

**i Information**

JUS5450 - Marine Insurance

Duration 4 hours

This exam set consists of two parts, subdivided into questions. Please use the arrows on the bottom right to navigate between the parts.

## Part I. Master and Bachelor level

MS Unlucky, which was owned by the Norwegian company Shipping AS and registered in Norway, was chartered by a Norwegian producer of fertilizer to carry a cargo of Urea fertilizer to a receiver in Lagos in Nigeria. The vessel was permitted to berth and to discharge the cargo on 29 November 2016, but before discharging could be started, it was boarded by armed representatives from the Nigerian navy. The reason for the boarding was suspicion that the receiver of the Urea fertilizer did not have the import permit that were required for importing and using the fertilizer. When it turned out that this was correct, MS Unlucky was arrested and detained in the port. The reason for the import restrictions for Urea fertilizer was that this fertilizer may be used as an ingredient to make a certain type of bombs, and the government wanted to control import and use as a matter of national security. It was clear that the terrorist group Boko Haram had used Urea fertilizer to make bombs, and that this group had terrorized part of Nigeria and the bordering States. Because of the lack of import permit, the government required that the cargo should be discharged under government control and transported to a storage facility, which was also under government control. However, the receiver of the fertilizer would not accept this, and because of discussions between the government and the receiver on where the fertilizer should be stored, the cargo was not discharged and the vessel was not allowed to sail. The discussions are still ongoing.

The assured Shipping AS had effected hull insurance for MS Unlucky on the Nordic Marine Insurance Plan 2013 Version 2016 against marine perils and war perils. The assured claimed that the vessel was detained because of a war peril, and that the insurer was liable for total loss. The reason for the arrest of the vessel was that the government had prohibited import of Urea fertilizer due to national security reasons, in particular to hinder the production of bombs by Boko Haram. As the vessel had been detained for more than a year, they could claim for total loss.

The war risk insurer denied the claim. The reason for the arrest of the vessel was that the receiver did not have the necessary import permit, and thus the import of the cargo was illegal. This was a breach of customs legislation and did not constitute a war peril. It was also clear that the purpose of the import was not to make bombs, but peaceful means.

### Question 1

- A. Is the war risk insurer liable for the arrest of the vessel?
- B. If so, is the war risk insurer liable for total loss of the vessel?

Presuming that the arrest did not constitute a war peril, the assured claimed that the insurer against marine perils was liable for total loss. The vessel had been detained for more than two years and there was no indication that the dispute between the government and the receiver could be resolved. It followed from the Nigerian legislation that the government could confiscate a vessel carrying illegal cargo, and although they had not done so, the time element and this risk meant that there was a total loss. The marine risk insurer denied this claim. Arrest of the vessel was excluded from the insurance against marine perils, and as the vessel was still in Lagos, it was not lost.

### Question 2

- A. Is the marine risk insurer liable for the arrest of the vessel?
- B. If so, is the marine risk insurer liable for total loss of the vessel?

Presuming either the marine risk or the war risk insurer was liable for total loss of the vessel, they claim that the vessel was being used for illegal undertakings, and that they were therefore not liable. The assured denied that such exclusion could be invoked. The assured did not know that there was an import ban on Urea fertilizer and it was not their job to check that the receiver of the goods had his papers in order.











### Question 3

Can the insurer against marine risk or war risk avoid liability due to illegal undertakings?

All questions shall be answered.

# 1 Part I - answers

Fill in your answer here

Format | **B** | *I* | U |  $x_2$  |  $x^2$  |  $I_x$  |  |  |  |  |  |  |  |  |  |  $\Sigma$  | ABC | 

Words: 0

Maximum marks: 0













## 2 Part II

### Part II. Only for Master level

The Norwegian producer of the fertilizer had effected cargo insurance according to the Norwegian Cargo Clauses: Conditions relating to Insurance for the Carriage of Goods of 1995, Version 2004, Cefor Form No. 261, including the interest of the Nigerian buyer/receiver. The insurance was effected on A clauses. As the cargo is still onboard the vessel, there is no claim against the insurer, but the Nigerian buyer wants advice as to what extent a potential future claim is covered. You are therefore asked to address the following questions:

1. Is the cargo insurer liable for total loss if the fertilizer is confiscated by the Nigerian State?
2. Does it matter for the insurer's liability that the receiver/buyer did not have import permit?
3. For how long do the insurance period last for the shipment of this cargo?

Fill in your answer here

Format | **B** | *I* | U |  $x_2$  |  $x^2$  |  $I_x$  |  |  |  |  |  |  |  |  |  |  |  | 

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Maximum marks: 10