**Overall Comments**

A good set of papers with only a very few candidates who had obviously not done much studying. Pleasingly handwriting has improved - keep it up all of you.

Unlike many of the ICS subjects, Marine Insurance does demand a fair amount of rote-learning which the majority of candidates seem to have mastered. High marks, however, are only earned when it is clear from the answer that the subject-matter has not only been memorised but also understood. This year there were mercifully few cases where the subject simply had not been learned resulting, in some cases, in some fascinating but hopelessly incorrect guesswork.

**Question One – Defining Terms**

**New for old** – this question needed candidates to show that they knew that the MIA allowed for deductions to match depreciation but most policies now avoid disputes by paying for new parts without deduction.

**Loss of specie** – when the item is not actually lost but the damage has rendered it useless for its intended purpose. Very few candidates ventured an example other than the wetted cement in the course book.

**Inherent vice** – a condition occurring within the subject matter itself. Again only the course book examples of fruit or spontaneous combustion were offered.

**Sympathetic Damage and Sentimental loss** – Some candidates got these muddled. The former is damage caused by contamination from other cargo damaged by an insured peril (which is covered) and the latter being loss of market value due to prejudice because goods were in the same ship a damaged cargo; sentimental loss is not covered.

**Question Two – Arriving at Underwriters’ Liability**

This was not a popular question which seems strange.. The first case referred to a ship incurring damage by an insured peril where the insurers would pay reasonable cost of repairs up to the limit of the sum insured (see Q1 new for old). No answer grabbed the extra mark by mentioning the possibility of a deductible in the policy.

The second case referred to part of a consignment being damaged where the answer sought reference to the formula covering the difference between gross sound value and gross damaged arrived value.
Question Three – Assignment of a Policy

Most answers were good although several stumbled over the “lost or not lost” which is included to cover the assignee being able to claim even if it is not clear at what stage the damaged occurred.

Otherwise the way in which the cargo policy follows the title to the goods which is vital in international trade where the terms of sale determine when title moves from seller to buyer. All the answers were clear that Hull policies were very rarely assignable.

Question Four – Sue and Labour Expenses

Most answers correctly stressed how sue and labour expenses were incurred to mitigate underwriters’ loss. Most made it clear all the way through how sue and labour only applies when particular average is involved; if the common venture is involved then it becomes a general average matter. Not all answers stressed how sue and labour expenses are a separate contract from the policy itself and are even payable if the subject matter is lost.

Question Five - Abandonment

Most candidates understood the principle but had difficulty in explaining it and more study is needed about the procedure of the underwriters formally declining to accept abandonment at first with the rigmarole that follows. All understood that Constructive Total Loss was the issue and many enjoyed referring to the WWI case where CTL was declared when the enemy captured the ship but the underwriters made a profit when the ships was released. Only some of the answers actually used the expression ‘subrogation’. None grabbed the extra mark by pointing out that even if the damage to the ship exceeds its insured value, the owner is not about to declare CTL but can take the full value of the policy and pay the extra to repair the ship.

Question Six – Institute Cargo Clauses

Utmost good faith – All the answers covered the principle that everything affecting the risk has to be declared to the insurers but many suggested that the policy was automatically void whereas they should have said that it was voidable.

Breach of implied warranty of seaworthiness – So many candidates failed to read the question which said ‘Cargo clauses’ So long discourses dealing with insurance on the ship and the effect of unseaworthiness was a waste of valuable time. The main point to make here is that the breach may be waived if the assured was unaware of the unseaworthiness

Delay – Underwriters are discharged from liability as soon as the delay becomes unreasonable but where it is beyond the control of the assured the policy remains in force but would not cover losses actually caused by the delay (eg fruit going rotten)

Question Seven – Insurable Interest

Marine adventure – All understood that this was the whole thing involving all concerned.

When does a person have an interest? – Several stumbled over the sheer simplicity of this part. A person has an interest if they stand to profit from its successful outcome and lose money if there is a loss. The interest has to be legal and most touched on the illegality of creating a false interest ie gambling.

Proof of insurable interest. Not all were clear that the assured does not need to have an interest at the time the policy was effected, eg the consignee.

Examples of interest. Many found this troublesome. Simple examples of a hull interest could shipowner and mortgagee and of cargo interest consignee and charterer.
**Question Eight – General Average**

**GA Contribution** – generally this was well understood as being the amount each party pays according to the value of their interest.

**GA Bond** – Not so well explained but most answers got to the point that receivers had to give a firm guarantee to pay their share when the Average Adjusters had completed their calculations.

**GA deposit** – Few stressed the point that a deposit would have to be made when the receiver could not provide a suitable guarantee for example where the trader was self-insured.

**GA disbursements** – These are the out of pocket many of which are not recoverable from the GA settlement and none would be recoverable if the ship was subsequently lost which is why owners may take out disbursement insurance. As this is the Institute of Chartered Shipbrokers it would have been happier of more candidates pointed out that the port agents extra expenses and a reasonable fee are recoverable from the GA settlement.