

P98

Diploma in Insurance

Unit P98 – Marine hull and associated liabilities

April 2015 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. Describe briefly **five** parties involved in world trade. (10)

2. (a) Explain briefly what is meant by the term 'disbursements'. (2)
- (b) State the effect of the disbursements warranty as it appears in the Institute Time Clauses – Hulls 1/10/83 and the International Hull Clauses 01/11/2003. (2)
- (c) List **six** factors taken into account when fixing the premium for disbursements insurance. (6)

3. (a) Explain why the owner of a typical large bulk carrier would enter his vessel into a classification society. (4)
- (b) Explain briefly how a vessel becomes classified. (5)

4. Outline the exposures that a charterers' liability policy would cover. (9)

5. The bulk carrier 'Robert Riddles' was insured under Institute Time Clauses – Hulls 1/10/83 with a deductible of US \$500,000.
 - (a) State which losses the deductible would not apply to. (3)
 - (b) Robert Riddles was involved in a collision on 1 March 2012. The vessel was repaired for a total cost of \$5,000,000 which was paid on 1 September 2012. The other vessel was found entirely to blame for the incident and the courts awarded damages to the owners of Robert Riddles. On 30 November 2014, the court awarded the vessel's repair costs of \$5,000,000 plus interest of \$450,000.

State how these damages would be distributed between owners and insurers and calculate what each will receive. (9)

6. The 'Arthur Peppercorn' a 5,000 teu container ship is unloading at the Middle Eastern port of Denga. During the unloading, a fire breaks out on some containers that are dockside. The heat generated causes the ship's rails to distort and paint to blister. Thieves disguised as firemen board the vessel and unknown to the crew steal electrical equipment. Subsequently, cargo in a container causes an explosion which damages the ship's superstructure and causes fire damage on board. Water damage also occurs when putting out this fire. The master decides to abandon the unloading and leave port. The vessel has no pilot on board and hits a dock container crane and a fire boat as she leaves harbour.

The vessel is insured under International Hull Clauses 01/11/2003.

State, by considering **each** of the above events, which of the losses are recoverable from insurers. **(8)**

7. Explain how a loss of hire insurance operates, summarising the cover given. **(10)**
8. (a) Explain briefly to which two types of voyage the Carriage of Goods by Sea Act 1971 (COGSA) applies. **(5)**
- (b) State which types of document apply to the Carriage of Goods by Sea Act 1971 (COGSA). **(4)**
- (c) State the monetary limits the shipowner can apply to cargo losses. **(3)**
9. (a) State the Marine Insurance Act 1906 requirements for a shipowner to recover a claim, making reference to the relevant sections of the Act to support your answer. **(4)**
- (b) Outline those losses mentioned in the Marine Insurance Act 1906 for which insurers are not liable. **(5)**
- (c) State if any of these losses are recoverable under the Institute Time Clauses – Hulls 1/10/83. **(1)**

QUESTIONS CONTINUE OVER THE PAGE

-
10. (a) Explain the cover that would be granted by a Protection and Indemnity Club in respect of visitors to a vessel. (7)
- (b) List **three** types of persons who could visit a vessel in port other than passengers and stevedores. (3)
11. A London market underwriter is asked to accept insurance on a 12,000 teu container ship which operates from the Far East to the UK and Europe via the Suez Canal.
- (a) State the fundamental operational risks that are incurred by container ships that the underwriter would wish to take into account. (6)
- (b) State the specific concerns the underwriter might have for a vessel of this size operating on the above route. (4)
12. (a) State the provisions in the Institute Time Clauses – Hulls 1/10/83 that relate to the notification of claims. (2)
- (b) Explain briefly the difference in claims reporting requirements between the clauses in **part (a)** above and the:
- (i) Institute Time Clauses – Hulls 1/11/95. (1)
- (ii) International Hull Clauses 1/11/2003. (1)
- (c) Explain how a claim to a Protection and Indemnity Club should be notified. (4)
13. (a) Outline the operation of the pooling and reinsurance arrangements operated by members of the International Group of Protection and Indemnity Clubs. (8)
- (b) State how the pooling and reinsurance arrangements might affect the members' underwriting. (4)
14. Explain the provisions regarding sue and labour in the Institute Time Clauses – Hulls 1/10/83. (10)

Part II questions can be found on pages 8 and 9

Part II

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

- 15.** The cross channel ferry 'George Churchwarden' is due to make a voyage from Dover to Calais. The master is concerned that there is dense fog in the English Channel and suggests cancelling the voyage. The vessel's Operations Director insists the vessel sails immediately. Shortly after leaving Dover she collides with the container feeder ship 'Oliver Bullard'. The ferry sustains major damage and begins to take on water. Lifeboats and life rafts are launched to save passengers and the vessel is eventually beached beneath Dover Castle. Oliver Bullard has major bow damage and 12 containers are lost off its weather deck whilst a number of crew are injured.

Both masters allege the other vessel is to blame for the collision. The owners of the George Churchwarden issue writs against the owner, charterer, and manager of the Oliver Bullard, whilst owners and charterer of the Oliver Bullard counter claim. Both owners apply to the courts to limit their liability.

The George Churchwarden is registered in the UK and her owners are a UK based plc. She is insured in the London market under Institute Time Clauses – Hulls 1/10/83. The Oliver Bullard is under charter and insured by American insurers under the American Institute Hull Clauses (2 June 1977).

Both vessels are entered in Protection and Indemnity Clubs which are members of the International Group of P&I Clubs.

- (a) State whether either ship can limit liability, explaining the basis of how a limitation fund is calculated and which parties can apply for limitation. **(13)**
- (b) Explain how the funds would be allocated between death, personal injury and property claims. **(8)**
- (c) Explain briefly how the collision liabilities of both parties will be met by their respective insurers. **(5)**
- (d) State how limiting liability will affect claims under the collision liability clauses of both ships' insurance. **(4)**

16. Due to a burst fuel pipe, an engine room fire breaks out on the Very Large Crude Carrier 'Sir Henry Fowler' as she approaches the Pembroke Oil Refinery. The vessel loses power and grounds, causing oil to leak from her forward wing tanks and crew members to be thrown to the deck. The grounding causes pollution to a local fish farm and local beaches.

As the tide ebbs, the vessel begins to settle on the sea bed causing more leaks and the concern is that the vessel will break-up. The vessel is refloated on the rising tide and is towed out to sea. HM Coastguards order that as much crude oil as possible should be pumped out of the vessel and during this operation the vessel catches fire and becomes a total loss.

- (a) Outline the claims that would be recoverable under the Institute Time Clauses – Hulls 1/10/83. (8)
- (b) State the claims that would be recoverable from the vessel's Protection and Indemnity club if a salvage company had been employed by the owner, rather than HM Coastguard organising the operation. (8)
- (c) Explain the legal conventions that could apply with regard to any oil pollution. (14)
17. While off the east coast of Australia, the tanker 'George Stevenson' suffers an engine room fire and her master calls for assistance. The salvage tug 'Robert Raikes' answers the call and helps put out the fire by pumping on water. The salvage tug assists her into harbour but due to her increased draft, the George Stevenson strands on entering harbour. The crew of the Robert Raikes pump out water and refloat the vessel.

The owners of the Robert Raikes make a claim for salvage.

Discuss **each** of the above events, defining salvage, differentiating between pure salvage and salvage under contract and identifying the elements that must exist for salvage, citing any relevant case law and international conventions to support your answer. (30)

BLANK PAGE

