

Marine Hull and Associated Liabilities

27th March 2021

Instructions to candidates

Read the instructions below before answering any questions

Three hours are allowed for this paper which carries a total of 160 marks, as follows:

Part I

1 compulsory question (case study) 80 marks

Part II

2 questions selected from 3 (scenarios) 40 marks each for a total of 80marks

- You should answer the question in Part I, and two out of the three questions in Part II.
- You are advised to spend no more than 90 minutes on Part I and 45 minutes on each question selected in Part II.
- It is recommended that you spend 15 minutes reading and planning your answer to the case study and 75 minutes answering it, and that you spend 10 minutes reading and planning your answer to each scenario and 35 minutes answering it.
- A case study tests extensively across syllabus learning outcomes, whilst a scenario will be more focused on specific learning outcomes.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- 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.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

PART I

Case study

This question is worth 80 marks

You should include relevant examples and further reading in your answer where applicable

QUESTION 1

CASE STUDY

The Marine Insurance Act 1906 (UK) is the single most important piece of English legislation for those involved in insurance. It sets out the rights and obligations of insurers and assureds and lays out the principles for dealing with different types of claims. From the Marine Insurance Act 1906, stem out various Institute Clauses that build upon the various provisions of the Act.

The Marine Insurance Act 1906 is an invaluable guide for insurers to the understanding of those elements related to underwriting of marine risks and the adjustment of the ensuing claims. In this respect, contained within the Act, one finds the application of insurance principles, types of policies, claims calculations, settlement options and other rights and obligations on the contacting parties.

QUESTION

You are assigned to deliver a talk on ten (10) aspects that are derived from the several provisions contained in the Marine Insurance Act 1906 (UK) which are widely used practices in marine underwriting and claims today.

Present your speech.

(80 marks)

PART II
Scenarios
Answer TWO of the following THREE questions.
Each question is worth 40 marks

QUESTION 2

SCENARIO

An oil tanker "Ocean Paradise" is on its voyage from Mexico to Southampton. As it negotiates its way round the coast of Ireland, a severe storm pushes her close to the shore scraping its hull along the Cape Clear Island and develops a large crack severely straining the hull. The vessel begins to leak oil and the captain sends out an SOS call. The captain decides to head to Cork for refuge, but harbour authorities refuse entry to the vessel which is forced back to sea. A sudden engine failure causes the vessel to lose all power and she strands on Long Strand where it wedges permanently between the rocks. No injury was caused to the crew, however oil starts to leak heavily. Fearing a major pollution incident, the Irish coastguards insist on the vessel being destroyed. Unfortunately, when this action is taken, it results in a total loss with major oil pollution.

QUESTION

Identify the claims that would be paid by insurers under Institute Time Clauses – Hulls 1/10/83 and any claims that might be payable by the Protection and Indemnity (P&I) insurers. Also explain the international conventions and agreements that allow a shipowner to limit liability for pollution.

(40 marks)

QUESTION 3

SCENARIO

Having just released some of its cargo in Malta, the reefer "Golden Seas" makes its way towards the Suez Canal. With civil unrest in the adjacent countries, terrorists attack and block the canal from both ends trapping all ships that happen to be in the area including the Golden Seas.

The canal locks are damaged and it is expected that repairs will take 13 months. The vessel has marine and war insurance placed in the London Market. The hull is insured under the Institute Time Clauses – Hulls 1/10/83, with war cover provided by Institute War and Strikes Clauses Hulls – Time 1/10/83. The owners claim for a constructive total loss as they have been deprived of the use of the vessel. They have a full order for its use and will suffer a major financial loss if they cannot use the vessel.

QUESTION

In the light of this scenario detail how a claim for a total loss is made and how insurers would respond to the circumstances arising in this case.

(40 marks)

QUESTION 4

SCENARIO

Protection and Indemnity Clubs (P&I clubs) primarily were designed to provide protection to shipowners against third party liabilities and expenses.

The role and coverage of P&I clubs have changed drastically since the 20th century as the clubs were under pressure to meet the challenges of the new complex structure of shipping, evolution of ship sizes and environmental impacts creating maritime disasters.

For the past 64 years, carriers had also to assume and cover liabilities for the risk factors associated with the complete movement of container shipments, both at sea and land due to containerisation.

All these have resulted in the shipowners demanding greater coverage from the P&I Clubs which in turn felt the need to form The International Group which brings together a number of clubs together providing liability cover to approximately 90% of the world's shipping tonnage.

QUESTION

In the light of the evolution of P and I Clubs into the International group Clubs, explain the role, importance and the type of protection that these clubs have offered to their respective customers. Give examples to support your discussion.

(40 marks)
