

# P90

## Diploma in Insurance

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

April 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. Identify the:
  - (a) basis on which ship owners contract to carry cargo on a British registered ship; (1)
  - (b) compensation that the ship owner must pay if he is liable for loss or damage to cargo; (3)
  - (c) legal position of that ship owner if the Captain fails to navigate his ship safely, causing it to ground on a reef; (1)
  - (d) legal position of that ship owner for damage to cargo caused by a fire on board the vessel. (2)
  
2. (a) State what a haulage contractor is liable for with regard to the goods being carried. (2)
- (b) Identify the **three** categories of such liability. (3)
- (c) State the standard compensation payable by a carrier of goods between the United Kingdom and France. (1)
  
3. (a) Outline the devices that connect a tractor unit to a trailer. (3)
- (b) Describe the hitching and un-hitching of tractor unit and trailer. (8)
  
4. State the perils covered by the Institute Cargo Clauses (B) 1/1/09 which are **not** covered by the Institute Cargo Clauses (C) 1/1/09. (10)

5. (a) State how a buyer under a Cost, Insurance & Freight (CIF) contract reports loss or damage to cargo upon receiving the cargo at its premises. (1)
- (b) Outline the main duties of a cargo claims surveyor acting for the CIF insurers. (10)
6. (a) State what a special drawing right (SDR) is. (1)
- (b) Name the body which designed and promoted the SDR. (1)
- (c) State how its value is determined each day. (1)
- (d) Calculate, **showing all your workings**, the liability of a CIM carrier for 90 tonnes of goods destroyed in a train crash, where £1.00 is worth SDRs 1.11. (5)
7. A consignment of machinery, loaded on a ship at an English port on the 10 December 2010, arrived in Australia at the end of January 2011, where it was found to be damaged. The bill of lading is claused to the effect that it was dropped onto the quayside at the English port and then loaded to the ship in a damaged state.
- The buyer in Australia has rejected the machinery and demanded the return of the monies the buyer laid out to obtain the machinery, but the seller insists the buyer must make a claim via the local agent in Sydney since the buyer owned the goods once they had passed over the ship's rail. The Incoterms used were Cost, Insurance & Freight.
- Explain, with reasons, whether the seller or the buyer is correct. (12)
8. List the **four** chief producing countries of iron ore and **four** chief producing countries of tin. (8)

Questions continue over the page

9. Goods carried from Italy to Germany have been damaged in transit. The principal carrier agreed with the owner of those goods that the carriage would be under all risks liability for loss or damage and consequential loss.
- Explain the legal position of the last carrier in the carriage of these goods. (15)
10. State the main risk profiles for:
- (a) motor vehicles; (6)
  - (b) paint in tins or drums. (5)
11. Describe briefly the functions of the following transport documents:
- (a) Interchange receipt. (4)
  - (b) Outturn report. (3)
  - (c) Final delivery receipt. (2)
  - (d) Sales invoice. (1)
  - (e) Packing list. (5)
12. Outline the shipowner's duty before and at the beginning of a voyage. (12)
13. State **seven** reasons why fruit and vegetables lose weight during transit. (7)
14. Outline the risk profile of caravans in transit. (7)

**PART II**

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

15. You are the Claims Manager of a marine insurance company and have received a claim from Oz Machines Ltd, of Sydney. They are claiming under your policy for a machine they bought from a seller in Germany under Incoterms 2010 Cost, Insurance & Freight. The machine was delivered, as instructed, to their premises in Sydney and subsequently moved to their other factory in Bankstown, a few miles out of Sydney.

Oz Machines Ltd are claiming for damage to the underside of the machine and the four supporting legs, which they say were sheared off by bad handling. They say they were unaware of this because the crate showed no external signs of damage.

The legs were scrapped and the wooden crate in which the machine travelled was disposed of for health and safety reasons.

In response to your refusal to admit the claim, Oz Machines Ltd say they had all risks cover so they don't have to prove the loss or prove that it occurred in transit. They first notified you of the claim ten weeks after the arrival of the overseas vessel in Sydney. You provided cover under the Institute Cargo Clauses (A) 1/1/09.

As the Claims Manager, prepare a detailed response to Oz Machines Ltd in support of your refusal to admit the claim.

**(30)**

Questions continue over the page

- 16.** You are a London-based insurance broker specialising in haulage contractors' liability insurance. A new start-up client has approached you for advice on how he should operate his business. He has just one vehicle and no previous experience of running this type of business. His business plan involves the carriage of goods without the use of conditions of carriage, and without limiting the amount of compensation he will pay for loss or damage to goods. He plans to concentrate on the carriage of machinery to consignees in the United Kingdom and Europe.
- (a)** Advise your client of the shortcomings in his business plan and the potential consequences for his business and any personal assets. **(11)**
  - (b)** Recommend to your client a better way to run his business, including the use of other road carriers' facilities. **(16)**
  - (c)** Outline to your client the best premium option for his haulage contractor's liability insurance. **(3)**
- 17.** Engineering plc, based in the United Kingdom, have sold two machines to a buyer in the Middle East under Incoterms 2010 Cost, Insurance & Freight. One is a new printing machine, insured under Institute Cargo Clauses (A) 1/1/09. The other is a used machine, some thirty years old. Both machines are insured under Institute Cargo Clauses (C) 1/1/09, plus Institute War Clauses (Cargo) 1/1/09 and the Institute Strike Clauses (Cargo) 1/1/09. Upon discharge at the overseas port, both machines are found badly damaged due to movement within the container when the ship encountered heavy seas. The outturn report is claused, noting the damage, and the machines are accepted as being in damaged condition by the road carriers for their final destination to an inland city. During that trip, parts of both machines are stolen by scrap metal thieves.
- (a)** Identify the party and explain why they must make the claims. **(4)**
  - (b)** State, with reasons, whether the claims are to be admitted by the insurers. **(6)**
  - (c)** Explain whether the insurers are able to reject the damage claim due to insufficient packing of the container. **(8)**
  - (d)** Describe the effect on these claims if the damage to each machine arose during the road journey to the United Kingdom port. **(12)**



**BLANK PAGE**

**BLANK PAGE**



