

# Marine Hull and Associated Liabilities

5<sup>th</sup> March 2023

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## 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**

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- 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**

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#### **QUESTION 1**

##### **CASE STUDY**

Responsible for shipping 90 percent of the world's trade, cargo ships are part of the global economy's backbone. The international cargo shipping industry transports goods with an estimated value of \$4.5 trillion on an annual basis and is projected to increase by about 4.7 percent in the coming years. And while this may sound like a good thing for the world's economy as a whole, it also represents several potential risks for the shipping industry.

The most common shipping risk management issues have traditionally been somewhat predictable; however, the rapid growth of international trade and the introduction of new technologies means that the container shipping industry faces a new set of risks. The identification and mitigation of these risks are important as the shipping industry's successes and failures can have wide-ranging effects on global business.

##### **QUESTION**

Discuss 4 exposures associated with marine hull liability and 4 main risks to which vessels are exposed that could potentially cause damage to the vessel.

In the context of your selection, explain how marine insurers deal with such hazards and risks through their related insurance product covers, clauses and conditions.

(80 marks)

## **PART II**

### **Scenarios**

**Answer TWO of the following THREE questions.  
Each question is worth 40 marks**

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#### **QUESTION 2**

##### **SCENARIO**

In the landmark case of *Manifest Shipping Ltd. v. Uni-Polaris Insurance Co. Ltd*, [2001] 1 Lloyd's Rep. 1 (commonly known as the 'Star Sea'), a fire broke out on a vessel while at sea, causing extensive damage. The shipowner (the insured) claimed under a marine insurance policy (time policy), which covered the ship to a value of U.S. \$3.2 million. The insurers defended the claim on the ground that during negotiations after the loss, the insured had failed to disclose facts relating to similar fires that had damaged other ships, also owned by the insured.

##### **QUESTION**

By referring to sections 17 & 39 of the MIA (1906) regarding duty of disclosure and seaworthiness respectively, discuss how insurers would deal with the case of the 'Star Sea' above.

(40 marks)

### **QUESTION 3**

#### **SCENARIO**

On 13 January 2012, the Costa Concordia was on the last leg of a cruise around the Mediterranean Sea when she deviated from her planned route at Isola del Giglio, sailed closer to the island and struck a rock formation on the sea floor. This caused the ship to list and then capsize, landing unevenly on an underwater ledge.

Costa Concordia was declared a constructive total loss by the cruise line's insurer, and her salvage was one of the biggest maritime salvage operations. On 16 September 2013, the parbuckle salvage of the ship began, and by the early hours of 17 September, the ship was set upright on her underwater cradle. In July 2014, the ship was refloated using sponsons (flotation tanks) welded to her sides, and was towed 320 kilometres (200 mi) to her home port of Genoa for scrapping, which was completed in July 2017.

The total cost of the disaster, including victims' compensation, refloating, towing and scrapping costs, was estimated at \$2 billion, more than three times the ship's \$612 million construction cost.

#### **QUESTION**

In the light of the Costa Concordia and similar marine disasters, discuss how abandonment, salvage and total losses are dealt with by marine insurers.

(40 marks)

#### **QUESTION 4**

##### **SCENARIO**

The 40,000 GT (gross tonnage) bulk carrier was on her way to the next loading port. Around midnight, the bridge was manned with the officer of the watch and one lookout. At the same time, another 240 GT fishing vessel sailed from the fishing grounds to her home port with a crew of fifteen.

In a distance of about 6 nm, the fishing vessel appeared on the radar screen of the bulk carrier and it was optically visible on the starboard bow. There were about 25 fishing vessels in the vicinity. During this time the bulk carrier ran with a speed of about 14 knots and the fishing vessel ran with a speed of about 9 knots. The officer of the watch of the bulk carrier detected that the fishing vessel would pass the bow from starboard to port side.

On approach, both vessels met in a crossing situation in which the bulk carrier was the give-way vessel. The fishing vessel was struck by the bulbous bow of the bulk carrier on the starboard side amidships and suffered severe damage with a massive intake of sea water. This caused the foundering of the fishing vessel shortly thereafter. Only two crew members of this vessel survived. The bulk carrier continued her voyage without any activities as they thought nothing had happened.

##### **QUESTION**

By reference to the respective cover and clauses, discuss settlement of ship-to-ship collisions by marine insurers and the involvement of P & I clubs in such incidents.

(40 marks)

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