



**UNIVERSITI KUALA LUMPUR**  
**Malaysian Institute of Marine Engineering Technology**

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**FINAL EXAMINATION**  
**MARCH 2025 SEMESTER SESSION**

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**SUBJECT CODE** : LOB31003  
**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

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**INSTRUCTIONS TO CANDIDATES**

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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**.

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**THERE ARE 19 PAGES OF QUESTIONS, EXCLUDING THIS PAGE.**

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**SECTION A (TOTAL: 25 MARKS)**

**INSTRUCTION: ANSWER ALL QUESTIONS.**

**Please use the OMR sheet provided.**

1. Based on the Marine Insurance Act, 1963, which of the following best reflects the scope of risks covered under a marine insurance contract?
  - A. Only risks that occur while the ship is at sea.
  - B. All losses that occur during any type of transport.
  - C. Risks that are incidental to marine adventure as defined by the contract.
  - D. Only piracy and collision risks during navigation.
  
2. Evaluate the following scenario: An individual purchases marine insurance for goods shipped by air. Based on the definition of marine insurance, what is the most appropriate assessment of this contract? 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.
  
3. A freight forwarding company argues that inland marine insurance is unnecessary because they only operate on highways with GPS tracking. Which of the following is the best evaluation of this claim?
  - A. Incorrect, as inland marine insurance still covers risks like cargo theft and collisions despite modern tracking.
  - B. Correct, as tracking technology eliminates the need for insurance coverage.
  - C. Incorrect, because inland marine insurance is mandatory for all land shipments.
  - D. Correct, as inland marine insurance is only for high-value goods.

4. A ship transporting goods encounters a severe storm at sea causing cargo damage. Based on the classification of marine insurance, which of the following best describes the type of insurance applicable and the nature of the risk?
- A. Inland marine insurance covering collisions and theft.
  - B. Ocean marine insurance covering perils of the sea such as storms and waves.
  - C. Cargo insurance under inland marine insurance.
  - D. Warehouse insurance due to temporary storage.
5. A freight forwarder argues that freight insurance is unnecessary since the carrier already has hull insurance. Critically solve this claim.
- A. The claim is incorrect because hull insurance does not cover losses to the cargo or freight revenues.
  - B. The claim is correct because hull insurance automatically includes freight coverage.
  - C. The claim is valid only if the shipper declares the value in the contract.
  - D. The claim is valid because freight losses are always included in marine liability insurance.
6. A ship with a fully functional hull but an inexperienced crew departs on a voyage. According to the principles of seaworthiness, which statement is most accurate?
- A. The ship is still seaworthy because the hull is sound.
  - B. The ship is unseaworthy as seaworthiness includes crew competence.
  - C. The ship is seaworthy as long as the voyage is short and safe.
  - D. The ship is cargo-worthy but not seaworthy.
7. A cargo owner withheld information about previous damages to the goods while purchasing a marine insurance policy. Based on the principle of utmost good faith, what right does the insurer have upon discovering this concealment?
- A. The insurer must honor the contract and pay compensation as agreed.
  - B. The insurer has the right to cancel the contract due to the breach of utmost good faith by the insured.
  - C. The insurer may ignore the concealment if the damage is minor.
  - D. The insurer can only reduce the claim amount but cannot cancel the contract.

8. A ship carrying various cargo owners' goods had to jettison part of its cargo to prevent sinking during a severe storm. Based on the principle of general average, how should the resulting loss be handled?
  - A. The cargo owner whose goods were jettisoned bears the entire loss.
  - B. The shipowner is solely responsible for the loss since it was their decision.
  - C. The insurance company will automatically cover the loss without involving the other parties.
  - D. All parties involved in the voyage, including ship owners and cargo owners, must proportionally share the loss.
  
9. A salvage company attempts to rescue a ship stranded due to engine failure but fails to save the vessel. Based on the "No Cure – No Pay" principle, which of the following best describes the legal position?
  - A. The salvor is not entitled to any compensation because the operation was unsuccessful.
  - B. The salvor can claim partial payment for their efforts.
  - C. The shipowner is liable to pay the salvor for time and effort.
  - D. The salvor can sue the shipowner for negligence in causing the incident.
  
10. A salvor successfully prevents further damage to a vessel already stranded and leaking oil. Based on the principle of success, which of the following best applies?
  - A. The salvor is not entitled to an award as the vessel was already damaged.
  - B. The salvor is entitled to a salvage award because the service resulted in preventing further loss or damage.
  - C. The salvor can only claim compensation for the time spent, not the success of the operation.
  - D. The salvor must wait for the vessel to be fully operational again to claim an award.

