



UNIVERSITI KUALA LUMPUR
Malaysian Institute of Marine Engineering Technology

FINAL EXAMINATION
MARCH 2025 SEMESTER SESSION

SUBJECT CODE : LOB21103
SUBJECT TITLE : MARINE INSURANCE
PROGRAMME NAME : BACHELOR OF MARITIME OPERATIONS (HONS)
(FOR MPU: PROGRAMME LEVEL)
TIME / DURATION : 09.00 AM – 12.00 PM
(3 HOURS)
DATE : 23 JUNE 2025

INSTRUCTIONS TO CANDIDATES

1. Please **CAREFULLY** read the instructions given in the question paper.
2. This question paper has information printed on both sides of the paper.
3. This question paper consists of **TWO (2) Section**; Section A and Section B.
4. Answer **ALL** question in section A, and **THREE (3)** question in Section B.
5. Please write your answers on OMR sheet in Section A, and answer booklet provided for Section B.
6. Answer all questions in **ENGLISH** language **ONLY**.

THERE ARE 19 PAGES OF QUESTIONS, EXCLUDING THIS PAGE.

SECTION A (TOTAL: 25 MARKS)

INSTRUCTION: ANSWER ALL QUESTIONS.

Please use the OMR sheet provided.

1. Which of the following best describes the primary function of a marine insurance contract under Section 3 of the Marine Insurance Act, 1963?
 - A. The study of people's behavior in society.
 - B. The allocation of resources in the transport sector.
 - C. The study of environmental impacts of transportation.
 - D. The management of city infrastructure.

2. An insured claims losses from an event that does not qualify as a marine adventure under the Marine Insurance Act, 1963. Which principle would the insurer use to deny the claim?
 - A. Lack of proximate cause.
 - B. Breach of utmost good faith.
 - C. Absence of insurable interest.
 - D. Loss not incidental to marine adventure.

3. A logistics company wants to ensure electronic equipment transported by train across the country. Which type of marine insurance would be most appropriate?
 - A. Ocean marine insurance, because the goods may cross rivers or coastal areas.
 - B. Inland marine insurance, because it covers land transportation risks like collisions and theft.
 - C. Ocean marine insurance, as it offers broader coverage for any transport risks.
 - D. Neither as marine insurance only applies to goods transported by ship.

4. Evaluate the following scenario: A shipment of goods is being temporarily stored in a third-party warehouse after being transported over land. Which type of insurance would likely respond to a loss from theft at the warehouse?
 - A. Ocean marine insurance because the goods are in the supply chain.
 - B. Inland marine insurance, as it covers temporary warehousing risks.
 - C. General liability insurance of the warehouse.
 - D. No insurance applies unless the goods are on a ship.

5. A shipping company wants to insure against possible injury claims made by dock workers during cargo loading. Based on the types of marine insurance, which policy would be most appropriate?
 - A. Hull insurance, because it covers the ship and equipment involved in the loading.
 - B. Marine liability insurance, because it protects against injury or damages to third parties.
 - C. Cargo insurance, since it involves the goods being loaded.
 - D. Freight insurance, because it covers all operations related to the cargo.

6. A ship departs from its port of commencement but deviates from its agreed route to avoid a storm and later returns to its original course. Based on the principles of deviation, what is the status of the insurer's liability?
 - A. The insurer is discharged from liability as any deviation voids the coverage.
 - B. The insurer is liable only if the deviation was unintentional.
 - C. The insurer is discharged even if the ship returns to its original path.
 - D. The insurer remains liable since the deviation was made for safety and the ship returned to its original course.

7. Analyze the following situation: A trader obtains a marine insurance policy for goods they expect to buy in the near future but does not own yet. Which principle justifies this action?
 - A. Principle of indemnity.
 - B. Principle of utmost good faith.
 - C. Principle of insurable interest.
 - D. Principle of contribution.

8. Critically evaluate the following statement: "General average applies only when the ship owner incurs an expense." Which of the following is the most accurate assessment?
- A. True, as general average applies only to expenses by the shipowner.
 - B. True, because cargo owners are only liable for damages to their own goods.
 - C. False, because general average covers sacrifices or expenses made by or affecting any party involved in the voyage if done to save the entire venture.
 - D. False, since general average is automatically covered by cargo insurance only.
9. A shipowner refuses to pay for the salvor after a failed salvage operation. Based on maritime law, how should this dispute be resolved?
- A. The shipowner is correct in refusing payment under the "No Cure – No Pay" principle.
 - B. The salvor can claim payment through arbitration under the general average principle.
 - C. The salvor can demand payment through the principle of utmost good faith.
 - D. The salvor is automatically entitled to payment regardless of the outcome.
10. Critically evaluate the necessity of "danger" as a key element of customary salvage. Which of the following best reflects its role?
- A. It ensures that salvage awards are only granted when property is exposed to actual or imminent peril.
 - B. It allows salvors to claim awards for assisting vessels in calm seas regardless of threats.
 - C. It limits salvage operations to shipwrecks only.
 - D. It requires salvor to prove financial loss to claim compensation.

