

**THE CHARTERED INSURANCE INSTITUTE**



**E98**

**Examination element of M98 Marine hull  
and associated liabilities**

**Based on the 2017/2018 syllabus  
examined from 1 May 2017 until 30 April 2018**

## E98 – Examination element of M98 Marine hull and associated liabilities

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## E98 – Examination element of M98 Marine hull and associated liabilities

Based on the 2017/2018 syllabus examined from 1 May 2017 until 30 April 2018

### Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute (CII) to assist students in their preparation for the E98 examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their E98 studies before attempting the specimen examination. Students should allow themselves one hour to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time. The examination must be successfully passed within 18 months of enrolment on M98.

Although the specimen examination in this guide is typical of an E98 examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the M98 reading list, which is located on the syllabus in this examination guide and on the CII website at [www.cii.co.uk](http://www.cii.co.uk).

### Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 1) Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
- 2) Select the appropriate qualification
- 3) Select your unit on the right hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

## Syllabus

The M98 syllabus is published on the CII website at [www.cii.co.uk](http://www.cii.co.uk). **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the CII tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

## Skill Specification

The examination syllabus categorises M98 learning outcomes into attainment levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The syllabus requires that candidates have the ability to understand the subject matter. Each learning outcome begins with the following cognitive skill:

**Understanding** - Candidates must be able to link pieces of information together in cause and effect relationships. Typically questions may ask 'Why'. Questions set on an *understand* learning outcome can test either knowledge or understanding or both.

## Examination Information

The method of assessment for the E98 examination is 50 multiple choice questions (MCQs). One hour is allowed for this examination.

The M98 syllabus provided in this examination guide will be examined from 1 May 2017 until 30 April 2018.

Candidates will be examined on the basis of English law and practice unless otherwise stated.

The general rule is that legislative and industry changes will not be examined earlier than 3 months after they come into effect.

E98 examinations test the Financial Conduct Authority and Prudential Regulation Authority rules and regulations.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct response. Each question will contain only one correct or best response to the problem posed.

One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate either chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

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.

Candidates are permitted to make rough notes. Candidates are not permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

## Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

## After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

# Marine hull and associated liabilities

## Purpose

At the end of this unit, candidates should be able to demonstrate knowledge and understanding of marine hull and related liability risks and their insurance.

## Assumed knowledge

It is assumed that the candidate already has knowledge of the fundamental principles of insurance as covered in IF1, Insurance, legal and regulatory or equivalent examinations.

Summary of learning outcomes	Number of questions in the examination*
1. Understand the principal elements of shipping and world trade.	4
2. Understand the legal and regulatory environment of shipping.	10
3. Understand the key provisions of the Marine Insurance Act 1906.	6
4. Understand and apply key underwriting considerations in marine insurance.	8
5. Understand the scope of cover under marine hull, liability and related insurances.	8
6. Understand the scope of protection and indemnity (P&I) insurance and how it is provided.	6
7. Understand claims investigation, handling and settlement procedures in marine insurance.	8

\*The test specification (relevant to the M98 multiple choice question exam only) has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

## Important notes

### M98

- **Method of assessment:**  
Mixed assessment consisting of two components, both of which must be passed. One component is a coursework assignment and one is a multiple choice examination. The details are:
  1. an online coursework assignment using RevisionMate consisting of 10 questions which sequentially follow the learning outcomes. This must be successfully completed within 6 months of enrolment; and
  2. a multiple-choice question (MCQ) exam at one of the CII's online centres (paper based MCQs are available in April and October for those sitting outside the UK). The MCQ exam consists of 50 MCQs. 1 hour is allowed for this examination. This exam must be successfully passed within 18 months of enrolment.
- This syllabus will be examined from 1 May 2017 until 30 April 2018.
- Candidates will be examined on the basis of English law and practice unless otherwise stated.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit [www.cii.co.uk/updates](http://www.cii.co.uk/updates)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page

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- **Method of assessment:** Part I 14 compulsory questions (140 marks). Part II 2 questions selected from 3 (60 marks). Total of 200 marks. Three hours are allowed for this exam.
- The syllabus is examined on the basis of English law and practice unless otherwise stated.
- The general rule is that the exams are based on the English legislative position six months before the date of the exams.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit on the right hand side of the page



## 1. Understand the principal elements of shipping and world trade

- 1.1 Describe the world of shipping, including the different types of ships.
- 1.2 Explain risks in the world of shipping.
- 1.3 Explain ship finance and the requirements of mortgagees and lessors.