11. A salvage operation was conducted under the Lloyd's Open Form (LOF), and the salvor failed to comply with the agreed timeline and service scope. Which element of contract salvage has the salvor potentially breached?
- A. Agreement.
  - B. Consideration.
  - C. Legal capacity.
  - D. Performance.
12. A cargo vessel sustains heavy damage to its engine due to a severe storm while in open sea. Which aspect of Hull and Machinery Insurance would most directly cover this incident?
- A. Collision liability, since the damage was caused by an external peril.
  - B. Physical damage coverage, as the damage was caused by a peril of the sea.
  - C. General average, since the engine was part of a shared sacrifice.
  - D. Freight insurance, as the damage affects the cargo's delivery.
13. A vessel owner wants to ensure coverage for liabilities arising from property damage caused during a collision, along with the repair of the vessel itself. Based on the provided information, which combination of coverages within Hull and Machinery Insurance would meet this need?
- A. Collision liability and physical damage coverage.
  - B. Freight insurance and salvage services.
  - C. General average contribution and marine liability insurance.
  - D. Cargo insurance and hull coverage.

14. Which of the following statements best explains why there is no standard underwriting form for P&I insurance?
- A. Because P&I insurance is only offered by international commercial insurers with fixed packages.
  - B. Because P&I insurance is always provided by governments and therefore standardized.
  - C. Because the liabilities faced by shipowners are diverse, requiring tailored coverage based on the nature of operations, risks, and the type of vessel involved.
  - D. Because P&I insurance is only needed for specific voyages and not for ongoing operations.
15. A vessel is arrested in a foreign port due to pollution claims from local authorities. Which specific function of the P&I club would assist the shipowner in this scenario?
- A. Issuing cargo insurance certificates.
  - B. Providing legal representation and posting bonds to release the ship.
  - C. Sending a surveyor to assess hull damage.
  - D. Offering freight insurance coverage for the voyage.
16. A freight forwarder's customer suffers cargo damage, but the carrier's insurance denies the claim due to policy exclusion. Which type of marine cargo insurance would most appropriately respond to this situation?
- A. Open cover cargo policy.
  - B. Contingency insurance policy
  - C. Specific cargo policy.
  - D. Voyage policy under hull insurance.

17. A company shipping goods from India to Europe buys a one-time cargo insurance policy specifically for that consignment. Which type of marine cargo insurance policy is most appropriate in this case?
- A. Specific cargo policy.
  - B. Open cover cargo policy.
  - C. Contingency insurance policy.
  - D. Permanent open cover policy.
18. A company wants to insure only the high-value electronics portion of its cargo, avoiding coverage for lower-value goods. Which Institute Cargo Clause would likely be most suitable for such selective coverage?
- A. Institute Cargo Clause A (ICCA).
  - B. Institute Cargo Clause B (ICCB).
  - C. Institute Cargo Clause C (ICCC).
  - D. Open Cover Cargo Policy.
19. A master fails to maintain proper logbooks and statements of facts during a port call, leading to a demurrage dispute. What FD&D principle is most relevant in determining the shipowner's ability to claim demurrage successfully?
- A. Proper documentation is essential, and FD&D can only assist effectively if evidence such as accurate logbooks and statements of facts is available.
  - B. FD&D will automatically fund the demurrage claim regardless of missing documents.
  - C. FD&D only supports claims related to hull damage, not demurrage disputes.
  - D. FD&D requires the shipowner to hire their own lawyers and surveyors in such disputes without any support.

20. A vessel suffers mooring rope damage after being ordered by the charterer into an unsafe port. The damage costs are below the Hull & Machinery (H&M) deductible. What is the most accurate role of FD&D insurance in this situation?
- A. FD&D would assist in pursuing an indemnity claim against the charterer, including financing legal and surveyor costs.
  - B. FD&D would directly cover the repair costs of the mooring ropes.
  - C. FD&D would have no involvement as all physical damage must be covered by H&M only.
  - D. FD&D would only assist if the charterer admits fault.
21. A vessel involved in an incident submits incomplete records to the P&I Club, omitting critical log entries and reports. Based on P&I claim procedures, what is the most likely outcome?
- A. The P&I Club will approve the claim regardless of documentation gaps.
  - B. The claim may face rejection or significant delays due to lack of sufficient supporting evidence.
  - C. The shipowner can request an immediate settlement from the Club while completing the records later.
  - D. The P&I Club will delegate the claim to H&M insurers.
22. A cargo claim is brought against the shipowner alleging unseaworthiness. Which of the following types of evidence would most strongly support the owner's defense?
- A. Verbal statements from the crew confirming the ship was in good condition.
  - B. Detailed maintenance records, class certificates, and inspection reports showing the ship was seaworthy before and during the voyage.
  - C. The charter party agreement alone.
  - D. A letter from the cargo owner confirming receipt of cargo.

