

PGDM (IBM), 2018-20
Marine Cargo and Hull Insurance
INS 405

Term – IV, End-Term Examination: September 2019

Time allowed: 2 Hrs 30 Min
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**. All other instructions on the reverse of Admit Card should be followed meticulously.

SECTION A – (10 marks * 3 questions) = 30 Marks

A1 (CILO 1)

What are the principles of Marine Insurance ? Write short note on any 2 of them.

Please list down all the coverages under ICC B along with exclusions and durations.

OR

Name any 10 Non Institute Clauses and describe any 4 out of these?

A2 (CILO2)

What are incoterms? Name all the Incoterms of 2000 version? Describe the 2 incoterms in detail which has been added in 2010 version?

OR

What kind of policy does a vessel owner require? Considering yourself as a marine hull underwriter, please explain the coverages under Marine Hull to a new company who is procuring 3 vessels on 2nd October 2019.

A3 (CILO 3)

You are a claims manager of Super Hit Insurance Company private limited. One of your client has suffered a hijack claim near Aligarh in one of their import transit. Cargo lost was copper wires and the value was Rs. 2.00 Crs. Please share the detailed list of documents require to proceed with the settlement. Also describe all the recovery documents in not more than 50 words each?

OR

Describe Marine DSU in detail? How it is different from Marine STOP?
What were the 5 major changes in 2009 version of Institute Cargo Clause in comparison to 1982?

.....**End of Section A**.....

SECTION B – CASE STUDY (a, b, c, d, e carries 2 marks each and f carries 10 Marks – Total 20 marks) (CILO 4 or Combination of CILOs)

Below Policy was issued by an insurer well known in the Indian market – Delta Insurance Company Private limited.

Marine Open Policy on Sales Declaration Basis
Policy Number – Delta/1947/2019

Insured Name	:	Victory India Pvt Limited., DELHI STOCK EXCHANGE BUILDING, ASAF ALI ROAD, NEW DELHI – 110 002
Policy Period	:	1 st April 2019 to 31 st March 2020.
Commodity	:	Upon all types of raw materials, semi finished, goods, medicines like Liquid Orals, Tablets, Capsules, Syrup, Dry-syrup, Injection, Dry-injection, Ointment, Gel, Eye Drop, Ear Drop, packing material and such other similar items pertaining to assureds trade.
Packing	:	Standard and Customary but excluding loose, tanker and bulk movements. All Ocean Voyage to be containerized in fully enclosed containers.
Voyage/Transit	:	<u>IMPORTS</u> : From anywhere in the world to anywhere in India but excluding shipments from Afghanistan, Cuba, Iraq, Myanmar, North Korea, Libya, Iran, Syria, Sudan & Somalia. In respect of road shipments from Nepal & Bangladesh, the coverage under the policy will start upon the insured cargo reaching the Indian border. For shipments from countries in Africa, cover granted under this policy will begin once the goods are loaded on the ship/aircraft at the originating port. CIF imports: From any Indian port to anywhere in India. <u>EXPORT</u> : From anywhere in India to anywhere in the world but excluding shipments to/through Afghanistan, Cuba, Iraq, Myanmar, North Korea, Iran, Libya, Syria, Sudan & Somalia. In respect of road shipments to Nepal & Bangladesh, the coverage under the policy will terminate upon the insured cargo reaching the Indian border. For shipments to countries in Africa, cover granted under this policy will terminate at the destination port/airport of discharge. <u>EXPORT FOB/C&F</u> : From anywhere in India to any Indian port as per FOB clause.

Note:- Unless agreed upon, coverage under the policy will not exceed liability of insured as per invoice INCO Terms.

INLAND: From anywhere in India to anywhere in India including sales, purchase, inter depot movement & stock transfer.

Conveyance	:	By Sea / Rail / Road / Courier / Air.
Basis of Valuation	:	Imports: Invoice Value + Freight (if not included in invoice) + 10%. Duty(Imports): Actual / Notional / Deemed. Exports : Invoice Value + 10%. Inland Sales & Purchase : Invoice + 10% Stock Transfer/IUT : STN/Challan Value Sales Returns : 80% of the invoice value Used Items : Depreciated Market Value
Basis of Declaration	:	Sales + 10% on monthly basis within 15 days of succeeding month, all other transits will be automatically covered. In view of statutory provisions for premium payment, adequacy of premium at all times will have to be ensured by the Assured. The company (i.e. insurer) reserves the right to inspect the books of accounts of the insured including the audited balance sheet). Policy adjustable (downwards) after expiry on the basis of actual turnover
Limit per sending/bottom	:	Rs. 3.00 Crs
Limit per location	:	Rs. 6.00 Crs
Terms of cover	:	-Imports /Exports : 'All Risks' + War + 'SRCC'. -FOB/CFR Exports/Domestic : All Risk + SRCC. -Tail end imports/Sales returns/Used Items : ITC/ICC B + SRCC + Non Delivery of entire consignment.

