



INSTITUTE OF  
CHARTERED  
SHIPBROKERS

MONDAY 20<sup>th</sup> MAY - AFTERNOON

## MARINE INSURANCE

Time allowed – three hours

Answer any FIVE questions – all questions carry equal marks

Please read the questions carefully before answering

1. A fire broke out in the engine room of a ship, having lost her engine power, the ship had to be towed into port. The shipowners have now lodged a claim with their marine insurers.

During the investigations it became apparent that in the survey carried out five months before the incident, it was advised that the vessel be drydocked for a complete 'overhaul of the engine room' within the next four months.

The insurers have proceeded to reject the claim on the grounds that this vital piece of information was not disclosed by the assured, and that as a result the shipowners were in breach of the provisions of the Marine Insurance Act 1906 (as amended by the Insurance Act 2015), including the 'duty of fair presentation.' The shipowners, however, contend that the survey report was not available at the time of taking out the cover.

What advice do you give the insurers?

2. A vessel collided with a barge while leaving the port after discharging its cargo. The vessel sank as the collision resulted in leaving a hole in the hull, as well as severely damaging the barge. Initial investigations carried out have revealed that the 18-year old vessel had sustained extensive damages to its hull, including the hole. Further assessment reveals that the ship may have to go into drydock for a prolonged period of time, in order to be repaired.

The shipowner (who is a single ship company) states that the cost of repair together with settling the claims of the barge owners could far outweigh any gains made from repairing the vessel. The shipowner is facing a significant bill, and is in talks with the banks and other financiers.

The shipowner asks your advice and would like to know if they would be justified in issuing a notice of abandonment under the MI Act 1906, and if yes, what procedures should be followed.

Support your answers with suitable case law reference and examples.

**PLEASE TURN OVER**

3. A cruise liner was insured, and the terms of the cover warranted that a) *'the cruise liner is classed and the existing class maintained'*, and b) *'the cruise liner shall at all-times be seaworthy and licensed to carry passengers.'*

The cruise liner collided with a container carrier, prompting the owners to claim under the marine insurance cover for the damage sustained. However, at the time of the accident the cruise liner was not classed.

The insurance company is contemplating the rejection of the claim on the grounds that the class warranty has been breached, besides exploring other legal issues that may arise under the circumstances.

Advise the insurers as to their rights to reject the claim both under the old and new law.

4. What are the rights of a subrogated insurer? Discuss with suitable case law examples.
5. What is the doctrine of 'proximate cause' in marine insurance practice? Discuss with suitable case law examples.
6. Answer **BOTH** with case law examples to support your answers.
- a) What are 'perils of the sea' as per the Marine Insurance Act 1906?
  - b) State the measure of indemnity, as specified in the Marine Insurance Act, 1906, for damage to the insured ship.
    - i. where the damage has been repaired,
    - ii. where the damage has been partially repaired,
    - iii. where the damage has not been repaired.

7. A marine insurance policy may be effected to cover the subject matter insured for a period of time (time policy), or from one place to another (voyage policy). With reference to the provisions of the Marine Insurance Act 1906, discuss the principles of insurance relating to a time policy and a voyage policy.

8. You are the owner of an oil tanker engaged in worldwide trade. While there is the risk of the vessel sailing in waters where there have been recent incidents of piracy, the deal as presented is lucrative and you are exploring a workable solution to cover the risks.

State the type of insurance cover / policy that you would require under the circumstances, outlining briefly the legal basis and scope of the cover provided by each of the policies that you intend to enter into.