11. A salvor performs salvage services under a written contract, but the owner of the distressed vessel later claims they signed the agreement under extreme pressure. Based on the elements of contract salvage, what legal issue could invalidate the agreement?
- A. Lack of legal capacity.
 - B. Absence of consideration.
 - C. Absence of voluntary agreement, as the contract was signed under duress.
 - D. Failure of the salvor to perform the service.
12. Evaluate the following scenario: A vessel covered under Hull and Machinery Insurance collides with another ship, causing damage to the other vessel's hull. Under which provision is the insured vessel's owner protected from claims made by the other vessel's owner?
- A. Physical damage coverage.
 - B. Collision liability coverage.
 - C. Cargo insurance.
 - D. Salvage services clause.
13. Which of the following best reflects the reason why the insurer requests specific documents after the survey during the marine insurance claims process?
- A. To verify the surveyor's identity.
 - B. To assess the vessel's resale value post-repair.
 - C. To confirm the insured's compliance with the ITC clauses and support the claim assessment.
 - D. To process the refund of the premium to the shipowner.

14. A shipowner experiences a collision at sea and informs the insurance company after 10 days without a valid reason. Based on the standard claims process, what is the most likely consequence?
- A. The insurer will automatically accept the claim once documents are submitted.
 - B. The insurer will assign a surveyor without considering the reporting time.
 - C. The insurer will release the claim amount after survey, regardless of notification timing.
 - D. The insurer may reject the claim due to delay in notifying the event, unless the delay is justified.
15. Evaluate the nature of coverage provided by the Institute Cargo Clauses (A). Which statement most accurately describes the scope of risks covered?
- A. It only covers perils of the sea, rivers, and lakes with limited exceptions.
 - B. It provides coverage for all risks, including perils of the sea, for a higher premium.
 - C. It excludes perils of the sea and focuses only on inland transport risks.
 - D. It is a restrictive policy only suitable for low-value cargo.
16. A ship collides with a port fender, causing property damage, and also causes an oil spill in the harbor. Based on the nature of P&I insurance, how would these incidents be handled?
- A. Both incidents would be excluded as they are covered only by hull insurance.
 - B. Both incidents would be covered under the ship's P&I insurance, as they involve third-party property and pollution liabilities.
 - C. Only the pollution claim would be covered, as P&I does not handle property damage claims.
 - D. Only the property damage would be covered, while the pollution claim is excluded unless war risks apply.

17. Critically evaluate why P&I insurance is considered essential for shipowners, beyond hull and machinery coverage. Which of the following best explains its importance?
- A. P&I insurance provides coverage for a wide range of third-party liabilities, including pollution, cargo damage, and property damage claims, which are not covered under hull and machinery policies.
 - B. P&I insurance focuses only on cargo loss and not environmental or third-party liabilities.
 - C. P&I insurance is mandatory under international maritime law for all vessels.
 - D. P&I insurance is limited to war and piracy risks only.
18. Critically evaluate the role of P&I clubs in the maritime industry. Which of the following best explains why shipowners prefer to join P&I clubs instead of relying solely on commercial insurers?
- A. P&I clubs provide only hull and machinery insurance at lower premiums.
 - B. P&I clubs offer coverage only for pollution claims under government regulations.
 - C. P&I clubs provide insurance exclusively for seafarer claims, ignoring cargo liabilities.
 - D. P&I clubs are non-profit mutual associations that offer comprehensive coverage for third-party liabilities not covered by traditional hull and machinery policies.
19. Evaluate the following statement: "Choosing Institute Cargo Clause C (ICCC) is always the best option for all shipments due to its lower premium." Which of the following is the most accurate assessment?
- A. True, since lower premiums always indicate better coverage value.
 - B. False, because ICCC provides limited coverage and might expose the cargo owner to uncovered risks.
 - C. True, as ICCC includes coverage for all common shipping risks.
 - D. False, since ICCC is not accepted internationally.

