

P98

Diploma in Insurance

Unit P98 – Marine hull and associated liabilities

April 2013 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 P98 – Marine hull and associated liabilities

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. State the provisions of Section 60 of the Marine Insurance Act (1906) relating to constructive total loss. (9)

2. (a) State **three** categories of lien that a claimant may have against a vessel. (3)
(b) List the order of priority of liens in relation to other claimants. (5)

3. Explain what surveys a member of the International Association of Classification Societies will perform for a vessel which is trading, and state what these surveys will cover. (10)

4. Outline the cover provided by the Institute Time Clauses - Hulls 1/10/83 whilst a vessel is being towed or is towing another vessel. (6)

5. (a) Explain the objectives of the International Safety Management Code. (9)
(b) State the reason for the International Safety Management Code's introduction, and how this was implemented into UK law. (2)

6. An underwriter is asked to underwrite an 11,000teu container ship.
(a) Outline the risks that would apply to this vessel. (6)
(b) Explain briefly the navigational concerns an underwriter would have if the vessel's trade was between the Far East and Europe using the Suez Canal. (6)

7. List the documents you would expect to be used in the claims process and what you would expect the documents to contain. (10)

8. The Institute Time Clauses - Hulls 1/10/83 and the International Hull Clauses - 01/11/03 both exclude certain losses through the collision liability clauses they contain.
- State the specific losses that are excluded, and which of these losses might be recoverable from an owner's Protection & Indemnity club. (10)
9. (a) Define what freight is. (2)
- (b) Describe briefly **three** examples of the different types of freight that a ship-owner might deal with. (6)
10. Explain under the UK Standard Conditions for Towage and Other Services (1986), the protection given to the tug owner. (14)
11. Miggins Oil Tanker Ltd operates between Saudi Arabian terminals and the USA.
- Explain why they might need evidence of insurance cover for these trips, stating who would provide it and the limits required. (10)
12. (a) State the cover provided under a mortgagee's interest policy. (4)
- (b) Outline the scope of the exclusions under the policy. (6)
13. Describe the underwriting features of a charterers' liability insurance. (12)
14. The Brown Bear is an old bulk carrier and is due to be scrapped in a few years time. Her owner decides not to repair damage that was caused by hitting a quay during unloading. The damage does not affect the vessel's seaworthiness, and the owner considers making a claim for unrepaired damage at a later date.
- State the options an insurer receiving such a claim would have under the Institute Time Clauses - Hulls 1/10/83 and explain briefly how the claim will be handled. (10)

Questions continue over the page

PART II

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

15. Whilst on a voyage to Brisbane, Australia, a 60,000dwt tanker suffers a breakage of a pipe in the engine room spraying hot oil, which ignites. The engine room is evacuated but unfortunately without fully shutting down the vessel's engine. The vessel strands near a noted tourist spot which has an environmentally important coral reef.
- The vessel calls for help and a salvage tug lands its crew on board to fight the fire and to take the vessel in tow.
- (a) State how salvage is defined in the International Convention on Salvage and explain how salvage awards might be settled. (11)
- (b) Explain what considerations will be taken into account when calculating the amount of any award. (15)
- (c) State the provision the Institute Time Clauses - Hulls 1/10/83 make for the payment of salvage claims. (4)
16. (a) State who can limit their liability under the Convention on Limitation of Liability for Maritime Claims 1976 as amended by the 1996 protocol, and in what circumstances may the right to limit liability be lost. (11)
- (b) Identify which losses can be limited and which losses are excluded from limitation. (13)
- (c) Institute Time Clause - Hulls 1/10/83 refers to limitation of liability under Clause 8 – 3/4ths Collision Liability.
- Outline the provisions referring to limitation of liability under the Institute Time Clause - Hulls 1/10/83. (6)

17. You are the Claims Manager for the Harley Syndicate, the London lead for the Mestre Shipping Line. The fleet consists of a number of Aframax tankers and product tankers.

Until last year, the fleet was placed mainly in European markets with your syndicate having a small line. One of the reasons the fleet is now placed in London was a punitive premium increase following a claim involving the 'Bailey Mestre', a 60,000dwt tons Aframax tanker. The vessel was involved in an incident which resulted in a small cargo spill and a fire.

As part of the renewal process your syndicate insisted in a change of classification society. The previous society, Poseidon Classification Society (Poseidon) was not a member of the International Association of Classification Societies whereas the new society, the Atlantis Classification Society (Atlantis), is a member. The vessel is now insured under International Hull Clauses - 01/11/03 with an English Law jurisdiction clause.

The fleet was renewed on 1 January 2013 and since then Atlantis has been trying to survey the fleet for classification and International Safety Management purposes. The owners have been very uncooperative in arranging these surveys citing the need to find work during difficult economic times. Atlantis has now informed Mestre Shipping Line's managers that unless they can survey the 'Bailey Mestre' by 1 March 2013 it will suspend its class. Mestre's Shipping Line's managers state the vessel is currently trading between Saudi Arabia and Europe, but will be available to be surveyed before the deadline date. Unfortunately on 10 February 2013 the vessel suffers engine failure due to crew negligence whilst carrying a cargo to Europe and is forced to put into a port of refuge.

Atlantis surveyors decide the 'Bailey Mestre' vessel needs temporary repairs to make her seaworthy. They also report concerns about the standard of the repairs to the vessel following the small cargo spill and fire.

Mestre Shipping Line's managers contend the vessel is seaworthy and instruct Poseidon's surveyors to carry out a survey, who report that in their opinion, following the temporary repairs, the vessel is seaworthy. After discussions the senior managers of Mestre Shipping Line order the 'Bailey Mestre's' vessel's master to sail with her cargo on board against the advice of Atlantis surveyors. She meets heavy weather off the Bay of Biscay, the engine failure reoccurs and the vessel sinks on 28 February 2013. Mestre Shipping Line claims a total loss saying the vessel was seaworthy according to the Poseidon Classification Society.

Your underwriters have asked you whether you believe there is a valid claim. They contend that there was insufficient information about the claim for the spilt cargo and ensuing fire.

Prepare a report for your underwriters that:

- describes the cover provided and the actions of Mestre Shipping Line and the two classification societies;
- explains whether the claim can be rejected for unseaworthiness;
- explains whether the claim can be rejected for non-disclosure.

(30)

