



ASSOCIATE EXAMINATIONS

PAPER 2 – HULL AND CARGO CLAIMS

Sample Questions

1. Outline two circumstances in which a policy may terminate automatically under ITC Hulls 1.10.83.
2. a) Summarise the guidelines given by the Special Committee Report regarding the application of Clause 12 of ITC Hulls 1.10.83.
b) Give two examples to illustrate the application of these guidelines.
3. Following negotiations between the parties regarding a collision, liabilities and damages are agreed as follows:

	"A" (60% to blame)	"B" (40% to blame)
Damage to ship.	US\$ 60,000	US\$ 130,000
Demurrage.	<u>20,000</u>	<u>50,000</u>
	<u>US\$ 80,000</u>	<u>US\$ 180,000</u>

- a) Show the cash settlement between the parties.
- b) "A" is insured subject to ITC Hulls 1.10.83, deductible US\$20,000. State the claim on "A"'s policy.
4. Liability for a number of items is excluded under Clause 8 of ITC Hulls 1.10.83. Outline three such exclusions.
5. In what circumstances are wages and maintenance of crew allowed under ITC Hulls 1.10.83.

6. Outline your understanding of the following named perils:
 - a) Perils of the seas.
 - b) Barratry.

7. A vessel enters drydock to carry out damage repairs and Owners' maintenance work as follows:

	Repair Cost	Days in drydock required
Accident 1.	<u>US\$500,000</u>	5
Accident 2.	<u>US\$750,000</u>	10
Owners' work.	<u>US\$200,000</u>	5

The cost of entering/leaving drydock is US\$20,000 and the daily dues are US\$10,000.

Divide the drydocking expenses:

- a) Assuming the vessel is drydocked specially for damage repairs.
 - b) Assuming the vessel is scheduled for a routine drydocking.
8. A vessel sailing in ballast suffers a severe grounding, following which a Constructive Total Loss claim is settled. Various unsuccessful attempts were made to refloat the vessel using tugs on a daily hire basis, at a total cost of US\$500,000. The wreck was sold for breaking up in situ for US\$250,000. The Insured Value of the vessel was US\$10,000,000 but her Sound Market value at the time of the loss was US\$12,000,000.

The vessel was insured subject to ITC Hulls 1.10.83, deductible US\$100,000. Adjust the claim for tug hire expenses.

9. A products tanker sustains grounding damage while entering Rotterdam to discharge cargo. After completion of discharge the Classification Society approves a single ballast voyage to a repair port. After taking quotations, the vessel removes to Lisbon where permanent repairs are effected in drydock. Owners took advantage of the drydocking to carry out various Class surveys which were not due at that time. On completion of repairs the vessel sails to Tunisia to load cargo.

Outline:

- a) What expenses can generally be taken into consideration when calculating removal costs.
- b) How the removal expenses in this case would be dealt with assuming the vessel was insured under ITC Hulls 1.10.83.

10. A loaded container vessel goes heavily aground on an off-shore reef, and salvors are engaged under LOF 2000. Identify which of the following costs would be allowed in General Average:

- a) LOF salvage award.
- b) Hull damage due to the grounding.
- c) Hull damage sustained during refloating operations.
- d) Cargo damage sustained during lightening operations.
- e) Damage to reefer cargo due to delay in the voyage while aground.
- f) Fines for pollution and damage to the reef caused during refloating operation.

11. Outline the purpose and effect of the Institute Additional Perils Clause 1.10.83.

12. A vessel suffers a main engine damage due to negligence of repairers and makes a recovery under his ITC Hulls 1.10.83 policy of US\$500,000 after application of the US\$100,000 deductible.

Subsequently the Shipowner makes a recovery from the repairer as follows:

Loss of earnings.	<u>US\$100,000</u>
Repair costs.	<u>US\$450,000</u>

How would this recovery be dealt with?

13. A vessel insured for US\$15,000,000 (deductible US\$100,000) subject to ITC Hulls 1.10.83 is on a loaded voyage when she grounds. Tugs are engaged on a daily hire basis and the vessel is refloated successfully but sustains damage to her steering gear in the process. Permanent repairs to the steering gear and grounding damage are effected at a nearby port of refuge and the voyage is completed. The following costs are incurred:

Tug assistance.	<u>US\$100,000</u>
Port of refuge expenses.	<u>US\$50,000</u>
Grounding damage to ship.	<u>US\$200,000</u>
Refloating damage to ship.	<u>US\$125,000</u>
Water damage to cargo.	<u>US\$100,000</u>

The Sound Market value of the vessel is US\$12,000,000 and the CIF value of cargo is shown as US\$8,000,000. Adjust the claim on the Hull policy.

14. If cargo is insured under Institute Cargo Clauses (A) what is the level of proof required to substantiate a claim?

15. Explain what is meant by a “salvage loss” settlement.

16. 100 boxes of mangoes were shipped Puerto Rico to London. Insured value £12 per box under ICC(A) 1/1/82.

Due to a peril insured against the mangoes arrived ripe to a varying degree and were sold immediately at an average price of £5 per box against a market price for sound mangoes of £10 per box as follows:

Gross proceeds of sale £6 x 1,000 boxes	£6,000
Less sales commission	300
Carriage charges	<u>50</u>
	<u>5,650</u>

Adjust the claim on the policy.

17. Under Institute Cargo Clauses 1/1/82

- a) When does the insurance attach?
- b) What is the position in the event of a change of voyage?

18. While investigating the circumstances of a cargo claim, insurers become aware that the carrying vessel was in poor condition and clearly unseaworthy at the commencement of the voyage.

How might such unseaworthiness affect any claim under Institute Cargo Clauses 1/1/82?

19. Outline four of the General Exclusions found in Institute Cargo Clauses 1/1/82.