Lloyd's List Intelligence

The Authority
Maritime Intelligence



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bsi ISO 9001 Quality Management Systems CERTIFIED
FS 786170

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Claims and Recoveries

Sample Questions

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Recoveries Scenario

Your survey colleagues were appointed on behalf of cargo interests/ insurers to inspect a consignment of cocoa beans which have arrived at final destination in a wet condition. You have been asked to consider the merits of the case with a view providing the client with recommendations for recovery action.

The consignment consisted of 5 x 20ft FCL container each containing 1000 bags (total consignment 5000 bags) and weighing 20kgs each. The cargo was being shipped from Liberia to Antwerp (for use in the chocolate industry) under a Bill of Lading incorporating the Hague Visby Rules as enacted in the country of shipment.

On arrival at destination, some 240 bags from one container (which was reportedly holed when delivered) were found to have suffered wet damage to varying degrees. In addition, 60 bags were torn with contents spilled in another container which was in an outwardly sound condition.

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Scenario 1 – continued

CIF value of EUR 5.00/ bag and an insured value of EUR 5.50/bag and the claim amount is as per the adjustment after taking into consideration allowances and salvage.

At the time of survey attendance, the containers had already left the consignee's premises and the surveyor was unable to inspect same. However, the surveyor performed a silver nitrate test on the damaged goods which gave a positive reaction.

Whilst no reserves were made on the final delivery note, a claused EIR was issued confirming that one container (from which the 240 bags were destuffed in wet condition) showing a hole in the roof panel and prompt notification of the damage was given to the carrier.

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Sample Question 1

Is the recovery action worth pursuing and why?

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Sample Question 1

Is the recovery action worth pursuing and why?

Answer:

Yes, holed container and positive silver nitrate test. Carriers failed in their duty to properly and carefully load, handle, stow, carry, keep, care for, and discharge that goods carried. Article IV of Hague/ Hague Visby Rules.

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Sample Question 2

Which Maritime Convention applies here?

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Sample Question 2

Which Maritime Convention applies here?

Answer:

Hague Visby Rules as enacted in Liberia. Liberia have adopted HVR in their National Law.

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Sample Question 3

Does a package limitation apply here – If yes, what it is and show workings?

Answer:

The packaging limit under HVR is 666.67 sdr's or 2 sdr's per kilo whichever is the greater. In this case the former exceeds the claim amount. So, there is no package limit.

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Sample Question 4

What will be the time limit application here?

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Sample Question 4

What will be the time limit application here?

Answer:

1 year/ 12 months

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Multiple Choice Practice Questions

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Multiple Choice Practice Questions

1. Which of the following perils is covered under ICC (B) but not ICC(C)?
    a. Vessel or craft being stranded, grounded, sunk or capsized.
    b. Total loss of any package lost overboard or dropped whilst loading on to, or unloading, vessel or craft.
    c. Overturning or derailment of land conveyance.
    d. Discharge of cargo at port of distress.

2. An Assured is shipping flat pack furniture from Sweden to the United Kingdom wrapped in plastic and packed into boxes to be sold directly to consumers upon arrival at destination. During the sea voyage the cargo suffers wet damage because of the holds not being fully closed. The cargo is insured under ICC (A).

Will the Assured be able to recover the associated costs or repacking their cargo?

a. Yes, as the cargo is insured on an All Risks basis.
b. Yes, as the packaging forms a part of the 'thing insured'.
c. No as the packaging would be promptly disposed of at arrival at destination port.
d. No, as 'insufficiency of packaging' is a general exclusion under Institute Cargo Clauses.

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Multiple Choice Practice Questions

3. Which of the following perils is **not** considered a ‘special’ or ‘broker’s’ clause?
    a. Sorting Charge Clause.
    b. Brands Clause.
    c. Transit Clause.
    d. Labels Clause.

4. Which of the following losses would be considered an ATL?. (
    a. Wood that has burned sufficiently to be turned into charcoal.
    b. Machinery that has been severely damaged but can be repaired at a cost less than the final repaired value.
    c. Grain that has been infested and is no longer fit for human or animal consumption.
    d. Copper that has been wet damaged by sea water but retains a minimal scrap value.

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Multiple Choice Practice Questions

5. When considering the 'War Exclusion' (Clause 6) which of the following is **not** one of the listed excluded perils?

'*in no case shall this insurance cover loss damage or expense caused by…?*'

a. War civil war revolution rebellion insurrection, or civil strife arising therefrom, or any hostile act by or against a belligerent power.
b. Capture seizure arrest restraint or detainment (piracy excepted), and the consequences therefore or any attempt thereat.
c. Derelict mines torpedoes, bomb or other derelict weapons of war.
d. Any person acting from a political, ideological or religious motive.

