

# P98

## Diploma in Insurance

### Unit P98 – Marine hull and associated liabilities

October 2013 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. Explain the provisions of the SCOPIC Clause. (8)
  
2. (a) State how a general average act is summarised in Rule A of the York-Antwerp Rules. (6)
  
- (b) A vessel insured under Institute Time Clauses – Hulls 1/10/83 is involved in an incident and the master of the vessel declares general average. The vessel's contributory value is £50,000,000 and cargo is £40,000,000. During the incident, cargo with a deemed sound market value at destination of £900,000 is sacrificed.
  - (i) Calculate, **showing all your workings**, the claim that hull insurers will pay. *You should ignore any policy deductibles.* (3)
  
  - (ii) State how your answer might differ if the vessel's contributory value was £40,000,000. (2)
  
3. Explain briefly, setting out the responsibilities of each party, the differences between:
  - (a) voyage charters; (5)
  - (b) time charters; (5)
  - (c) demise or bareboat charters. (4)
  
4. State the provisions under the Institute Time Clauses – Hulls 1/10/83 that allow for automatic termination of cover. (11)
  
5. A container vessel currently trading between the east and west coasts of the USA has been engaged to trade in the future in an area of enhanced war risks.  
  
 Explain briefly what protections are provided to insurers under the Institute War and Strikes Clauses Hulls – Time 1/10/83 to protect their position. (6)

6. A cruise liner is entered into a Protection and Indemnity (P&I) Club which is a member of the International Group. During a Mediterranean cruise, passengers and crew suffer from food poisoning. The condition of some passengers is such that the vessel has to divert to an Italian port to land them.

Whilst these sick passengers are being landed, others make their own way ashore and are injured in a fight at a local bar during which expensive jewellery belonging to a passenger is stolen.

The vessel continues her voyage but then suffers an engine breakdown at her next port of call which causes the rest of the cruise to be abandoned.

Explain which claims would and which claims would not be recoverable from the P&I Club.

(14)

7. (a) Explain briefly why a shipowner would need loss of hire insurance. (5)

- (b) Explain how a loss of hire insurance operates and summarise the cover provided. (10)

8. (a) State the main functions the International Group of Protection and Indemnity Clubs perform on behalf of their members. (3)

- (b) Describe briefly how an individual Club can benefit from these functions. (5)

9. Outline the provisions of the Marine Insurance Act 1906 Section 39 relating to seaworthiness. (8)

10. London Market insurers are asked to underwrite the hull insurance of a liquid natural gas (LNG) carrier.

State the construction characteristics of such vessels and the main risks that would concern underwriters with this type of vessel.

(8)

11. An unladen oil tanker has stranded and is considered by the local authorities to be a pollution hazard. The local authorities believe that the best way to deal with the situation is to tow the tanker out to sea and deliberately sink the vessel.

Explain briefly what provisions are made for this situation under Institute Time Clauses – Hulls 1/10/83.

(6)

Questions continue over the page

12. State the excuses for deviation or delay contained in the Marine Insurance Act 1906.
13. Describe the effect of an economic recession on ship values and explain the actions underwriters should consider to protect their position. (13)
14. (a) State what a named perils policy is and how this differs from an all risks policy. (2)  
(b) Explain the difference in the burden of proof necessary to show a claim can be recovered under **each** policy. (8)

## PART II

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

15. A general cargo vessel has suffered a major casualty as a result of a stranding. The vessel is refloated and owners have tendered notice of abandonment, claiming a constructive total loss. In the event that the notice were 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. (19)
  - (b) (i) State whether insurers should agree to accept a claim for constructive total loss. (2)
  - (ii) State the procedure for the disposal of the wreck and the acceptance of liability exposure and whether underwriters can sell the wreck back to the owners. (3)
  - (c) State who would pay the cost of removing the vessel from its stranding site, if the vessel is declared a constructive total loss. (6)
16. (a) Explain the cover provided for collision liability under the Institute Time Clauses – Hulls 1/10/83. (21)
- (b) A feeder container ship has collided with a tanker whilst carrying cargo in the Baltic Sea.
- The feeder container ship is insured for £10,000,000 with a deductible of £50,000. She incurs damage of £2,000,000 and each vessel is deemed to be 50% liable for the collision. After a legal dispute, the feeder container ship is allowed to limit her liability to £6,500,000 and her legal costs are £500,000.
- The tanker is insured for £100,000,000 with a deductible of £1,000,000. The tanker's damage is £20,000,000 and her legal costs are £800,000.
- Calculate, **showing all your workings**, the adjustment of these claims showing what both policies will pay. Both vessels are insured under Institute Time Clauses – Hulls 1/10/83. (9)
17. (a) Describe the conventions that limit shipowners' liability and provide compensation for third parties following an oil spill in UK or European waters. (18)
- (b) Explain the cover provided by Protection and Indemnity Clubs for cargo liabilities and liabilities to third parties for vessels that carry crude oil as a cargo. (12)

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