



Chartered  
Insurance  
Institute

# P98

## Diploma in Insurance

### Unit P98 – Marine hull and associated liabilities

April 2018 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) State **six** perils that could lead to damage or destruction of a vessel. (6)
- (b) State **four** examples of liabilities which shipowners could face from a claim made by another party. (4)
  
2. (a) Explain the advantages to a shipowner of getting his ship classed by a classification society. (5)
- (b) A shipowner has purchased a vessel second-hand and wishes to have it classed by the classification society it uses for its other vessels.  
  
State which surveys would be carried out to achieve this and which surveys would be needed during the period the vessel is classified. (8)
  
3. (a) Outline **three** services by way of salvage that can be rendered to ships. (3)
- (b) Identify the essential elements of salvage. (3)
- (c) State **six** of the factors listed in Article 13 of the International Convention on Salvage 1989, that are considered when making a salvage award. (6)
  
4. A vessel is being assisted to berth by a tug. The ship has engaged the tug's services using the UK Standard Conditions for Towage and Other Services 1986. The tug's crew negligently use the wrong strength of tow rope, and as the tow nears the dock, the rope breaks causing the tug to surge into the dock and the tow to drift and collide with a pier and then a moored vessel.  
  
Explain, in detail, **each** of the respective liabilities of the tug and the tow. (10)

5. Explain the responsibilities of both the owner and charterer for the following:
- (a) Voyage charter. (5)
  - (b) Time charter. (5)
  - (c) Demise charter. (4)
6. (a) State the provisions in the Marine Insurance Act 1906 relating to an actual total loss. (4)
- (b) A yacht goes missing during a major storm.
- Explain briefly which provisions of the Marine Insurance Act 1906 would allow the vessel to be declared an actual total loss. (3)
7. The bulk carrier 'Titan' has been insured on a voyage policy as it is making its last commercial voyage before being scrapped. As the vessel is loaded, the Master notices cracks on the hatch coamings which might cause the vessel to be deemed unseaworthy.
- Should this be the case, state the resulting position under the Marine Insurance Act 1906, in relation to a voyage policy, and if the vessel had been insured under a time policy. (10)
8. A small coastal vessel needs repairs following a loss caused by an insured peril. The owner of the vessel wants repairs to be carried out by a local repair yard owned by his brother. The insurers believe the vessel can be repaired more cheaply elsewhere.
- Outline the provisions of the Institute Time Clauses – Hulls 1/10/83 giving insurers the right to take control of the claim. (7)

**QUESTIONS CONTINUE OVER THE PAGE**

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9. (a) State the provisions of the Institute Time Clauses – Hulls 1/10/83 relating to unloading at sea. (7)
- (b) Outline how the provisions of the International Hull Clauses 01/11/03 differ from the Institute Time Clauses – Hulls 1/10/83. (3)
10. (a) Explain briefly how shipowners pay for their coverage in a traditional International Group Protection and Indemnity (P&I) Club. (2)
- (b) Describe briefly how a P&I club would raise more income for any given underwriting year if it needed to do so. (2)
- (c) Explain briefly the action a P&I club could take if a shipowner gave notice of his decision to leave the club. (4)
- (d) Explain briefly how the actions of a fixed premium (P&I) insurer would differ in **each** of the above circumstances. (2)
11. A dry cargo ship crossing the Mediterranean Sea finds a boat full of refugees. They take them on board and as they do so one of the refugees is injured when a rope snaps. The refugees are told that they will be landed at the vessel's next port of call. The refugees refuse to accept this and demand to be taken to another port of their choice. An attempt is made to take-over the vessel, during which two refugees and three crew members are also injured, one seriously.
- Describe which of these claims would be paid by the shipowner's Protection and Indemnity Club, which is a member of the International Group. (14)
12. (a) Explain why underwriters would keep underwriting statistics and the form these would take. (7)
- (b) Explain briefly how statistics would be presented by a broker placing a fleet of ten vessels. (4)

13. State the duties of a shipowner in the notification of claims under:
- (a) Institute Time Clauses – Hulls 1/10/83; (2)
  - (b) International Hull Clauses 01/11/2003; (2)
  - (c) an entry in a Protection and Indemnity Club which is a member of the International Group. (2)
14. State how Rule A of the York-Antwerp Rules 1994 defines a general average act. (6)

**QUESTIONS CONTINUE OVER THE PAGE**

## PART II

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

- 15.** You have a client who specialises in container services. They are considering diversifying into small tankers operating between the UK and Europe. They are concerned about the potential liability for pollution claims and have asked for your advice.
- (a) Explain the cover provided by Protection and Indemnity Clubs for pollution liabilities. (8)
- (b) State the international conventions that limit shipowners' liability and provide compensation for third parties following an oil spill. (15)
- (c) Explain what STOPIA **and** TOPIA stand for and how they operate for smaller tankers. (7)
- 16.** A small container ship is proceeding up river to dock and unload her cargo. As the vessel approaches her rendezvous with tugs, a latent defect in the steering engine becomes apparent and the vessel loses her ability to be steered. She veers across the river into an empty car carrier heading downstream.
- The car carrier is holed and begins to sink causing pollution from her bunkers. The Port Authority organises a pollution containment scheme.
- The container ship suffers hull damage from the collision and strands as she hits the river bank. She is insured under Institute Time Clauses – Hulls 1/10/83 and is entered in a Protection and Indemnity Club which is a member of the International Group.
- (a) Explain, with regard to the container ship:
- (i) which losses her hull insurers will pay; (18)
- (ii) which losses her Protection and Indemnity Club will pay. (8)
- (b) Explain briefly the difference in cover for latent defects between the Institute Time Clauses – Hulls 1/10/83 and the International Hull Clauses 01/11/2003. (4)



- 17.** A general cargo vessel has suffered a major casualty because of stranding. The vessel is re-floated, and the owners have tendered notice of abandonment, claiming a constructive total loss, due to substantial bottom damage and damage to the engines when used to try to re-float the vessel.

If the notice was to be accepted, the owners have asked the underwriters whether they would consider selling the wreck back to them to use for spare parts.

- (a)** Explain, in detail, the procedures for settling a constructive total loss citing the appropriate sections of the Marine Insurance Act 1906. **(20)**
- (b)** State the information insurers would need to take into consideration in deciding whether to accept a claim for a constructive total loss. **(6)**
- (c)** State the procedure if the underwriter has agreed notice of abandonment that he would arrange for disposal of the wreck, bearing in mind the owners have expressed an interest in buying it back. **(4)**

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