20. Analyze why a dispute over hold cleanliness under a time charter would fall under FD&D rather than P&I or H&M insurance.
- A. Because the dispute involves crew negligence, which is only covered by FD&D.
 - B. Because P&I does not cover any disputes involving cargo readiness.
 - C. Because hold cleanliness disputes are environmental issues only covered by FD&D.
 - D. Because the issue relates to a contractual dispute regarding off-hire and readiness to load cargo, not third-party liabilities or hull damage.
21. Analyze the correct sequence in the cargo insurance claim process when cargo damage is found. Which of the following steps is essential before the cargo owner's underwriter considers pursuing a claim against the shipowner?
- A. The shipowner should directly offer compensation to the cargo owner.
 - B. The cargo owner arranges for a survey report to be conducted and informs the insurer.
 - C. The ship's master sends a claim letter directly to the cargo owner's insurer.
 - D. The port authority automatically informs the cargo owner's underwriter.
22. Critically analyze the master's role in ensuring seaworthiness under the Carriage of Goods by Sea rules. Which of the following best reflects his responsibility?
- A. The master has no role in proving seaworthiness, as this is only a concern for the insurer.
 - B. The master can delegate all responsibilities regarding seaworthiness to the shipowner's office.
 - C. The master is only responsible for ensuring the cargo is secured, not for the ship's condition.
 - D. The master must be fully aware of the legal meaning of seaworthiness to ensure proper evidence is collected in case of claims.

23. In the event of a claim of unseaworthiness, which combination of documentary evidence would most effectively support the shipowner's defense?
- A. Crew list and vessel tonnage certificate only.
 - B. Master's reports, inspection and maintenance logs, and standing orders showing regular compliance with maintenance schedules.
 - C. A verbal confirmation from the master and chief engineer that the ship was properly maintained.
 - D. The ship's insurance policy certificate only.
24. Evaluate the benefit of an out-of-court settlement for both shipowners and claimants in a P&I-covered dispute. Which of the following best explains the key advantage?
- A. It allows both parties to save time and legal costs, resolving the matter without the need for court proceedings.
 - B. It guarantees a higher compensation for the claimant.
 - C. It is only applicable in cases where the claim amount is below the insurer's deductible.
 - D. It automatically removes the need for any documentation or evidence.
25. In the context of marine insurance, why is the work of an underwriter crucial to both the insurer and the insured?
- A. It ensures that claims are paid regardless of the risk profile.
 - B. It guarantees profit for the insurance company by rejecting all high-risk policies.
 - C. It balances the insurer's exposure by carefully assessing the risk before issuing a policy, ensuring fair premium pricing and protecting the insurer's financial stability.
 - D. It allows the insurer to automatically accept any risk presented by the shipowner.
26. What is the primary purpose of marine cargo insurance?
- A. To ensure crew members safety.
 - B. To protect cargo owners from financial losses due to damaged or lost goods during transit.
 - C. To cover port handling charges.
 - D. To ensure the shipping vessel under shipowner.

27. Which type of cargo insurance is most suitable for single shipments or one-time voyages?
- A. Open cover policy.
 - B. Permanent policy.
 - C. Specific cargo policy.
 - D. Comprehensive policy.
28. Which organization developed the Institute Cargo Clauses?
- A. World Trade Organization.
 - B. International Maritime Bureau.
 - C. International Chamber of Commerce.
 - D. United Nations.
29. What does a higher insurance premium under ICC usually indicate?
- A. Coverage for a limited set of goods.
 - B. Higher risk of non-compliance.
 - C. No coverage for transit damage.
 - D. Broader cargo insurance coverage.
30. Which international rules codify the principle of General Average?
- A. Hague-Visby Rules.
 - B. Rotterdam Rules.
 - C. York-Antwerp Rules.
 - D. Geneva Maritime Protocol.
31. When do underwriters typically pay the H&M claim to the shipowner?
- A. After successful completion of repairs, minus the agreed deductible.
 - B. After surveyor approval, with no deductible.
 - C. Before repairs are completed.
 - D. Only after the next voyage.

32. What is a P&I claim?
- A. Claim for third-party liabilities and indemnity.
 - B. Claim related to crew training.
 - C. Claim related to shipbuilding defects.
 - D. Claim related to container labelling errors.
33. What is the first step when cargo damage or loss is discovered?
- A. File a lawsuit immediately.
 - B. Inform the customs office.
 - C. Notify the cargo insurer and arrange for a survey.
 - D. Call the freight forwarder.
34. What type of document helps verify and assess the extent of cargo damage?
- A. Bill of lading.
 - B. Import declaration.
 - C. Packing list.
 - D. Survey report.
35. What document records the amount and condition of cargo loaded or unloaded?
- A. Logbook of the engine room.
 - B. Bills of Lading.
 - C. Seafarers' contracts.
 - D. Fuel bunkering receipt.
36. Who might be involved alongside the Master in collecting evidence prior to sailing?
- A. Hire crew company.
 - B. Lawyers, surveyors, and consultants.
 - C. Travel agents.
 - D. Insurance agent.