Subject to:

By Sea:

Institute Cargo Clauses (A), 1/1/2009,
Institute Cargo Clauses (B), 1/1/2009,
Institute Strikes clauses (Cargo), 1/1/2009,
Institute War Clauses (Cargo), 1/1/2009,
Institute Classification Clause 1/1/01
Cargo ISM Endorsement.

By Air :

Institute Cargo Clauses (Air) (excluding sendings by Post) 1/1/2009,
Institute Strikes Clauses (Air Cargo) 1/1/2009,
Institute War Clauses (Air Cargo) (excluding sendings by Post) 1/1/2009

By Road/Rail :

Inland Transit (Rail or Road) - Clause A (All Risks)

Inland Transit (Rail or Road) - Clause B (Basic Risks),
Strikes Riots and Civil Commotion Clause,
Limitation of Liability Clause.

By Courier :
Regd. Parcel Clause (duly amended for courier
dispatches)

Standard Clauses :
Institute Standard Condition for Cargo Contracts
1/4/82.
Institute Radioactive Contamination, Chemical,
Biological, Bio-Chemical and Electromagnetic
Weapons Exclusion Clause dt. 10.11.2003.
Termination of Transit Clause. (Terrorism)
Important Notice Clause.
Institute Cyber Attack Clause.
Private Carrier Clause.
FOB Clause.
Duty Insurance Clause.

Warranties/ Exclusion	:	<ul style="list-style-type: none"> - Warranted fitness & suitability of the carrying vehicle. - Warranted carrying conveyance to be closed or adequately covered with weather proof material. - Warranted that the subject matter covered is properly lashed and secured in the carrying conveyance / container. - Policy extended to cover risk of loading/unloading. - Excluding losses due to Contamination, Mold, Mildew, Infestation and spoilage unless caused by ITC/ICC-B perils. - Excluding losses due to variation in temperature. - Excluding unexplained shortages. - Excluding Mechanical / electrical / electronic derangement unless caused by ITC - B/ICC B Perils Excluding Rusting, Oxidization & Discoloration losses unless caused by ITC - B/ICC B Perils
Annual estimated turnover	:	<p>Domestic Sales : Rs. 10.00 crores. Export : Rs. 150.00 crores. Total Sales: 160.00 crores (110% sales)</p> <p>Sub limits : Domestic Purchase : Rs. 125.00 crores Imports Incl. Duty : Rs. 10.00 crores Interdepot / Stock Transfer : Rs. 80.00 crores Sales Returns : Rs 5.00 crores Total Transit Value : Rs. 380.00 crores.</p>
Excess Applicable	:	0.50% of the consignment value subject to minimum of Rs. 10,000/- for each & every claim.
Rate	:	0.20% (To be applied on Sales T/O + 10% only)
Claims history	:	2018-19 : 32.00 Lakhs (9 claims) 2017-18 : Nil

2016-17 : Nil

In continuation to above policy,

- a) Please calculate the premium amount all inclusive (GST and Stamp Duty) on which the insured has to make a payment?
- b) Insured purchases a land in Agra for expansion and procures machineries worth Rs. 40.00 Crs. to start a new factory. One of the machines worth Rs. 1.00 Cr falls in sea during the ocean voyage. Please confirm the amount which will be paid to the insured if all the relevant claims document including the recovery documents is submitted to the insurer.
- c) Insured had paid a one time premium to the insurer. Financial year 2019 -20 was so good for the insured that they over achieved companies target by 50% in 10 months. By January 2020 their total sales declared was Rs 240 Crs. A small loss of Rs 2.00 Lakhs was reported in their sales leg within India. Surveyor had confirmed liability how ever insurer could not provide damage certificate. Please calculate the loss amount paid to the insured if the salvage amount recovered was Rs 10,000 from the damaged cargo.
- d) One of the shipment was sold on 100% credit to a buyer in Kenya on FOB Kandla Port basis. It was safely loaded on the vessel and few day later from the date of discharge from the port, this vessel had sunk. Buyer who did not receive the cargo refused to make payments for this purchase to M/s Victory. Insured had lodged a claim of Rs 25 lakhs with Delta and submitted all the claims documents. Please calculate the amount to be paid to the insured.
- e) Few of their temperature sensitive cargo were coming in reefer containers as this cargo withstand temperature only between 0 degree to 8 degree only. Due to mechanical breakdown the temperature inside the container went up to 40 degree. After 2 days once the cargo reached the final destination, cargo was rejected by the QC department as not good for use. How much claim will get settled if claim worth Rs 2.00 Crs was lodged.
- f) Insureds is looking forward to understand the complete coverage of General Average Sacrifice and Institute frozen food/meat clause along with the exclusions and durations. Please explain in detail. <Note : question carries 10 marks>

.....End of Section B.....