## 2. Understand the legal and regulatory environment of shipping

- 2.1 Describe the legal and regulatory environment of shipping relating to:
  - IMO and international conventions.
  - Law of the sea.
  - Safety.
  - Pollution.
  - Limitation of liability.
  - Shipowners' liability.
  - Chartering.
  - Towage.
  - Salvage.
  - Wreck removal.
- 2.2 Describe the legal position regarding:
  - General average.
  - Maritime liens.
  - Classification societies.
- 2.3 Apply shipping law and regulation to relevant scenarios.

## 3. Understand the key provisions of the Marine Insurance Act 1906

- 3.1 Explain the key provisions of the Marine Insurance Act 1906.
- 3.2 Describe recent changes to marine insurance law.

## 4. Understand and apply key underwriting considerations in marine insurance

- 4.1 Explain the impact of shipping law for hull and liability insurers.
- 4.2 Explain the varying risk profiles of vessels, including:
  - Type.
  - Flag.
  - Classification.
  - Ownership and management.
  - Trading patterns.
  - Navigational limitations.
  - Areas of perceived enhanced risk.
- 4.3 Explain the implications of variations in ship valuation.
- 4.4 Explain the key methods of loss prevention and risk management in shipping.

## 5. Understand the scope of cover under marine hull, liability and related insurances

- 5.1 Explain the scope of cover provided by standard London market clauses including:
  - Hull and machinery.
  - Yachts.
  - Builders risks.
  - War and strikes.
  - Ancillary insurances and additional clauses.
  - Loss of earnings.
  - Charterers' liability.
  - Mortgagees Interest Insurance.
  - Other maritime related liability coverage.
- 5.2 Describe the key elements of hull and machinery cover provided by standard American clauses and the Nordic Marine Insurance Plan.

## 6. Understand the scope of protection and indemnity (P&I) insurance and how it is provided

- 6.1 Explain the differences between the International Group clubs and other providers of P&I insurance.
- 6.2 Explain the cover provided by major P&I insurers for:
  - Cargo risks.
  - People risks.
  - Vessel risks.
  - Specialist operations.
  - Charterers' risks.
  - Freight Defence and Demurrage ('FD&D') insurance.
- 6.3 Explain the role of P&I insurers in the provision of compulsory insurance certificates.
- 6.4 Explain the interaction between P&I insurance and the following:
  - Hull insurance.
  - War insurance.

## 7. Understand claims investigation, handling and settlement procedures in marine insurance

- 7.1 Explain the role of the various parties in the investigation, handling and settlement of claims.
- 7.2 Explain the use of marine survey reports and other documents in support of claims.
- 7.3 Apply the provisions of standard market clauses in typical claims scenarios, including:
- Partial loss.
  - Total loss.
  - Collision liability.
  - General Average.
  - Salvage.
  - Sue and labour.
- 7.4 Explain the handling of claims by P&I Clubs.
- 7.5 Describe the settlement of liability claims for ports, terminals, shiprepairers, shipbuilders and charterers.
- 7.6 Explain subrogation/recovery potential following claims on hull and liability policies and against whom such claims might be made.

## Reading list

The following list provides details of various publications which may assist you with your studies.

**Note: The examination will test the syllabus alone.**

The reading list is provided for guidance only and is not in itself the subject of the examination.

The publications will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) or email [knowledge@cii.co.uk](mailto:knowledge@cii.co.uk).

### CII study texts

Marine hull and associated liabilities. London: CII. Study text M98/P98

Insurance, legal and regulatory. London: CII. Study text IF1

### Books (and ebooks)

Arnould's law of marine insurance and average. Jonathan Gilman, et al. 1st supplement to the 18th edition. London: Sweet & Maxwell, 2016.

Cases & materials on marine insurance law. Susan Hodges. Routledge-Cavendish, 1999.\*

Charterers' liability insurance: essential best practice. Heinz Gohlish. London: Witherby, 2008.

