

## P90

### Diploma in Insurance

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

October 2017 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 **ten** exclusions contained in the Frozen Food Extension Clauses 1/1/86. **(10)**
  
2. Under the Institute War Clauses (Cargo) 1/1/09:
  - (a) outline when cover attaches and then terminates; **(5)**
  - (b) state the position of cover when a ship departs a war-torn port before all the cargo is discharged. **(3)**
  
3. State the cover provided by clauses 1.1 and 1.3 of the Institute Strikes Clauses (Cargo) 1/1/09. **(8)**
  
4. Road Carrier Ltd carried goods from one part of the United Kingdom (UK) to a customer in another part of the UK. They did not agree any specific terms of carriage. The goods were delivered in a damaged form, which was noted on the delivery note but Road Carriers Ltd refused to explain how the damage occurred. They also refused to pay compensation, arguing that they were not liable for the damage.
  - (a) Describe Road Carrier Ltd's legal liability for the goods. **(8)**
  - (b) Identify the legal rule by which Road Carrier Ltd could be forced to show the cause of the damage, explaining briefly how it works. **(5)**
  
5.
  - (a) Identify the insurable interest under a haulage contractor's liability policy. **(1)**
  - (b) State **three** legal liabilities which may make the haulage contractor liable for loss or damage to goods in his custody. **(3)**
  - (c) Explain briefly how premiums for haulage contractor's liability insurance are normally calculated. **(4)**

6. In their proposal to Insurance Company plc for marine cargo insurance, Nuclear Parts UK plc described their business as 'Goods and machinery incidental to the nuclear energy production industry'.

In January 2017, whilst in transit by road, a machine shifted, due to erratic driving, and suffered minor damage. The cost of the repair was £10,000 but the customer of Nuclear Parts UK plc refused to accept the machine until it had been examined thoroughly by x-ray or laser, so that they were sure there were no hidden cracks, invisible to the naked eye. This cost an extra £30,000, which Insurance Company plc refuse to pay, as they argue that Nuclear Parts UK plc should have revealed the likelihood of this cost being incurred when proposing for cargo insurance. They also argue that this extra cost did not involve any damage that could be identified as arising from the erratic driving of the haulage contractor.

State the proposer's obligations under current legislation that Nuclear Parts UK plc might put forward to challenge the insurer's decision.

(11)

7. You are a marine cargo claims adjuster and have just settled a claim for your assured's goods, which were stolen whilst in the custody of a haulage contractor, during carriage between London and Manchester. You now intend to seek a recovery of your claims costs from the haulage contractor, on the grounds that the driver was guilty of wilful misconduct in leaving his vehicle unattended whilst on a break. The haulage contractor denies that his driver was in any way responsible.

In pursuit of your recovery, you discover that the haulage contractor was carrying the goods under the standard terms of the United Kingdom Warehouse Keepers' Association (UKWA) Conditions for Logistics 2014.

(a) State whether it is possible to use UKWA for the carriage of goods. (2)

(b) Describe briefly the liability accepted by the haulage contractor under the UKWA terms. (4)

(c) Identify the standard compensation level under UKWA and compare it to the level found in the Road Haulage Association (RHA) Conditions of Carriage 2009. (4)

(d) Identify the circumstances under which the haulage contractor would be liable under RHA but not liable under UKWA. (3)

8. List **five** reasons why cold stores may be on an insurer's decline list for stockthroughput insurance. (5)

QUESTIONS CONTINUE OVER THE PAGE

9. Goods belonging to different owners are sent on a haulage contractor's lorry from Dublin, Republic of Ireland, via Birmingham, England, to Hanover, Germany. Some of the goods are destined for a consignee in Birmingham, so are offloaded there. The goods for the consignee in Birmingham were carried under the Road Haulage Association (RHA) Conditions of Carriage 2009.

Outline the legal liabilities that may apply to the haulage contractor for **each** of the following incidents. *It is not necessary to mention compensation levels in your answer.*

- (a) During the crossing of the Irish Sea, rough seas caused the haulage contractor's lorry to move and collide with the lorry parked next to it, resulting in damage to some of the goods. (4)
- (b) Whilst being manoeuvred on board the RO/RO ferry at Dover, the same lorry was reversed into an upright steel post causing damage to the consignment for Hanover. (4)
- (c) Between a French port and Hanover, some of the goods were stolen whilst the driver had stopped for a break. (3)

10. List **seven** risks specific to tea in transit other than the main perils of transit by land, sea or air. (7)

11. You are a marine claims manager. A buyer in Australia has complained that part of a consignment sent to him from a UK-based seller, insured by you, has been stolen but you have refused to admit the claim.

The buyer bought the goods on the standard Incoterm 2010® Cost, Insurance & Freight and has two main parts to the complaint:

- That all risks cover was not provided by the seller.
- The goods were stolen in the final leg of transit from the port in Australia to the buyer's premises in Sydney. The certificate of insurance applied only up to discharge from the overseas vessel, at the port of arrival, in accordance with the terms of the contract of sale.

