

Module 2

P&I Insurance: History, Operation and Practice

Module 2 Sample questions - answers

Match the case or statute to the change in law it is known for.

De Vaux v Salvador	1	
Duncan v Finlater	2	
Lord Campbell's Act	3	
Responsibility of Shipowners Act	4	

Collision liability Vicarious liability Ability for an estate to sue after death Limitation of liability

Correct answers:

1	Collision liability	2	Vicarious liability	3	Ability for an estate to sue after death
4	Limitation of liability				



Which two countries have high profile Clubs outside the International Group?

Thailand

China ✓

Vietnam

Singapore

Japan

Korea ✓

Which case discusses the pay to be paid rule?

Captain Panagos DP

Westerhope

Alexion Hope

Fanti & Padre Island ✓

Choose which statements are true and which are false

	True	False
Clubs are obliged to provide security	<input type="radio"/>	<input checked="" type="radio"/> ✓
Clubs will provide security in some cases for non covered losses	<input checked="" type="radio"/> ✓	<input type="radio"/>
Security is normally given for covered losses to prevent arrest of the ship	<input checked="" type="radio"/> ✓	<input type="radio"/>
Club letters of security are accepted everywhere	<input type="radio"/>	<input checked="" type="radio"/> ✓

Which other insurance policy taken out by the shipowner must be triggered for a Loss of Hire policy to respond?

Builders' Risks

P & I

H & M

F D & D

Choose which statements are true and which are false.

	True	False
F D & D will cover various different types of commercial disputes that the shipowner might be involved in	<input checked="" type="radio"/>	<input type="radio"/>
F D & D is almost always a mutual product	<input checked="" type="radio"/>	<input type="radio"/>
F D & D insurers are not obliged to support the Member in their dispute	<input checked="" type="radio"/>	<input type="radio"/>
F D & D is never used for disputes with other insurers	<input type="radio"/>	<input checked="" type="radio"/>

Match the term with its meaning.

Technical account	1	
Non technical account	2	
Surplus	3	

<input checked="" type="checkbox"/> Calls less claims	<input checked="" type="checkbox"/> Investment income less tax
<input checked="" type="checkbox"/> A position of having more income than expenditure	
<input checked="" type="checkbox"/> calls less claims less expenses	
<input checked="" type="checkbox"/> reinsurance recoveries exceeding reinsurance premium	
<input checked="" type="checkbox"/> Calls less claims plus expenses	

Correct answers:

- 1 calls less claims less expenses 2 Investment income less tax
 3 A position of having more income than expenditure



Rating agencies consider a number of factors. Choose all that might apply.

- Claims backlog
- Risk management ✓
- Location of offices
- Quality of investments ✓

On what basis does the International Group generally set the level above which commercial reinsurance is obtained?

- The level above which the regulators advise that commercial reinsurance must be purchased
- The level which represents the largest claim ever received
- The level above which claims should be few in number but might be uncertain as to their final value ✓
- The level which represents the lowest level that reinsurers are prepared to offer cover

Approximately how much cover is practically available to an owner should they have a significant loss (in USD bn)?

- 8 ✓
- 2
- 5
- 3