Effects of insurance on maritime insurance law: a legal and economic analysis. Muhammad Masum Billah. Heidelberg: Springer, 2014.\*

Elements of shipping. A E Branch. 8th ed. Abingdon, Oxfordshire: Routledge, 2007.

General average law and practice. 2nd ed. Francis Rose. London: Informa Professional, 2005.

Lowndes & Rudolf: the law of general average and the York-Antwerp Rules. 14th ed. Richard Cornah & John Reeder (eds). Sweet & Maxwell, 2013.

Marine insurance clauses. Geoffrey Hudson and Tim Madge. 5th ed. London: LLP, 2012.\*

Marine insurance fraud. Baris Soyer. Hoboken: Informa Law, 2014.\*

Marine insurance: law and practice. 2nd ed. Francis Rose. Cornwall: Informa Professional, 2012.\*

Marine insurance legislation. Robert Merkin, et al. 5th ed. London: Informa Professional, 2014.\*

Maritime economics. 3rd ed. Martin Stopford. Abingdon: Routledge, 2009.\*

Maritime letters of indemnity. Felipe Arizon, David Semark. Abingdon: Informa, 2014.\*

The international hull clauses. 1st ed. Stephen Goodacre. London: Witherby, 2003.

International maritime conventions: Volume 2. Navigations, securities, limitation of liability and jurisdiction. Francesco Berlingieri. Oxon: Informa Law, 2014.\*

Offshore contracts and liabilities. Baris Soyer, Andrew Tetteborn. Oxon: Informa Law, 2015.\*

The modern law of marine insurance. Volume 4. Rhidian Thomas. London: Informa, 2016.

'War, terrorism and associated perils in marine insurance'. Nigel Miller and Risto Talas. Chapter – War risks and terrorism. Research Study Group 258. London: IIL, 2007.

What ship is that? A field guide to boats and ships. BL Basnight. The Lyons Press, 2008.

## Ebooks

The following ebooks are available through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only):

Marine insurance law. 2nd ed. Ozlem Gurses. Routledge, 2017.

Maritime security: an introduction. 2nd ed. Michael McNicholas. Oxford: Butterworth-Heinemann, 2016.

The Blackwell companion to maritime economics. Wayne K Talley. Massachusetts: Wiley, 2012.

## Journals and magazines

Insurance day. London: Informa. Daily except weekends. Also available online at [www.insuranceday.com](http://www.insuranceday.com).

Lloyd's list. London: Informa. Online only - available to access from the CII Library.

Post magazine. London: Incisive Financial Publishing. Monthly. Also available online at [www.postonline.co.uk](http://www.postonline.co.uk).

The Journal. London: CII. Six issues a year. Also available online via [www.cii.co.uk/knowledge](http://www.cii.co.uk/knowledge) (CII/PFS members only).

Further periodical publications are available at [www.cii.co.uk/journalmagazines](http://www.cii.co.uk/journalmagazines) (CII/PFS members only).

## Reference materials

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.\*

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

Reference book on marine insurance clauses. London: Witherby. Annual.

Subject gateway on marine insurance. Updated regularly. Available online via [www.cii.co.uk/subjectgateways](http://www.cii.co.uk/subjectgateways).

\*Also available as an ebook through Discovery via [www.cii.co.uk/discovery](http://www.cii.co.uk/discovery) (CII/PFS members only).

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### Exemplars

Exemplar papers are available for all mixed assessment units. Exemplars are available for both the coursework component and the multiple-choice component.

These are available on the CII website under the unit number before purchasing the unit. They are available under the following link [www.cii.co.uk/qualifications/diploma-in-insurance-qualification](http://www.cii.co.uk/qualifications/diploma-in-insurance-qualification).

These exemplar papers are also available on the RevisionMate website [www.revisionmate.com](http://www.revisionmate.com) after you have purchased the unit.

## P98

### Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides from the last two sittings. Please visit [www.cii.co.uk](http://www.cii.co.uk) to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Alternatively, if you have a current study text enrolment, the latest exam guides are available via [www.revisionmate.com](http://www.revisionmate.com).

