



ASSOCIATE EXAMINATIONS

PAPER 1 – MARINE INSURANCE ACT 1906

Sample Questions

1. What do you understand by the concept of "Indemnity"? Give two basic principles that follow from this concept.
2. Can any party take out a contract of marine insurance? Give reasons for your answer.
3. If an assured has no insurable interest at the time of a loss, can he benefit in any way from a contract of marine insurance?
4. At the time of negotiating a hull and machinery policy a shipowner did not disclose a history of main engine problems. If the main engine suffers damage during the period of the policy, would the shipowner still be able to make a claim, assuming that the cause of the loss was a peril insured against?
5. A ship with a sound market value of US\$15,000,000 is insured on a valued policy for US\$ 20,000,000. In the event of a total loss, how much will the shipowner recover from the insurers? Explain your answer with reference to the Marine Insurance Act.
6. What do you understand by the term "promissory warranty" in section 33(1) of the MIA1906?
7. A policy of insurance on a ship has a warranty stating that the vessel must be classed and class maintained. At the date of commencement of the policy the vessel is not classed. Shortly afterwards and before any loss the vessel becomes fully classed. A loss is subsequently sustained. Can the shipowner recover in respect of such loss? Support your answer with reference to any appropriate section of the MIA 1906.
8. Are there any circumstances where a breach of a warranty may be excused?

9. A vessel is insured for 12 months as at 1st January. During the course of trading the shipowner becomes aware that the vessel is unseaworthy due to leaking hatch covers but elects not to repair. In November the vessel runs aground as a result of negligent navigation. Would the fact that the vessel was unseaworthy at the time of the grounding enable the insurer to reject the claim in respect of the grounding?
10. A voyage policy on electrical goods. During the voyage, the vessel sustains damage due to perils of the sea (a peril insured against on the cargo policy). The cargo also sustains damage and the ship is delayed at a port of refuge to such an extent that the goods eventually arrive at destination too late to meet the Christmas market for which they were intended. As a consequence the goods are sold for a much lower price. Can the cargo owner recover for this loss?
11. Give the two main criteria that would give rise to a Constructive Total Loss claim on a Hull policy under the terms of section 60 (1) of the MIA 1906.
12. A small vessel is insured on a valued policy for an amount of US\$ 1,000,000. While on a voyage in ballast and not under charter she runs aground. In each of the following situations state whether the shipowner can claim for a Constructive Total Loss:
 - a) Sound value US\$ 1.2m .Estimated cost of refloating US\$ 300,000, estimated cost of repairs US\$ 750,000
 - b) Sound value US\$ 900,000. Estimated cost of refloating US\$ 250,000 estimated cost of repairs US\$ 650,000.

(In answering, ignore any issues concerning the timing of submitting a notice of abandonment)
13. A ship with a sound value of US\$ 5,000,000 and an insured value of US\$ 4,000,000 runs aground and the engine room is flooded. During a high tide she refloats herself. The estimated cost of repairs is US\$ 4,500,000. What options are there for the shipowner to claim from the insurers?
14. If an assured wishes to claim for a CTL on a policy, what action must they take to comply with section 62(1) of the MIA 1906?
15. A shipowner asks for your advice as to what constitutes a general average act in terms of section 66(2) of the MIA 1906. What are the main principles that you would draw to his attention?
16. A ship sustains damage as a result of a peril insured against but the shipowner only effects part permanent repairs. The remaining part permanent repairs are still outstanding when the policy expires. The cost of the repairs effected are below the policy deductible but the estimated cost of the deferred repairs would exceed the deductible. Is there any claim on the policy and, if so, how would it be assessed?

17. a) 1000 bags of coffee are insured for US\$ 250,000. During the course of the voyage 4 bags are lost due to Insured perils discharge. What is the claim?

b) 1000 bags of coffee are insured for US\$ 250,000. During the course of the voyage 24 bags are delivered that have been damaged by insured perils and it is agreed that the damage is 20%. What is the claim?

18. A ship is insured for 12 months with an insured value of US\$ 10,000,000. During the course of the policy year the vessel sustains 3 casualties which in total cost US\$ 11,000,000 to repair. Can the shipowner recover the US\$ 11,000,000?

19. A vessel with a sound and insured value of US\$ 5,000,000 runs aground on a loaded voyage. She refloats herself and puts into a port of refuge where repairs are effected and the following costs are incurred:

Grounding repairs US\$ 4,500,000

Ship's proportion of general Average expenditure US\$ 750,000.

Can the shipowner recover in full? Give reasons for your answer with reference to any relevant sections of the Marine Insurance Act.

20. While heaving up an anchor, the anchor is fouled and the crew cut the chain and the anchor and chain are lost. The crew drop a marker but the shipowner takes no further action and claims for the cost of a new anchor and chain. Assuming that the loss of the anchor can be considered as a peril of the sea and ignoring any question of a deductible, does the insurer have any defence to the claim?

21. a) When an insurer settles a Total Loss does he automatically become the owner of whatever may remain?

b) Does an insurer have any rights of ownership if he settles a partial loss?

22. If an insurer does not take over any rights of ownership of property on which he has settled a loss can he receive any monies that are received by the insured in respect of a recovery that might be obtained from a third party?