23. A ship is facing a seaworthiness-related claim after damage occurred during a voyage. Which of the following pieces of evidence would be least relevant in proving the ship was seaworthy?
- A. Crew list and tonnage certificate.
  - B. Master's reports on pre-sailing inspection and maintenance.
  - C. Standing orders for regular inspection and maintenance.
  - D. Inspection and maintenance logs detailing repairs and inspections.
24. A shipowner receives a claim alleging damage to a port fender. The claimant presents initial photos and witness statements. Based on the concept of prima facie evidence, which of the following is correct?
- A. The evidence is conclusive, and the shipowner must accept liability immediately.
  - B. The evidence presented appears sufficient to support the claim at first sight but can still be rebutted by the shipowner with counter-evidence.
  - C. The claim must be dismissed as photographs are not acceptable as legal evidence.
  - D. The burden of proof shifts to the P&I correspondent to disprove the claim.
25. Why might an underwriter require additional survey reports or inspections before accepting a marine insurance proposal?
- A. To delay the policy issuance and reduce the insurer's workload.
  - B. To confirm the vessel meets safety and seaworthiness standards, which directly impacts the risk profile.
  - C. Because survey reports are legally required for all marine insurance policies, regardless of risk level.
  - D. To gather information solely for marketing purposes.
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. What happens if 10 containers are jettisoned to save the ship and 90 other containers?
- A. Only the owners of the 10 containers bear the loss.
  - B. The shipping company compensates the loss in full.
  - C. All 100 cargo owners proportionally share the loss.
  - D. The crew is liable for the loss.
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. In the event of a General Average declaration, which of the following would be a valid reason for sacrifice?
- A. To speed up the voyage.
  - B. To avoid customs inspection.
  - C. To preserve the ship, cargo, and crew during an emergency.
  - D. To reduce operating costs.
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 role of an insurance underwriter?
- A. Delivering ship parts.
  - B. Monitoring cargo unloading.
  - C. Evaluating risk and setting policy pricing.
  - D. Appointing surveyors for insurance companies.
34. What report must the Master of the ship complete if cargo damage is suspected?
- A. Fire safety report.
  - B. Ship stability report.
  - C. Voyage summary.
  - D. Cargo damage report.

35. Why is full documentation critical for a successful P&I claim?
- A. To delay the settlement process.
  - B. To verify the cause and extent of the incident as per Club rules.
  - C. To justify cargo charges.
  - D. To satisfy port tax requirements.
36. Who usually arranges for the survey of damaged cargo?
- A. The port security officer.
  - B. The insurer or cargo owner.
  - C. The carrier's agent.
  - D. The freight forwarder.
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. What is the purpose of the "statement of facts" from load and discharge ports?
- A. To assess food safety compliance.
  - B. To document timelines and occurrences during cargo operations.
  - C. To record tourist activity.
  - D. To document the number of passengers onboard.
39. Which natural event is usually included in Marine Hull Insurance coverage?
- A. Tsunami warnings.
  - B. Meteor showers.
  - C. Lightning strikes.
  - D. Tidal wave insurance payout guarantees.

40. **“You are a shipowner whose vessel has been damaged by fire and also caused a collision with another ship.”**

Which insurance coverage is most appropriate to handle both damages?

- A. Cargo Insurance.
- B. Marine Hull Insurance.
- C. Third-party car insurance.
- D. Marine Inland Transit Insurance.

**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) Examine **FIVE (5)** types of payment method for international trade.

(10 Marks)

(b) Identify **FOUR (4)** types of bonds and guarantees in marine insurances.

(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) The cargo weighing 2,000 kg was damaged during sea transport. The **Hamburg Rules (1978)** limit the carrier's liability to 2.5 SDR per kg. If 1 SDR = USD 1.40, calculate the maximum compensation (in USD) the carrier is liable to pay.

(5 Marks)

- (b) A shipment of electronics was damaged during sea transit. The cargo was transported under a bill of lading governed by the **Hague-Visby Rules (1968)**. The consignee is claiming compensation for the damaged goods.

**Details of the shipment:**

- The damaged cargo weighs 2,000 kg
- The invoice value of the cargo is USD 150,000
- There are 100 packages in the consignment
- The shipper did not declare a higher value in the bill of lading

**Note:** Under the Hague-Visby Rules, the carrier's liability is limited to:

- 666.67 SDR per package, or
  - 2 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 Hague-Visby Rules (1968).  
(11 Marks)
- ii. Determine 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) Distinguishing between broker n agent in marine insurance market.

(5 Marks)

(b) Determine **FIVE (5)** elements of marine insurance contract.

(15 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) Differentiate between Tonnage based limitation and Cargo claim based limitation.

(10 Marks)

(b) A vessel transporting high-value electronic cargo from Singapore to Hamburg received an emergency radio signal from a nearby vessel that had lost power and was drifting in stormy weather. The master decided to alter course and help, taking the ship to a nearby safe port in Sri Lanka. This deviation caused a delay of 48 hours. The consignee of the cargo filed a complaint, alleging breach of the contract of carriage due to deviation and claimed damages for the delay.

Based on Hague Rules (Article IV, Rule 4), identify whether the deviation by the carrier was legally justified to this scenario.

(10 Marks)

**END OF FINAL EXAMINATION QUESTION**