Older guides are available via [www.cii.co.uk/pastexamguides](http://www.cii.co.uk/pastexamguides) (CII/PFS members only).

### Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London (IIL) holds a lecture on revision techniques for CII written exams approximately three times a year. The slides from their most recent lectures can be found at [www.cii.co.uk/iilwrittenrevision](http://www.cii.co.uk/iilwrittenrevision) (CII/PFS members only).

1. A bulk carrier greater than 150,000 deadweight tonnes is categorised as
  - A. capesize.
  - B. handysize.
  - C. panamax.
  - D. suezmax.
  
2. What is an Entrepôt?
  - A. A port through which cargo is moved without attracting any local customs dues.
  - B. A port through which domestic and international traffic comes to and from various countries.
  - C. A port where containerised cargo is moved from large to small ships.
  - D. A port with higher than usual security for sensitive cargoes.
  
3. Why **must** a load on a bulk carrier be distributed evenly?
  - A. To avoid hogging and sagging.
  - B. To ensure efficient use of fuel for the voyage.
  - C. To prevent the cargo moving at sea.
  - D. To reduce the risk of infestation.
  
4. What is the **main** risk(s) to the vessel owner if the marine adventure is **NOT** safely completed?
  - A. Loss of life and injury to crew members.
  - B. Loss of or damage to cargo carried.
  - C. Loss of security for the mortgage.
  - D. Loss of vessel and hire charges.
  
5. How often would a classification society require an owner to submit a vessel for a class renewal or special survey?
  - A. Annually.
  - B. Every two years.
  - C. Every four years.
  - D. Every five years.
  
6. Under the International Convention on Civil Liability for Oil Pollution Damage 1992, no claim can be made against any person taking preventative measures unless the damage resulted wholly from
  - A. an act or omission of a third party.
  - B. an exceptional, inevitable and irresistible natural phenomenon.
  - C. the negligence of a government or other authority.
  - D. their personal act or omission.
  
7. In which region of the world does the Acuerdo de Vina del Mar apply to Port State Control?
  - A. The Caribbean.
  - B. The Iberian peninsula.
  - C. Latin America.
  - D. The Mediterranean.

8. The territorial waters of a nation may be described as extending to
- A. 12 miles from its coast.
  - B. 100 miles from its coast.
  - C. 200 miles from its coast.
  - D. the edge of its continental shelf.
9. Rule 14 of the Convention on the International Regulations for the Prevention of Collisions at Sea 1972 requires that when two vessels meet on reciprocal courses, they should
- A. slow down.
  - B. go to starboard.
  - C. go to port.
  - D. come to a stop.
10. How do maritime liens affect shipowners?
- A. Creditors are allowed to arrest the vessel.
  - B. Liens are made against the vessel and so relieve the shipowner of personal liability.
  - C. Liens can be easily discharged by appealing to local Admiralty Courts.
  - D. Shipowners are allowed to continue trading.
11. A ferry collides with a tug boat and capsizes resulting in the death of a passenger. In accordance with the Athens Convention 2002 Protocol, what is the limit of compensation per passenger?
- A. 46,000 SDRs
  - B. 175,000 SDRs
  - C. 250,000 SDRs
  - D. 400,000 SDRs
12. A salvor comes to the assistance of a ship carrying empty containers and successfully assists her into a safe port. What right does the salvor have in order to safeguard the reward that is due?
- A. A maritime lien over the ship and containers.
  - B. A personal right of action against the shipowner.
  - C. A possessory lien over the containers only.
  - D. A statutory lien over the ship only.
13. A full laden tanker spills oil in a territory subject to the International Convention on Civil Liability for Oil Pollution Damage 1992. Which principal party(ies) are liable to pay compensation?
- A. The vessel owner only.
  - B. The vessel owner and charterer as they have several liability.
  - C. The vessel owner, charterer and cargo owner equally.
  - D. Anyone claiming compensation has the choice of against whom to claim.