37. Which of the following is **NOT** usually included in inspection and maintenance documentation?
- A. Maintenance logs.
 - B. Repair records from contractors.
 - C. Crew personal health record.
 - D. Technical manuals.
38. Evaluate the following scenario and determine if the damage is likely covered under Marine Hull Insurance.
- A vessel sustains damage to its engine during a routine maintenance procedure at dry dock.**
- Which statement best evaluates this situation?
- A. The damage is not covered because it did not happen at sea.
 - B. It is likely covered as maintenance-related damages are within Marine Hull Insurance scope.
 - C. Only the dry dock company is liable for any damages during repairs.
 - D. Marine Hull Insurance only applies during voyages, not during maintenance.
39. Predict the financial implication for a shipowner who refuses Marine Hull Insurance.
- A. Increased profit due to lower operational costs.
 - B. Legal penalties imposed by maritime law.
 - C. Severe financial loss in the event of vessel damage.
 - D. Lower port maintenance fees.
40. Which of the following is the most suitable for partial damage to ship machinery?
- A. Salvage contract.
 - B. Marine Hull Insurance claim.
 - C. Marine Cargo Insurance.
 - D. Port service agreement.

SECTION B (TOTAL: 75 MARKS)

INSTRUCTION: ANSWER THREE (3) QUESTIONS ONLY.

Please use the answer booklet provided.

QUESTION 1

International trade involves the movement of goods across borders, often by sea. This process carries various risks such as damage, loss, theft, piracy, natural disasters, or accidents during transit. In order to protect against these risks, marine insurance plays a crucial role.

(a) Explain **FIVE (5)** characteristics of international trade.

(10 Marks)

(b) Compare the **FIVE (5)** obligations under the contract of affreightment apply in marine insurance.

(10 Marks)

QUESTION 2

Limitation of liability in maritime law refers to the practice of capping the financial responsibility of carriers or shipowners in the event of loss, damage, or delay of cargo. Over the years, several international conventions have been developed to govern this principle, with the aim of balancing the interests of carriers and cargo owners.

- (a) Under the Hamburg Rules (1978), a carrier is liable for loss or damage to goods up to 835 SDR per package or 2.5 SDR per kilogram, whichever is higher, unless the nature and value of the goods have been declared and included in the contract of carriage. A shipment containing 5 packages, each weighing 100 kg, is damaged during transit. The cargo owner claims compensation. Calculate the maximum amount the cargo owner can claim under the default liability limits of the **Hamburg Rules (1978)**.

(5 Marks)

- (b) A shipment of pharmaceutical goods was damaged during sea transit. The cargo was transported under a bill of lading governed by the **Rotterdam Rules (2008)**. The consignee is claiming compensation for the damaged goods.

Details of the shipment:

- The damaged cargo weighs 3,000 kg
- The invoice value of the cargo is USD 180,000
- The cargo was packed into 50 packages
- The shipper did not declare a higher value in the bill of lading

Note: Under the Rotterdam Rules (2008), the carrier's liability is limited to:

- 875 SDR per package, or
 - 3 SDR per kilogram, whichever is higher
 - The SDR (Special Drawing Right) value at the time of damage is USD 1.40
- i. Calculate the maximum amount of compensation the consignee is entitled to under the **Rotterdam Rules (2008)**.
(11 Marks)
- ii. Justify whether the carrier is liable to pay full compensation for the cargo.
(4 Marks)

QUESTION 3

The marine insurance market is a specialized segment of the insurance industry that provides coverage for ships, cargo, terminals, and any transport by which goods are transferred, acquired, or held between points of origin and final destination. It plays a vital role in global trade by protecting against the financial risks associated with maritime transport.

(a) Explain **TWO (2)** types of marine insurance intermediaries.

(10 Marks)

(b) Compare the roles and responsibilities of a Ship Manager and a Charterer in the marine insurance market.

(10 Marks)

QUESTION 4

Marine insurance is governed by both national and international laws that ensure fairness and consistency in maritime trade. National laws, such as the UK's Marine Insurance Act 1906 or Malaysia's Insurance Act 1996, regulate how marine insurance contracts are formed, interpreted, and enforced within a country.

- (a) Compare between Tonnage based limitation and Cargo claim based limitation.

(10 Marks)

- (b) A cargo owner in Sabah shipped goods to Singapore using a bill of lading, while another shipment from Port Klang to Europe used an electronic bill of lading. Discuss the differences in the legal recognition of these documents in Sabah compared to Peninsular Malaysia.

(10 Marks)

END OF FINAL EXAMINATION QUESTION