

PGDM (Insurance Business, 2016-18)

Marine Cargo & Hull Insurance

Code:- INS-407

Trimester – IV, End-Term Examination, September-2017

Time allowed: 2½ Hours

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Part-A

Attempt any 3 questions. Each question carries 5 marks. No answer should have more than Two Hundred Fifty words.

A.1. Answer all five question (1 marks each)

A.1.1	Which among the following type of risk would the underwriter be wary of underwriting
a	High Severity and Low frequency
b	Low severity and low frequency
c	High frequency and low severity
d	High severity and high frequency

A.1.2	Piracy is covered in
a	ICC A - 2009
b	ICC B - 2009
c	ICC C - 2009
d	None of above

A.1.3	The onus of proof is with underwriter when it comes to invoking an exclusion under ITC A whereas under ITC B and ITC C the onus is with assured to prove that the losses or damage arises due to operation of an insured perils.
a	TRUE
b	FALSE

A.1.4	This clause of ITC bars Bailee's like transporters or other carriers from taking marine insurance policies
a	Not to insure clause (Clause 7)
b	Insurable interest Clause (Clause 6)
c	Transporter Restricted Clause
d	Duty of Assured (Clause 8)

A.1.5	Time excess is applicable in
a	Institute Frozen Food Clause
b	Institute Coal Clause
c	Institute Time Clause – 2009
d	ICC A - Duration Clause 2009

A.2.

A policy was issued on ITC A + SRCC only for ZOZO ICECREAM COMPANY without any additional cover. One of the transit which was moving from the factory in Delhi to Chennai was stuck in Bhopal for around 20 days. The driver could not arrange for proper power supply for the refer container. On receipt of the goods at the destination the consignee lodged a claim on the insurer stating the goods received has melted completely. Kindly comment on the fate of this claim.

A.3.

Write short notes on Excess of Loss Reinsurance in Marine,

A.4.

Describe Excess and Franchise. Two policies has been issued in for a company for Exports and Imports separately. Exports policy has an excess of Rs 10,000 and Imports policy has a franchise of Rs. 10,000. Same number and value of claims has been reported in both the policies. What will be the total claim paid in export and import policies.

Claim Number	Loss amount in INR
1	20000
2	30000
3	7500
4	15000
5	25000

A.5.

Elaborate and write short notes on CPT, FOB and DDP Incoterms

Part-B

Attempt any 2 questions. Each question carries 10 marks. No answer should have more than Five Hundred words.

Question B.1

B.1.1 - Describe all types of containers being used during marine transit ? (5 Marks)

B.1.2 - Name all the documents required by any insurance company to settle a high value hijack claim. ? (5 Marks)

Question B.2

Ridhaan Sports World(RSW) is manufacturer of sports goods and have taken a marine STOP policy to cover all of his transits on an All Risk basis (ICC A/ ITC A). His annual sales is expected to be Rs 100.00 crores in the current policy. Over all purchases including imports and duties is Rs 80.00 Crs.

Subject Matter insured under the policy is as below - Upon all kind of raw materials, semi finished goods, finished goods timber, chemicals, leather sheets, clothes, rubbers, chemicals, Bat, Balls, Stumps, Gloves, Basket Balls, Foot Balls, Table Tennis Tables, Net, Rackets, Shuttles and such other similar items pertaining to assureds trade.

Basis of valuation agreed in the policy is invoice value + 10%, and in case of imports - Invoice value + 10% + customs duty at actuals(which is 25%)

Excess : 1% of the consignment value subject to minimum of Rs. 10,000 on each and every claim.

B.2.1 (2 Marks)

One of the vertical saw machine was to be replaced and insured ordered a new one from Punjab on ex works basis. Truck carrying the machine worth Rs. 10.00 Lakhs over turned. It was a total damage. How much claim will the insurer pay and why.

B.2.2 (2 Marks)

RSW received a huge order from the Ministry of Sports to supply 1.00 Lakh foot balls by 1st October 2017(Deadline Date). RSW ordered good quality leather from a company in Brazil on 15th July 2017 and the leathers were dispatched by the Brazilian supplier on 20th August worth Rs. 25.00 Lakhs. Unfortunately due to some technical problem in the ship the goods were transshipped in a different vessel. By 1st October 2017 these raw materials did not reached to RSW's factory and the Sports Ministry then cancelled the orders. These leathers reached safely at the factory on 7th October, It was a huge loss for RSW and they lodged a claim under marine insurance policy to recover this loss. What amount will be settled and why.

