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PGDM (Insurance Business), 2014-16
Marine Cargo & Hull Insurance
INS-404
Trimester –IV, End-Term Examination, August- 2015

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.

Section-A

There are 5 questions in this section. Attempt any 3 questions. Each question carries 5 marks and the Word limit is 200 words.

Write short notes an any three of the following:

A1. A large, second-hand reconditioned machine, valued at £300,000, has been sold by a UK machinery supplies company to a buyer in India. Cover is required for the journey from the UK seller to the buyer in Kolkata, India.

Explain why one insurer might offer cover under Institute Cargo Clauses (A) 1/1/09 whilst another would only offer cover under Institute Cargo Clauses (B) or (C) 1/1/09.

A2. A ship, valued at $20,000,000 carrying cargo worth $10,000,000 had suffered a fire amongst some of the cargo, desperately it accepted an offer of salvage under the Lloyd's Salvage Open Form (LOF). Only some of the cargo worth $1,500,000 has been destroyed by the fire.

a) Calculate the salvage (SC) award assuming an award of 2% and split this between the ship and the cargo owners. (3)

b) How does GA contribution differs from SC? (2)

A3. SCI wish to get its ship insured, you are supposed to put a quotation on behalf of an Insurer. From the details given below, calculate the slip rate :-

Line:	K Line Ship Management Company
Vessel:	Ashoka
Year Built:	2005
GRT:	12,000
Insured Value:	Rs. 20,00,00,000
Type:	General Cargo Vessel
Trading:	Worldwide, subject to Institute warranties

As per the underwriting guidelines (Tariff) of the Insurer, the total Loss rate is 0.60% and that of Ex. T.L. is Rs. 60 per GRT. The deductable applicable was Rs. 1,50,000 only.

Contd.-2/-

A4. A trader into business of exports of garments approaches you to get coverage to his credit sales on FOB/C&F to his known buyer in an African country on ICC'A' basis. What kind of policies would you suggest and explain special features thereof?

A5. While evaluating a risk for underwriting a Cargo Insurance Proposal, briefly explain the relevant material facts related to risk.

Section-B

[Note: Answer 2 out of the 3 Questions below. Each Question carries 10 marks and word limit is 500.

B1. A vessel loaded with fruit was shipped under a clean bill of lading which incorporated the Hague-Visby Rules. During the voyage, the carrier failed to comply with the shipper's cooling instructions and the cargo arrived in a damaged and rotten condition.

(a) Explain briefly what the liability of the ship owner is for the damage sustained to the cargo? (4)

(b) If the damage to the fruit had occurred due to a fire on board the vessel, explain briefly:

(i) How the ship owner could avoid liability for a claim in which the provisions of the Carriage of Goods by Sea Act (COGSA) apply; (2)

(ii) The circumstances in which a ship owner will not be able to avoid liability for damage to goods caused by fire. (2)

(c) Explain briefly the liability of the cargo insurer under Institute clauses when ship is delayed due to grounding in the transit and the fruits arrived at destination in rotten condition. (2)

B2. Your client, a manufacturer of spare parts for the motor industry, has asked you to research and then recommend the most efficient way of reporting its sendings in any one year and also to advise which will cost the least. Your client has customers in most areas of the world and uses road, sea and air transport facilities for the carriage of its goods. Although the cost of insurance is not a major issue for your client, it is generally prudent in its approach to business costs of all descriptions.

Prepare a report for the Managing Director. Type of Cover(s) to be granted as per the Institute Cargo Clauses (A) 1/1/09 and Institute Cargo Clauses (Air) 1/1/09 plus war and strikes, with reasons.

B3. You are an insurance broker whose clients, Indo Widgets Ltd, has decided to expand its business by creating an export division selling goods to customers in Europe, the Far East and Australia. Indo Widgets Ltd has never exported before and knows nothing about insuring goods whilst in transit to customers overseas.

(a) Explain briefly to your clients the modes of transport by which the widgets will be carried. (2)

(b) Identify the relevant Incoterm 2010 your clients should adopt. (2)

(c) Identify to your clients the point at which interest in the goods passes from seller to buyer. (2)

(d) Explain to your clients the insurance facility(policy) an insurer can offer its customers as part of the total sales package. (4)

Section-C

Case Study ***Marks: 15***

Compulsory questions-

1. Ready Made Clothing Ltd imports hanging garments and casual clothing from the Far East on Ex- Works terms. The hanging garments are covered in plastic over the top half, whilst the casual clothing is packed in cardboard cartons. All goods are then containerised in dedicated full container loads. Insurance is provided under Institute Cargo Clauses (A) 1/1/09 terms plus War & Strikes Clauses 1/1/09.

Three type of claims have arisen following the delivery of a container. Some of the load has been stolen, some has received damage by an unspecified water source and some of the hanging garments show signs of dirt and fraying of the hems.

(a) Describe briefly the purpose of packing goods, as set out in the Institute Cargo Clauses. (4)

(b) The insurers have rejected all three claims. State, with reasons, whether the insurers are likely to be successful in maintaining each of the following rejections:

(i) inadequate packing which failed to protect the goods from theft; (2)

(ii) inadequate packing of the wet goods and a lack of evidence as to where the wetting took place; (2)

(iii) insufficient packing of the hanging garments. (2)

2. Sixty percent out of twenty tones of machinery spares were damaged beyond repair whilst on the high seas. The contract of carriage is subject to Hague-Visby rules. The cost part of the consignment was £400,000, the terms of sale were cost, insurance and freight (CIF) plus 10%, and the cost of the insurance and freight charged was £10,000.

Calculate, showing all your workings:

(a) The amount the assured should receive in settlement of his claim; (2.5)

(b) The amount of compensation that insurers may recover from the shipowner, based on an SDR rate of £0.90. (2.5)

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