



Chartered
Insurance
Institute

P90

Diploma in Insurance

Unit P90 – Cargo and goods in transit insurances

April 2018 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. Outline **ten** methods by which goods may be stolen from a haulage contractor's vehicle. **(10)**

2.
 - (a) List **six** packing methods in which hides, and skins are transported to tanneries. **(6)**

 - (b) State how decomposition in hides and skins is usually halted temporarily for the purpose of transit. **(2)**

 - (c) State the standard insurance market exclusion in the carriage of hides and skins. **(2)**

3. Identify the risk profile of caravans in transit. **(7)**

4. You are an insurer who has rejected a claim due to a breach of warranty by your assured. The warranty required that goods in its warehouse be stored on stillages at least 100 millimetres above the floor level.

During a violent storm, the roof of the warehouse was torn off, allowing the wind to blow the goods over, causing them to be a total loss. Upon enquiry, by your surveyor, you discover that the assured had stored the goods on the concrete floor, thereby not complying with the stillage warranty.
 - (a) State, with reasons, whether you would reject or accept the claim for the total loss, citing any legislation you consider relevant. **(12)**

 - (b) State, with reasons, whether you would reject or accept the claim for total loss, if the damage had been caused by water from an overflowing nearby river having entered the premises. **(2)**

5. You are a cargo insurance underwriter who has been approached by a broker in the process of arranging cover for his client company, on consignments of machinery spare parts which are sent at intervals throughout the year from the UK to a country in the Far East, by sea. The maximum consignment value will not exceed £250,000.

Upon arrival at the buyer's premises, the spare parts are checked to ensure they are of the quality ordered before being sent to the buyer's main production facility 20 miles away. The most appropriate cover is required for the full value of the goods, which have been sold under the Incoterm 2010® Cost, Insurance & Freight, but the client does not want stockthroughput insurance.

State how you will provide the cover that should satisfy the needs of this client, using the London Market cargo clauses and your standard policy schedule. (8)

6. Explain the reasons why general average is mentioned twice in the Institute Cargo Clauses (B) 1/1/09 but only once in the Institute Cargo Clauses (A) 1/1/09. (7)
7. (a) Identify the current edition of Incoterms and the date upon which they came into force. (2)
- (b) List **four** Incoterms that are to be used specifically for carriage by sea and inland waterways. (4)
- (c) Identify the point at which title in the goods transfers from seller to buyer under **each** of the Incoterms you identified in **part (b)** above. (2)
- (d) Identify the **one** Incoterm which requires the seller to obtain insurance for the buyer when the goods are sent overland or by multimodal transport. (1)
8. (a) State **three** insurable risks to which fruit and vegetables are particularly prone to loss or damage whilst in transit by sea and on land. (3)
- (b) List **four** insurable risks to which computers and similar electronic devices are particularly prone to loss or damage during transit by sea and on land. (4)

QUESTIONS CONTINUE OVER THE PAGE

9. State the **four** circumstances in Article 17.2 of the CMR Convention which relieve the carrier of liability for loss or damage to goods in its custody. (8)
10. Machinery, weighing six tonnes, sold on Cost, Insurance & Freight terms, is damaged at sea during a voyage from the UK to a country in the Far East. The damage amounted to 35% of the value of the machinery. The sale price of the machinery was £550,000, the freight charge was £10,000 and the marine insurance premium was £825.
- Calculate, **showing all your workings**:
- (a) the final settlement figure to be paid; (6)
- (b) the amount that cargo insurers should recover from the shipowners, assuming they are liable under Hague-Visby Rules if the British Pound exchanges at £1 to 1.10 Special Drawing Rights. (6)
11. Identify **five** immediate actions a consignee must take if goods are received damaged or short of the quantity ordered. (10)
12. Identify, from the question **parts (a) - (d)** below:
- the part of the transit by land or by land and sea where the loss or damage is likely to have occurred;
 - the party which had the insurable interest at the time of loss;
 - the bailee of goods that a recovery could be attempted from.
- (a) Final delivery note claused noting damage, the outturn report is clean, the bill of lading is clean. (3)
- (b) Final delivery note claused, outturn report claused, bill of lading claused noting damage. (3)
- (c) Final delivery note clean, outturn report claused, bill of lading clean. (3)
- (d) CMR consignment note of third successive carrier claused, second successive carrier's note clean, first carrier's note claused upon taking over the goods by the second successive carrier. (4)

13. (a) Outline **six** roles played by average adjusters in marine cargo claims. (6)
- (b) Identify **two** parties for which average adjusters may act. (2)
- (c) Outline **three** roles of a recovery agent. (3)
14. Calculate, **showing all your workings**, the compensation payable, under Hamburg Rules, in Pound Sterling, if the British Pound exchanges at £1 to 1.10 Special Drawing Rights, for the following:
- (a) 25 tonnes. (8)
- (b) 750 packages. (6)

QUESTIONS CONTINUE OVER THE PAGE

PART II

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

15. You are an insurance broker whose clients, Lorry Carrying and Storage plc (LCS), has delivered goods to a customer in Spain after being stored in LCS's warehouse in England. The storage was conducted under the United Kingdom Warehousing Association's (UKWA) conditions for logistics. Upon delivery to the customer, damage was found to the goods, some of which occurred in transit before the goods had reached the UK port, and some of which was caused whilst the goods were in store.

The goods had a value of £125,000. Some of the goods were damaged in storage by rainwater penetrating the roof of the warehouse, whilst the remaining goods were damaged during transit.

As a result of the damages, the customer incurs extra charges in obtaining goods to replace the damaged ones. The customer wants to claim for both sets of damages and for the extra charges incurred.

- (a) Explain whether LCS is legally liable for **each** set of damage and whether it has any defences to liability. (17)
- (b) Explain how the customer might overcome any such defences to liability. (13)

As part of your answer, compare both the conditions of storage and the conditions of carriage, along with the defences and possible compensations in each set of conditions with reasons, and with reference to relevant case law.

- 16.** As a claims adjuster for an insurance company, you have received a claim from Machines Ltd, a customer of your assured, for a machine that appears to have been damaged by the forks of a fork lift truck which pierced the crate in which the machine was packed. The damage was discovered when the machine, in its crate, was delivered to the buyer overseas. Cover was provided under Institute Cargo Clauses (A) 1/1/09 and the machine was purchased under Cost, Insurance and Freight terms.

During the investigation of the claim, Machines Ltd alleges that your assured had changed their packing to one which involved a thinner wood. It would appear that your assured had omitted to inform you of this change. The previous crating was 15 millimetres thick but the new one is only 10 millimetres thick.

Explain, giving reasons for your decision, how you intend dealing with this claim, and state whether you will reject it or admit it.

(30)

- 17.** You are an insurance broker for an importer of a consignment of cooking oil in bulk. Sample testing, prior to discharge from the vessel, indicates that it has been contaminated by oil from the bulk carrier's lubricating oil.

The imported value of the consignment is £2,500,000 and cover was provided by the Institute Federation of Oils, Seeds and Fats Associations (FOSFA) Trade Clauses (A) 1/7/85 CL313.

The importer wishes to claim for a total loss, but your marine cargo insurer refuses this, arguing that at most it is a partial loss. The oil can be returned to its country of origin so that the contaminating oil can be filtered out.

The insurer also hints that the leakage of the oil was so serious that the ship must have been unseaworthy when the voyage commenced, thereby allowing the insurer to reject the claim.

- (a)** Discuss the options open to the importer and how they may exercise those options.

(24)

- (b)** Explain the options and arguments that are being put forward by insurers.

(6)

BLANK PAGE

