

## P98

### Diploma in Insurance

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

October 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. Outline the provisions of the Marine Insurance Act 1906 regarding constructive total loss, in respect of hull. **(8)**
  
2. Explain the construction characteristics of a liquid natural gas carrier, stating the main risk that would concern insurers. **(10)**
  
3. Explain the provisions of the Marine Insurance Act 1906 (s.55) with regards to included and excluded losses. **(9)**
  
4. Explain the purpose of port state control and its benefit to marine insurers. **(9)**
  
5. List **six** of the parties who would be interested in a marine adventure, stating the loss they would incur if the subject of the adventure became a total loss. **(12)**
  
6. An oil tanker has stranded and is causing pollution. Before other action can be taken, the government authority responsible for the territorial waters where the oil tanker lies, orders the destruction of the tanker. The tanker is insured under Institute Time Clauses – Hulls 1/10/83.
  - (a) Outline the losses that the tanker owner can recover under Institute Time Clauses – Hulls 1/10/83. **(6)**
  - (b) State, in what way, your answer to **part (a)** above would differ if the vessel was insured under the International Hull Clauses – 01/11/03. **(1)**
  
7.
  - (a) Describe the cover provided by charterers' liability insurance. **(8)**
  - (b) Explain the considerations made by insurers in writing charterers' liability insurance. **(6)**

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8. Identify the cover that would be provided by a Protection and Indemnity Club, which is a member of the International Group, for wreck removal, stating the provisos that can apply. (10)
9. State the provisions of the detainment clause in the Institute War and Strike Clauses – Time 1/11/95. (11)
10. Explain the duty of disclosure in the Insurance Act 2015. (8)
11. Outline the provisions under the International Hull Clauses – 01/11/03 for unrepaired damage. (8)
12. (a) Explain the difficulties in getting shipowners to pay for the costs of clean-up and damage, which led to the setting up of the International Convention on Civil Liability for Bunker Oil Pollution Damage 2001 (Bunker Convention). (3)
- (b) Explain how the provisions of the Bunker Convention dealt with the difficulties explained in **part (a)** above. (5)
- (c) State with which other Convention the Bunker Convention shares limits of liability. (1)
- (d) Name the regulation which brought the Bunker Convention into force in the UK. (1)
13. (a) List **five** individuals, other than crew members, that might make a claim against shipowners as a result of being injured whilst on board a ship. (5)
- (b) List **five** types of claim that a member of the International Group of Protection and Indemnity Clubs would provide for anyone other than crew members injured aboard ship. (5)

QUESTIONS CONTINUE OVER THE PAGE

14. The Institute Time Clauses – Hulls 1/10/83 provide for automatic termination in certain circumstances. Among these circumstances are changes in the vessel's classification society, ownership, flag or if the vessel is chartered on a bareboat basis.

Explain why underwriters would be concerned by these changes.

**(14)**

**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 container feeder ship 'Essex Express' has hit an underwater object during a voyage between Southampton and Liverpool and has stranded. The stranding has caused two crew members to be thrown to the floor and the master has rib injuries from hitting the vessel's steering wheel. The vessel's bunkers are pierced and bunker fuel escapes. The force of hitting the object causes ten containers valued at £15,000 each to be lost overboard. The salvage tug 'Aintree Races' offers assistance and the master of the Essex Express signs Lloyd's open form. A further ten containers, valued at £24,000 each, including contents have to be jettisoned to allow the vessel to be refloated.

After the vessel has been towed into port, the master declares general average and appoints an average adjuster. The vessel is unloaded and dry-docked. Damage is found to the vessel's bottom, rudder and propeller.

The Essex Express is insured for £4,000,000 but its contributory value is deemed to be £5,000,000. The contributory value of the cargo is £3,000,000.

A salvage award of 1% of the combined value of hull and cargo is made by the salvage adjuster.

The vessel's owners lodge a claim for the vessel's damage and general average contributions. They have purchased insurance on Institute Time Clauses – Hulls 1/10/83 and have entered the vessel with a Protection and Indemnity Club which is a member of the International Group.

- (a) Outline which claims, if any, will be paid by the vessel's hull insurers. (9)
- (b) Explain which claims, if any, will be paid by the vessel's protection and indemnity insurers. (10)
- (c) Calculate, **showing all your workings**, the general average contributions that will be paid by ship and cargo and how that will be reflected in the claims payable by hull and cargo insurers. (11)



- 16. (a)** Explain where the US Oil Pollution Act 1990 (OPA) operates and the liability this Act imposes on shipowners. **(5)**
- (b)** Describe the expenses, and the range of damages, that OPA applies to. **(9)**
- (c)** Explain briefly the limits of liability that apply to OPA, the exemptions from liability that apply, and if these limits of liability can be broken. **(8)**
- (d)** Explain briefly the additional proof of insurance protection that might be required by the US Coastguard, stating how these would be provided and the reason why they are in that form. **(6)**
- (e)** Describe briefly the Oil Spill Liability Trust Fund. **(2)**
- 17.** The cruise ship 'Saxon Princess' has collided with the tanker 'Oil Heater 10' near a reef in the West Indies. The Oil Heater 10's wing tanks start leaking oil. The tanker is insured under the Institute Time Clauses – Hulls 1/10/83 and the cruise ship is insured under the International Hull Clauses – 01/11/03.
- (a)** Describe the cover and exclusions under the Institute Time Clauses – Hulls 1/10/83 clause for collision liability attaching to the Saxon Princess. **(24)**
- (b)** Compare the difference between the insurance cover provided for Saxon Princess, and that for Oil Heater 10 in respect of collision liabilities. **(6)**

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