B.2.3 (2 Marks)

RSW sold 1000 bats worth Rs 10,00,000 to Bengal Sports Company based in Kolkata on CIF basis. Truck reached the destination town on 21st September and the transporter informed the consignee the same day. Due to Durga Pooja Holidays consignees employees went on leave on 23rd and the delivery could not take place. Transporter kept the goods at their premises for few days and on 6th October that there was a fire in his warehouse and a total loss was reported to the insurer. Kindly calculate the claims amount paid by the insured.

B.2.4

Sports Goods worth Rs. 50.00 Lakhs was exported by RSW to French Sports Association in France on CIF terms. When the goods were received by the importer at the port, they found 150 Pcs of the sports items worth Rs. 15.00 Lakhs was stolen during transit.

B.2.4.1 - To whom the loss will be paid. (2 Marks)

B.2.4.2 - Calculate the claim amount to be settled considering all documents shared by the consignee. (2 Marks)

Question B.3

B.3.1 - What are Coverages in Institute Cargo Clause C, B, A – 2009 (4 Marks)

B.3.2 - What are the exclusions under 4,5,6,7 (4 Marks)

B.3.3 - Explain the duration clause under ICC (A) 2009 (2 Marks)

Part-C

Case Study : Compulsory question.

Carries 15 marks.

Munchy Crunchy Private Limited is into manufacturing of candy's and biscuits based out of Hyderabad. Since they have different departments taking care of various legs of transit hence they have different marine open policies running currently. Insurance department in this company was finding it difficult to manage so many policies and declarations. Hence they decided to go for a single policy where a simpler declaration on sales can be shared with the insurer.

Insurer shared few details as below

Per Sending Limits : Rs 3.00 Crs

Per Location Limits : Rs 6.00 Crs

Mode of shipments – Rail/ Road/courier/Sea/Air

Table 1

Legs\Year	Utilized Sum Insured		
	2016	2015	2014
1 Imports and Duties	400,000,000	300,000,000	300,000,000
2 Exports	500,000,000	400,000,000	400,000,000
3 Domestic Sales	600,000,000	500,000,000	500,000,000
4 Domestic Purchase	200,000,000	100,000,000	100,000,000
5 Stock Transfers	200,000,000	100,000,000	100,000,000

Table 2

Legs\Year	Rates		
	2016	2015	2014
1 Imports and Duties	0.04%	0.04%	0.04%
2 Exports	0.04%	0.04%	0.04%
3 Domestic Sales	0.03%	0.03%	0.03%
4 Domestic Purchase	0.03%	0.03%	0.03%
5 Stock Transfers	0.03%	0.03%	0.03%

Table 3

Legs\Year	Claims Paid to Insured		
	2016	2015	2014
1 Imports and Duties	300,000	200,000	100,000
2 Exports	50,000	30,000	60,000
3 Domestic Sales	700,000	500,000	100,000
4 Domestic Purchase	400,000	100,000	100,000
5 Stock Transfers	100,000	100,000	100,000

Excess in current policies : 0.50% of the consignment value subject to minimum of Rs. 10,000

Coverage Required by the insured is – All Risk + War + SRCC.

You are an underwriter of Bachao Insurance Company:-

Your head office has suggested to quote on technical rates considering 5% profit margin and 10% admin cost while deriving rates. Broker has agreed to reduce the brokerage from 15% to 5% for this year.

Table 4

Legs\Year	Expected turnover 2017
Imports and Duties	700,000,000
Exports	600,000,000
Domestic Sales	500,000,000
Domestic Purchase	300,000,000
Stock Transfer	100,000,000

Kindly design the detailed quote keeping the below points in mind.

- Few of the import transits will be for temperature sensitive cargo moving in reefer containers.
- Boxes are opened for inspection within 3 weeks after the goods are delivered at the final destination.
- In case of damage they do not want any of their items being sold with their name on the packing etc.
- Few months ago they had dispatched 10 containers of candy's to Russia on CIF basis. Only 7 container got loaded on the vessel and 3 were left out at the port as the Vessel did not had enough space. Insured is looking for 30 days coverage for such kind of incidence.
- Majority of their exports moves on CFR/FOB basis and around 80% of such transit moves on credit basis.

Note : The premium should be inclusive of GST - 18% and stamp duty. (5 Marks each for quote, premium and 5 additional clause as per insureds requirement mentioned above)