14. After a shipping casualty caused by the failure to stow cargo properly, an investigation identifies that the shipowner has no procedures in place for this activity. These failures will result in the shipowner being in breach of which international law?
- A. Collision regulations.
  - B. International Safety Management Code.
  - C. International Ship and Port Facility Security Code.
  - D. Port State Control regulations.
15. The assured **must** have an insurable interest in the policy when
- A. a loss occurs.
  - B. the marine adventure begins.
  - C. the policy is effected.
  - D. it elects to acquire interest after a loss.
16. A shipowner claims for unrepaired damages. What is the measure of indemnity, if any, under section 69 of the Marine Insurance Act 1906?
- A. It is not possible to claim for unrepaired damage.
  - B. The immediate cost of repairs irrespective of the ship's value.
  - C. The mid-point between the shipowner's depreciation figure and the figure obtained by the insurer.
  - D. The reasonable depreciation arising from the unrepaired damage but not more than the reasonable cost of repair.
17. An authorised agent accepts risks on a marine insurer's behalf. How, if at all, is the duty of fair presentation under the Insurance Act 2015 affected by this relationship?
- A. The duty of fair presentation does not apply.
  - B. The insurer is not presumed to know information held by the authorised agent.
  - C. The insurer is presumed to know information held by the authorised agent.
  - D. It depends on the terms of the agency agreement between the insurer and the authorised agent.
18. An insurer includes a warranty that the vessel owner **must** pay the policy premium by the 1 April. The vessel owner is late in making the payment but manages to do so by the 20 April. The vessel suffers main engine damage on the 30 May and the vessel owner submits a claim. Under the Insurance Act 2015, how would the insurer respond?
- A. The vessel owner has breached the payment warranty and therefore cover ceased at the time of the breach.
  - B. The policy is cancelled from inception.
  - C. The policy is held covered until such time that the new terms can be agreed between the insurer and the vessel owner.
  - D. The policy cover resumed once the warranty was rectified and the claim can be accepted.

19. Provisions relating to damages for late payment of claims have been incorporated into the
- A. Consumer Insurance (Disclosure and Representations) Act 2012.
  - B. Enterprise Act 2016.
  - C. Supply of Goods and Services Act 1982.
  - D. Unfair Contract Terms Act 1977.
20. In what circumstances, if any, can a shipowner limit its liability?
- A. In no circumstances.
  - B. In negligence only.
  - C. Under statute only.
  - D. Under statute and in negligence.
21. What benefit, if any, does the concept of limitation of liability provide to insurers?
- A. It provides no benefit to insurers.
  - B. It means that insurers can set time bars for claims to be made against them.
  - C. It means that insurers can limit damages but not costs in respect of third party claims.
  - D. It means that liability claims made against insureds can be legally capped.
22. The Westerhope Case 1871 initiated what change in marine insurance practice?
- A. It created liabilities for shipowners for death and injury to passengers.
  - B. It established shipowners' liability cover for cargo liabilities.
  - C. It established that collision liability was not a peril of the sea.
  - D. It extended shipowners' liability to cover collisions.
23. An underwriter receives a proposal for a floating production, storage and offloading unit (FPSO) in the Caribbean. What will be the **most significant** risk that could cause substantial loss to the unit?
- A. Collision.
  - B. Grounding.
  - C. Hurricane.
  - D. Piracy.
24. As well as ice, Greenland is an enhanced risk area for
- A. currents.
  - B. fog.
  - C. sandbanks.
  - D. whales.
25. A vessel is registered under a Flag of Convenience. How would the underwriter view the risk posed?
- A. Potentially a high risk.
  - B. Potentially a low risk.
  - C. No impact on risk, as all Flag States are equal.
  - D. The impact on risk cannot easily be determined.