- (a) Explain briefly the duty of the seller under the Incoterm 2010® Cost, Insurance & Freight, regarding the provision of insurance for the goods whilst in transit. (4)
- (b) State why the theft of the goods is not covered. (1)
- (c) Explain briefly why the goods were not covered on the final leg of the transit from the port of discharge up to the buyer's premises in Sydney. (4)

12. You are a marine insurance broker for a firm which has sold goods under the Incoterm 2010® Cost, Insurance & Freight to a buyer in New Zealand. Cover was provided under Institute Cargo Clauses (A) 1/1/09. The buyer has reported that the goods were found to be damaged when the crate containing them was opened. The buyers are unsure as to how they should proceed with making a claim under the cargo policy.

Prepare a report stating all the procedures the buyer must follow to secure payment of the claim.

(15)

13. You are an insurance broker for Clothes Ltd, which has received a container full of clothing, some of which is wet and smelling of mould. The clothing was insured under Institute Cargo Clauses (A) 1/1/09, as evidenced by a certificate of insurance.

(a) Explain briefly the actions Clothes Ltd must take immediately upon the discovery of the wet clothing.

(3)

(b) State how the duty to take those actions is described and defined in the certificate of insurance.

(5)

(c) State which party is responsible for paying for the actions that Clothes Ltd are required to take to mitigate the cost of the claim.

(1)

14. You are a marine underwriter who has been advised that an existing client, which supplies medical instruments to hospitals and doctors' surgeries, is proposing a change in its packing methods. At present, the medical instruments are placed in heat sealed plastic bags and then put into heavy duty cardboard packets or boxes, before being sent to their customers by specialist couriers. The client has used this method of packing for many years and has not suffered any claims relating to packing. However, to save on costs, this client has decided to change its packing methods. The medical instruments will now be packed by having loose plastic sheeting wrapped around them and will then be placed in cushioned envelopes, before being sent by second class post.

Prepare a short report for your client advising them of how this change in packing will alter your view of the risk, setting out the relevant features the client should consider.

(13)

QUESTIONS CONTINUE OVER THE PAGE

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

15. Jason, a junior marine claims adjuster, has rejected a claim. The rejection has been challenged by an overseas buyer. In consequence, Jason has asked you, as the Claims Manager, to adjudicate on the claim.

The circumstances involve a machine which was sold by a manufacturing company, insured by your company, to a buyer overseas under the Incoterm 2010<sup>®</sup> Cost, Insurance & Freight terms. The machine was insured under Institute Cargo Clauses (A) 1/1/09. When it was examined by the buyers upon delivery, it was found that its casing and frame were severely cracked and would cost £100,000 to repair.

Upon further enquiry by your cargo surveyor, it was discovered that the machine had been dropped whilst loading it onto the carrying vehicle at the seller's premises but the impact with the ground was not considered severe enough, so it was assumed that no damage had been caused. After finally being loaded to the carrying vehicle, that vehicle was then parked in the seller's compound overnight, opposite the loading bay, for commencement of transit in the early hours of the following morning.

Though the practice of leaving a loaded vehicle overnight, in the seller's premises, was not revealed at the time the insurance was organised, the seller argued that the underwriter had a duty to enquire whether pre-transit parking of loaded vehicles took place.

The buyers also disputed the cause of the damage. They have reason to believe that the machine was damaged when the container in which it was shipped was landed heavily on board the overseas vessel at the port of departure, arguing that the damage was consistent with a heavy dropping of the container. The buyer is demanding settlement of his claim but you argue that the claim is still not admissible.

Prepare a report to support the decision to refuse the claim, giving reasons, identifying any transit documentation that may be relevant.

**(30)**



- 16. (a)** You are a trainer for an insurance company. Explain briefly, to a group of trainee underwriters, why they should consider a proposal for haulage contractor's liability insurance in a similar way to a proposal for marine cargo insurance. **(2)**
- (b)** Discuss the risk profiles of the following goods:
- (i)** Meat, poultry and fish in temperature controlled form. **(10)**
  - (ii)** Sawn timber and chipboard/medium density fibreboard. **(4)**
  - (iii)** Electronic equipment and mobile phones. **(4)**
  - (iv)** New cars on car transporters. **(6)**
- (c)** Explain briefly why the trainee underwriters should be cautious of agreeing to a proposal from a haulage contractor who wants to carry goods at increased limits which equate to the value of those goods. **(4)**
- 17.** Machines of Cairo have contracted with an Egyptian flagged ship for the carriage of machinery from Cairo to an overseas port. Carriage will be under the Hamburg Rules and the consignment has been placed on deck. The machine is valued at US\$150,000.
- The master of the ship chooses to set sail in severe weather conditions and against the advice of the harbour master. After leaving harbour, heavy seas wash a large part of the consignment overboard. The master argues that this was an Act of God. The loss of these goods is valued at US\$60,000.
- You are the Claims Manager for a marine insurance company. Outline how you propose to proceed in subrogation against the owners of the vessel and explain the duties of the ship owner under the Hamburg Rules. **(30)**

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