

P90

Diploma in Insurance

Unit P90 – Cargo and goods in transit insurances

October 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. List **three** examples **each** of brown, white and grey goods. (9)

2. Identify the appropriate Institute Clauses (other than War and Strikes), with their dates, for the following goods:
 - General cargo.
 - Oil.
 - Frozen meat.
 - Timber.
 - Containers (for partial losses). (10)

3. (a) List the **14** items of basic information that are contained in an air waybill. (14)
(b) Identify the **one** basic difference between an ocean bill of lading and an air waybill. (1)

4. (a) Describe briefly the **three** alternative bases upon which a haulage contractor's liability insurer may deal with a claim from the owners of goods carried by a haulier. (10)
(b) Identify the standard compensation payable under CMR. (1)

5. List **six** forms or shapes in which steel is shipped. (6)

6. Explain briefly voyage, time and bareboat charters. (11)

7. State the **three** circumstances defined in the Hamburg Rules by which a shipowner is permitted to carry goods on deck. (6)
8. (a) Identify the periods of time for notifying and making claims under the Hague-Visby and Hamburg Rules. (4)
- (b) State the standard compensation limits payable under the Hague-Visby and Hamburg Rules. (4)
9. (a) State **two** reasons why sellers of goods would use a voyage policy. (2)
- (b) Describe briefly a valued and an unvalued policy. (4)
- (c) Explain the different ways of charging premium between an annual cargo policy and a marine open cover. (4)
10. (a) Describe briefly the indemnity provided by haulage contractor's liability insurance. (3)
- (b) Identify the **three** types of legal liability which may attach to a haulage contractor. (3)
- (c) Identify the conditions of carriage that would apply to the carriage of goods between Romania and Germany. (1)
11. Identify the Institute Cargo Clauses, with their dates, under which claims can be made for loss or damage to goods in **each** of the circumstances described below:
- Goods are damaged by a religious fanatic.
 - A machine is written off following it being dropped during unloading from a ship at the destination port.
 - Goods in road transit are set on fire during inner city riots.
 - Goods stolen by pirates whilst the ship is held to ransom.
 - Containers damaged by heavy seas.
 - Goods lost when the ship carrying them is blown up and sunk by an unexploded mine. (12)

QUESTIONS CONTINUE OVER THE PAGE

12. (a) Calculate, **showing all your workings**, a full annual premium where the estimated haulage charges for the forthcoming 12 months are:

RHA	£300,000
CMR	£1,250,000
All risks	£250,000

Use rates of 0.10% for RHA, 0.15% for CMR and 0.20% for All risks. (4)

- (b) Calculate, **showing all your workings**, the amount to be returned at the end of the year, following adjustment, when the declared actual earnings are £220,000 for RHA, £900,000 for CMR and £150,000 for All risks. The policy contains a clause by which insurers will retain a minimum of 80% of the full annual premium charged at inception. (8)

13. List the main risk profiles of:

- (a) Hides and skins. (1)
- (b) Petrol. (3)
- (c) Project cargo. (1)
- (d) Rice. (2)
- (e) Timber. (2)

14. (a) (i) Describe briefly **four** modes of transport used to carry a container of machinery utilising surface transport from the UK to Brazil via Marseilles, France. The first change in modal transport is in the UK. (4)
- (ii) State the term used to describe this method of transport. (1)
- (b) Identify the conditions of carriage likely to be used by **each** mode of transport, as described in **part (a)(i)** above. (6)
- (c) Identify the standard compensation levels available from the operators of the first **three** modes of transport, as described in **part (a)(i)** above. (3)

Part II questions can be found on pages 8 and 9

PART II

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

- 15.** A machine sold under the Incoterm Cost, Insurance & Freight 2010 for £100,000 is damaged by heavy seas. The cost of repair is £90,000 plus another £15,000 for it to be returned to the manufacturer for repairs and then to be sent to its original destination.
- (a) Explain how the claim should be made, including any procedures the assured must follow, citing any relevant legislation. **(17)**
- (b) Identify, giving reasons, the party who should make the claim. **(4)**
- (c) Identify the various monetary elements that will make up settlement of the claim. **(6)**
- (d) State the position if the machine had been damaged beyond repair prior to arrival at the port of departure. **(3)**

- 16.** You are an insurance broker for a client who has chartered a bulk carrier under a bareboat charter for a consignment of iron ore in bulk which he has sold to a buyer, under the Incoterm Cost, Insurance & Freight 2010. During the voyage, heavy seas overwhelm the vessel, which then sinks. Following subsequent enquiries by a surveyor acting for the insurer, you discover that the ore had been mined from the ground and delivered directly to the quayside before being loaded into the bulk carrier. The surveyor has passed the opinion that the sinking was due to movement of the cargo.

The insurer argues the following in justification for its rejection of the claim:

- The fact that the cargo could shift, making the ship unstable, was a material fact that the broker and the assured should have revealed when proposing for insurance.
- As cover had only been sought against the perils contained in the Institute Cargo Clauses (C) 1/1/09, none of those perils identified heavy seas, therefore there was no cover.
- The fact that your client took on a bareboat charter made him responsible for the safe loading of the vessel and for securing the load before leaving port.

Explain, with reasons, whether you agree or disagree with the insurer, making reference to the obligations of the broker and the assured under relevant legislation, stating the probable cause of loss. **(30)**

17. Z&Y Haulage Contractors Ltd (Z&Y) have contracts to carry the goods of three sellers from Scotland. The goods of two of those sellers are to be delivered to customers in Birmingham and London but the third seller's goods remain on the lorry for delivery to a consignee in Munich. After delivering the second load in London the carrying vehicle is involved in a serious road accident caused exclusively by the action of the driver, who drove intentionally through a set of traffic lights at red. This resulted in a collision with another lorry coming from the right, with his traffic lights clearly set at green. The goods for delivery to Germany are damaged beyond repair.

Having settled the claim with their assured, cargo insurers seek to recover against Z&Y, insisting upon a full recovery under the CMR convention.

In response, Z&Y reject the claim, arguing that the CMR convention did not apply because:

- The lorry had been used to deliver some goods within the UK;
- The accident occurred before the lorry had crossed the international boundary between the UK and the Continent of Europe;
- The two sets of goods delivered in Birmingham and London were carried under UK domestic carrying conditions, so logically the third set of goods must also have been carried under those conditions.

They offer compensation at £1,300 per tonne on the weight of the goods destined for Munich.

Discuss, taking the role of a legal adviser, how CMR would apply in these circumstances, and how the cargo insurers might make a full recovery from the haulage contractor.

(30)

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