26. A cargo-carrying vessel's market value is **mainly** dependent upon
- A. the cost of rebuilding the vessel.
  - B. the cost of replacing the vessel.
  - C. its ability to earn freight.
  - D. its classification status.
27. A vessel owner agrees with the insurer that the vessel should be insured for an amount lower than the current market value. This is known as
- A. a disbursement.
  - B. excess of loss.
  - C. first loss.
  - D. general average.
28. The **most common** risk management technique that a hull underwriter might employ when asked to insure a bulk carrier built in 2005 is to request a
- A. copy of a safety management certificate.
  - B. copy of the owner's claims record.
  - C. document of compliance.
  - D. pre-underwriting survey.
29. When a vessel collides with another vessel, what is the limit of an insurer's liability under the Institute Time Clauses – Hulls 1/10/83?
- A. The hull value for property damage plus three-fourths for collision liability.
  - B. The sum insured of the policy for all losses.
  - C. Three-fourths of the sum insured for property damage plus three-fourths for collision liability.
  - D. Unlimited.
30. A shipowner has a ship insured for hull and machinery under American Institute Hull Clauses 2009 and war risks also on a US form. When the ship suffers damage as a result of a pirate attack, from which policy **must** the shipowner claim for such damage?
- A. 50/50 from both insurers.
  - B. The hull insurer only.
  - C. The shipowner can choose which insurer to claim from.
  - D. The war insurer only.
31. A vessel insured on Institute Time Clauses – Hulls 1/10/83 is entirely to blame when she collides with another vessel, upon which a person is killed as a result of the collision. How does the hull insurer of the offending vessel respond to the liability claim for this death?
- A. Decline the claim completely.
  - B. Only pay three-fourths of the legal costs involved.
  - C. Pay the liability claim in full.
  - D. Only pay three-fourths of the claim.



32. What cover, if any, is provided by the standard London Ship Repairers' Liability Clauses (LSW 169A) form for a vessel stored without being worked on?
- A. There is no cover.
  - B. It is covered subject to coinsurance.
  - C. It is covered subject to an excess.
  - D. It is covered for its full value.
33. What type of insurance specifically covers loss of earnings for a cruise ship operator?
- A. Business interruption.
  - B. Freight.
  - C. Loss of hire.
  - D. Passage money.
34. What **main** benefit does a shipowner obtain by having a general average absorption clause in his hull policy?
- A. He can recover general average sacrifice without incurring the deductible.
  - B. His general average contributions are a separate limit of cover.
  - C. He can recover the total general average sacrifice subject to an agreed limit.
  - D. It offers a reduction in premium as the shipowner is taking more risk himself.
35. The major difference in coverage between the Institute Time Clauses – Hulls (ITC-H) 1/10/83 and the Nordic Marine Insurance Plan of 2013 is that the
- A. ITC-H 1/10/83 covers total loss only.
  - B. ITC-H 1/10/83 provides cover for all risks.
  - C. Nordic Plan covers total loss only.
  - D. Nordic Plan provides cover for all risks.
36. Four-fourths collision liability cover is provided as standard on which hull policy?
- A. Institute Time Clauses – Hulls 1/10/83.
  - B. Institute Time Clauses – Hulls 1/11/95.
  - C. International Hull Clauses 1/11/03.
  - D. London Marine Construction All Risks 2007.
37. How many calls may a Protection and Indemnity Club make on a member in a single policy year?
- A. One call.
  - B. Two calls.
  - C. Three calls.
  - D. As many as required.

38. Freight, demurrage and defence cover can be purchased from
- A. dedicated mutual insurers only.
  - B. hull and cargo insurers.
  - C. hull insurers and dedicated mutual insurers.
  - D. Protection and Indemnity Clubs and dedicated mutual insurers.
39. Which type of organisation will **typically** offer the necessary financial security to enable the Certificate of Financial Responsibility documentation to be issued by the US Coast Guard?
- A. Dedicated guarantee companies.
  - B. Flag States.
  - C. Hull and machinery underwriters.
  - D. Protection and Indemnity Clubs.
40. When a shipowner's vessel is under threat of arrest, the Protection and Indemnity Club may issue a
- A. blue card.
  - B. letter of credit.
  - C. letter of understanding.
  - D. letter of undertaking.
41. When a collision occurs, what contribution to the loss does the protection and indemnity insurer make to the hull insurer?
- A. 10%
  - B. 15%
  - C. 25%
  - D. 50%
42. The first premium payment made by a member of a Protection and Indemnity Club is known as
- A. an additional call.
  - B. an advance call.
  - C. a deposit call.
  - D. a supplementary call.
43. A document that contains **key** information regarding quantification for a hull loss that has been submitted to an insurer is a
- A. claim form.
  - B. class certificate.
  - C. legal report.
  - D. survey report.