6. In practice, which rules are **most used** when adjusting a 'General Average' claim?

a. The York-Antwerp Rules 1994
b. The York-Antwerp Rules 2004.
c. The Hague Rules 1924.
d. The Hague-Visby Rules 1968.

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Multiple Choice Practice Questions

7. At what point are the ‘General Average’ contributions calculated?
    a. At the time and place the adventure commences.
    b. At the time and place of the loss.
    c. At the time of the loss and the place the insurance was affected.
    d. At the time and place the adventure ends.

8. Under what circumstances will Article 14, ‘Special Compensation’ apply?
    a. Where the salvor has saved property and the value of the property is large enough to bear an uplift from protecting the environment.
    b. Where there is no property saved or the property saved is not large enough to bear and uplift for saving the environment.
    c. Where the salvor has save property and the shipowner has opted to make article 14 payment, instead of an article 13 payment.
    d. Where there is no property saved and the P&I Club has refused to honor the salvage contract.

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Multiple Choice Practice Questions

9. Which party normally takes the salvage security on the salvor's behalf, under a LOF contract?
    a. Comite Maritime International (CMI), typically in the form of an average guarantee.
    b. Appeal arbitrator, following the appointment of an arbitrator.
    c. Salvage and Arbitration branch, approved by the council of Lloyd's.
    d. Average Adjustor, typically in the form of an average bond.

10. Under the rules governing 'General Average' which of the following items would contribute to the adjustment?
    a. Passenger's Luggage. (9)
    b. Personal Effects.
    c. Mail.
    d. Perishable goods.

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Multiple Choice Practice Answers

1. B
2. B
3. C
4. C
5. D
6. A
7. D
8. B
9. C
10. D

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Adjustment Scenario

A shipment of 1,000 bags of coffee insured under Institute Cargo Clauses (A) for USD 250,000 was discharge at destination.

During discharge:

- 4 bags were lost overboard.
- 24 bags were found damaged and assessed at 20% depreciation.
- 42 bags suffered severe seawater damage and were subsequently sold for USD 2,520.
- Sale charges amounted to USD 120.

The Policy contains a deductible of USD 1,000.

The sound market value of the 42 bags of seawater damaged cargo was USD 10,080.

A survey fee of USD 20 was incurred by the cargo interest.

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Adjustment Question

Prepare a full adjustment showing:

- Particular Average calculations.
- Increased Value considerations (if applicable)
- Policy deductible.
- Final claim settlement figure.

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Adjustment Answer

Policy Information:

Item	Amount
Sum Insured	USD 250,000
Deductible	USD 1,000
Basis of Cover	ICC (A)

4 Bags Lost Overboard

Insured value per bag:

USD 250,000 ÷ 1,000 bags = **USD 250 per bag**

Claim:
4 bags x USD 250 = **USD 1000**

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Adjustment Answer

Depreciated Bags:

24 Bags Damaged

Insured value:

24 bags x USD 250 = USD 6,000

Depreciation:

USD 6,000 x 20% = **USD 1,200**

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Adjustment Answer

Severely Damaged Bags Sold:

42 Bags Affected by Seawater

Insured value:

42 bags x USD 250 = USD 10,500

Percentage Depreciation

Item	Amount
Sound Market Value (SMV)	USD 10,080
Damaged Market Value (DMV)	USD 2,520

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Adjustment Answer

DMV as a percentage of SMV:

USD 2,520 / USD 10,080 ×100 = 25%

Therefore **depreciation** = **75**%

USD 10,500 x 75% = **USD 7,875**

Additional Recoverable Expenses

Description	Amount
Sale Charges	USD 120
Survey Fee	USD 20
Total Expenses	USD 140

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Adjustment Answer

Total Claim Calculation

Depreciation	Amount
Loss – 4 bags lost	USD 1,000
Loss – 24 bags depreciated	USD 1,200
Loss – 42 bags seawater damaged	USD 7,875
Sale Charges	USD 120
Survey Fee	USD 20
Gross Claim	**USD 10,215**

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Adjustment Answer

Policy Deductible

Gross Claim: USD 10,215
Less Deductible: USD 1,000

Final Claim Payable

USD 9,215

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Adjustment Answer

Key Learning Points

- Total loss is adjusted at the insured value.
- Partial losses are adjusted using the percentage depreciation method.
- The percentage depreciation is determined by comparing the Sound Market Value and Damaged Market Value.
- Reasonable mitigation and survey expenses are recoverable.
- The policy deductible is applied to the final adjusted claim

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