identify the minimum cover that a seller of goods is required to procure for the buyer under the Incoterm Cost, Insurance & Freight (CIF) 2010. (1)
- (b) State the point in the transit to which the cargo cover is to apply, as required by the CIF Incoterm. (1)
- (c) State the standard uplift required for a CIF contract. (1)
- (d) State the **four** elements forming the uplift under CIF. (4)

13. Explain briefly why goods remain a prime consideration for underwriters of haulage contractor's liability insurance, even though they are only insuring the legal liabilities of haulage contractors. (8)
14. Define a marine adventure, as described by section 3.2 of the Marine Insurance Act 1906. (12)

QUESTIONS CONTINUE OVER THE PAGE

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

- 15.** Goods in a groupage container originating in Turkey are found to be damaged upon delivery by road to a customer in the UK but the damage is not visible externally, so the cause and location of the damage cannot be ascertained. None of the transit documentation is clausured. Inquiries by loss adjusters find that the goods started their journey on the vehicle of a Turkish road haulage contractor, who delivered them to a freight forwarder in Germany, where they were off-loaded. A day later they were loaded onto another lorry which took them to the UK, via a cross-channel RO/RO ferry, where they were off-loaded at the premises of a UK freight forwarder in London. They were then loaded onto a local haulage contractor's vehicle for the final stage of their journey to their customer on the outskirts of London. No incident occurred during the cross-channel voyage.
- (a)** Identify the liability regimes that would apply at the various stages of the road journey from Turkey to the customer in the UK, stating the standard compensation available from the road carriers. *You need not refer to the cross-channel voyage in your answer.* **(23)**
- (b)** Describe briefly any defences those carriers might have for the damage to those goods. **(3)**
- (c)** Explain briefly whether it will be possible to recover compensation from any of the parties involved in the transit. **(4)**

16. You are an insurance broker whose clients, Nice Clothing, a start-up company, import a variety of mid-range to high-end men's and women's fashion clothing from suppliers in a variety of countries in the Far East, via their central distribution warehouse in the UK. This clothing is then sent to customers in the UK, Europe and North America. Some of their suppliers have offered marine insurance as part of the purchase cost, whilst others will only contract on Free On Board or Cost and Freight terms. Nice Clothing are concerned that they will have to deal with insurers in different countries who may place different interpretations on claims.
- (a) Advise your clients of the most advantageous Incoterms and marine insurance clauses to use in trading with their suppliers and to protect the goodwill of Nice Clothing. (16)
 - (b) Explain briefly the Incoterm which Nice Clothing might offer their customers as part of the sales package of their goods. (3)
 - (c) Advise your clients of the standard of packaging for the clothing they are buying and then selling to their customers. (6)
 - (d) Recommend an appropriate type of policy to cover your client's business model. (5)
17. An underwriter is criticised by a claims manager for agreeing to provide cover on timber carried on deck in bundles under the Institute Cargo Clauses (A) 1/1/09. In heavy weather the timber shifted, causing the ship to list, capsize and sink. The claims manager's view is that there would have been no claim if cover had been restricted to the Institute Timber Trade Federation Clauses 1/4/86.
- The claims manager also states that the only hope is to decline the claim on the grounds that the timber was not properly stowed on the ship which, he argues, must be obvious because if it had been properly stowed it would not have shifted.
- (a) Describe, with reference to both the Institute Cargo Clauses (A) 1/1/09 and the Institute Timber Trade Federation Clauses 1/4/86, the perils covered by **each** of those clauses, explaining why the insurers were not prejudiced by the cover provided. (24)
 - (b) State with reasons, whether the claim can be declined on the grounds of improper stowage. (4)
 - (c) Identify the **one** aspect of the underwriter's choice of clauses that could be justifiably criticised. (2)

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