44. A shipowner takes positive steps to avert or minimise a loss that would otherwise be covered by its hull insurance. The expenses incurred by the shipowner in taking this action are **normally** recoverable under provisions relating to
- A. general average.
  - B. particular average.
  - C. subrogation.
  - D. sue and labour.
45. A passenger vessel insured on Institute Time Clauses – Hull Port Risks including Limited Navigation 20/7/87 with liability cover extended to £5,000,000 is fully to blame when she collides with another vessel. Three people are killed as a result of the collision. How does the insurer of the passenger vessel respond to the liability claims for these deaths?
- A. Decline the claims completely.
  - B. Only pay the legal costs involved.
  - C. Pay three-fourths of the claims.
  - D. Pay the claims in full.
46. Following a collision claim between two vessels, which claims would **NOT** be paid by insurers under the Institute Time Clauses – Hulls 1/10/83?
- A. General average of, salvage of, or salvage under contract of, any such other vessel or property thereon.
  - B. Legal costs incurred by the assured in contesting liability or taking proceedings to limit liability.
  - C. Loss of or damage to any other vessel or property on any other vessel.
  - D. Pollution or contamination of any real or personal property or thing whatsoever.
47. Salvage services performed without any contract are known as
- A. fixed-price salvage.
  - B. Lloyd’s Standard Form of Salvage Agreement.
  - C. pure salvage.
  - D. Special Compensation Protection and Indemnity Clause.
48. Vessel A is insured for US \$10,000,000 under Institute Time Clauses – Hulls 1/10/83. She collides with vessel B and is found to be 60% at fault, with her share of the damage to vessel B and its cargo estimated at US \$20,000,000. How much of the US \$20,000,000 will vessel A be able to claim back from the hull insurer?
- A. US \$7,500,000
  - B. US \$12,000,000
  - C. US \$15,000,000
  - D. US \$20,000,000

49. The 'Great Britannic' is involved in a collision on 20 June 2016. Repairs are completed on 1 October 2016 and insurers pay the claim on 15 October 2016. An investigation into the collision by the vessel's flag state is published on 15 December 2016. From which date does the insurer acquire subrogation rights?
- A. 20 June 2016.
  - B. 1 October 2016.
  - C. 15 October 2016.
  - D. 15 December 2016.
50. The 'Saucy Sue' made a £15,000 claim for sue and labour expenses under a hull policy. As part of the claims investigation, the vessel was found to be underinsured with a policy value of £100,000,000 and an actual value of £120,000,000. The insurer paid £12,500 and the owner paid £2,500 in settlement of the claim. The claim was partly caused by a faulty navigation buoy and the insurer was subsequently awarded £15,000 in damages against the port authority. How much, if anything, can the insurer retain?
- A. Nil.
  - B. £10,000
  - C. £12,500
  - D. £15,000

## Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
<b>Learning Outcome 1</b>			<b>Learning Outcome 4</b>			<b>Learning Outcome 6</b>		
1	A	1.1	20	D	4.1	37	D	6.1
2	A	1.1	21	D	4.1	38	D	6.2
3	A	1.1	22	B	4.1	39	A	6.3
4	D	1.2	23	C	4.2	40	D	6.3
5	D	1.1	24	B	4.2	41	C	6.4
<b>5 questions</b>			25	A	4.2	42	B	6.1
			26	C	4.3	<b>6 questions</b>		
<b>Learning Outcome 2</b>			27	C	4.3			
6	D	2.1	28	D	4.4	<b>Learning Outcome 7</b>		
7	C	2.1	<b>9 questions</b>			43	D	7.2
8	A	2.1				44	D	7.3
9	B	2.1	<b>Learning Outcome 5</b>			45	D	7.3
10	A	2.2	29	A	5.1	46	D	7.3
11	D	2.3	30	D	5.1	47	C	7.3
12	A	2.3	31	A	5.1	48	A	7.3
13	A	2.3	32	A	5.1	49	C	7.6
14	B	2.3	33	D	5.1	50	C	7.6
<b>9 questions</b>			34	C	5.1	<b>8 questions</b>		
			35	D	5.2			
<b>Learning Outcome 3</b>			36	D	5.1			
15	A	3.1	<b>8 questions</b>					
16	D	3.1						
17	C	3.2						
18	D	3.2						
19	B	3.2						
<b>5 questions</b>								