

## P98

### Diploma in Insurance

#### Unit P98 – Marine hull and associated liabilities

April 2017 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. A general cargo ship, which is under charter, strands as she enters port due to a navigational error. Local surveyors report that there is no hull damage and state that the vessel will be able to be refloated at the next high tide in two days' time. The owners, wishing to avoid a penalty under the charter, engage a tug to tow the vessel off and claim the expenses of the tug as a general average claim.  
  
State the requirements for a valid general average claim under Section 66 of the Marine Insurance Act 1906, and whether general average applies in the above scenario. (7)
  
2. (a) Explain briefly what a maritime lien is, and state how and when it attaches. (7)  
  
(b) List **six** examples of a marine lien. (6)
  
3. Describe briefly the different characteristics of a:
  - (a) liner trade vessel; (5)
  - (b) tramp vessel. (5)
  
4. (a) Identify **three** parties entitled to limit their liabilities under the Convention on Limitation of Liability 1976 and explain briefly in what circumstances the right to limit can be lost. (7)  
  
(b) State how insurers benefit from this Convention and how they encourage shipowners to limit liability under Institute Time Clauses – Hulls 1/10/83. (4)
  
5. Distinguish between:
  - (a) fixed price protection and indemnity insurers; and (6)
  - (b) a Protection and Indemnity (P&I) Club that is a member of the International Group. (6)

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6. Identify the reasons when deviation or delay is excused under Section 49(1) of the Marine Insurance Act 1906. (7)
7. (a) Identify **five** risks excluded by clauses 24 – 27 of the Institute Time Clauses – Hulls 1/11/95. (5)
- (b) State which of the risks identified in your answer to **part (a)** above:
- (i) can be customarily covered elsewhere and what cover is available; (3)
- (ii) cannot be covered elsewhere. (2)
8. (a) State what FD&D stands for. (1)
- (b) Describe briefly what is covered by FD&D insurance. (2)
- (c) State **three** examples of claims that are covered by FD&D insurance. (3)
9. (a) Outline the cover provided by Clause 6.2 (Inchmaree Clause) of the Institute Time Clauses – Hulls 1/10/83. (8)
- (b) Outline the proviso contained in the clause detailing who it applies to and what must be complied with before the claim can be paid. (4)
- (c) State how this proviso differs in the Institute Time Clauses – Hulls 1/11/95. (2)
10. A vessel suffers engine damage which the shipowner believes to be due to the negligence of the ship's engineer. The shipowner makes a claim under the International Hull Clauses 01/11/03.
- Explain the steps hull insurers would take to establish if there is a valid claim under the policy. (12)

QUESTIONS CONTINUE OVER THE PAGE

11. (a) State how insurable interest is defined in the Marine Insurance Act 1906 and name the relevant section of the Act. (4)
- (b) List **four** examples of insurable interest mentioned in the Act. (4)
12. Explain briefly **three** techniques used by hull underwriters to prevent or minimise losses. (6)
13. (a) State the cover provided under a mortgagees' interest insurance policy. (5)
- (b) List **five** exclusions under a mortgagees' interest insurance policy. (5)
14. (a) Outline the provisions of the Marine Insurance Act 1906 as they relate to valued and unvalued policies. (4)
- (b) Explain briefly why it is customary to have valued policies for vessels. (3)
- (c) Explain the importance of hull valuations to underwriters. (7)

**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. One of the world's largest passenger cruise ships is docking in the small Caribbean island of Aruba for the first time. As the vessel approaches the island the captain radios for a pilot and is told that due to sickness a pilot is not available. Concerned at manoeuvring a large vessel in a confined space, the captain contacts the vessel's owner and suggests the call is cancelled but is told to dock due to contractual and financial obligations.

The vessel enters port quickly and her wash causes a local fishing vessel 'Calypso Bell' to collide with the fishing vessel dock and to sink. The fishing vessel dock is also damaged. Two local ferries, Aruba 1 and Aruba 2, are tied together and the force of the wash forces them to collide.

Approaching the passenger terminal the cruise ship captain realises that the vessel is travelling too quickly and orders reverse thrust. Unfortunately, the vessel fails to respond in time damaging the quay and the vessel's hull, together with forward bow thrusters. Passengers and crew are thrown to the deck and injured whilst one of the owner's agents, waiting to board the vessel, is killed and others are also injured.

The cruise ship is insured under Institute Time Clauses – Hulls 1/10/83 and is entered into a Protection and Indemnity (P&I) Club which is a member of the International Group of P&I Clubs.

- (a) Outline the implications of the cruise ship entering port without a pilot and the owner's refusal to let her miss calling at the port. (4)
- (b) Explain briefly which, if any, losses are recoverable from hull underwriters. (6)
- (c) Explain which, if any, losses are recoverable from P&I insurers. (20)



- 16.** A bulk carrier, sailing in ballast, suffers an engine breakdown as she enters port. The vessel strands and signs Lloyd's Open Form with a local salvage firm. Whilst endeavouring to refloat the vessel, the master becomes concerned over the methods used by the salvor and suggests the salvor consults a larger firm. The salvor submits this is not necessary but then makes an error of judgement and the vessel's back is broken. Bunker oil is released and threatens a nearby fish farm.

The owner of the bulk carrier claims a constructive total loss (CTL) from its insurers and sues the salvor for loss of income.

The vessel is insured under International Hull Clauses 01/11/03 and is entered into a Protection and Indemnity (P&I) Club which is a member of the International Group of P&I Clubs.

- (a) Discuss the liability of owners, insurers and salvors in the above scenario. **(11)**
- (b) Explain how the owner should proceed with its claim for a CTL and the insurers' response to such a claim. **(11)**
- (c) Explain briefly the losses, if any, that are recoverable from the P&I Club for any pollution claims and the effect of the Bunker Convention 2001. **(8)**
- 17.** (a) State how salvage is defined in the International Convention on Salvage 1989 and explain briefly how this differs from the definition of pure salvage. **(9)**
- (b) State **five** factors mentioned in Article 13 of the International Convention on Salvage 1989 that relate to the payment of salvage awards. **(5)**
- (c) Explain briefly how the compensation under Article 13 differs from the compensation paid under Article 14 for special compensation. **(4)**
- (d) Identify who pays Article 14 awards and explain the use of the Special Compensation P&I Club (SCOPIC) clause and how it is invoked. **(12)**

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