



SPECIMEN PAPER

P91 – AVIATION AND SPACE INSURANCE

This Specimen Paper is intended as a guide to candidates preparing for an examination in aviation and space insurance. It provides candidates with an insight into the different style of questions in the question paper and indicates the depth and breadth of answer sought by examiners. It also indicates the structure of the full question paper which will be presented to candidates when they sit the examination in April 2010.

The answers presented in the question paper provide an outline of the key points which candidates could beneficially cover in responding to the questions. They are not intended as a definitive answer to each of the questions: in many instances the examiners can allow scope for well reasoned, alternative views to gain good marks.

Careful preparation is a major factor in achieving examination success. Giving attention to these specimen questions should therefore help candidates to feel more confident that they are prepared for the forthcoming examination, and can demonstrate their knowledge to its full extent.

CONTENTS

Important guidance for candidates.....	3
Question paper.....	7
Model answers.....	11

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IMPORTANT GUIDANCE FOR CANDIDATES

Introduction

The purpose of this Specimen Paper is to help you to understand how examiners seek to assess the knowledge and skill of candidates. You can then demonstrate to the examiners that you meet the required levels of knowledge and skill to merit a pass in this unit. During your preparation for the examination it should be your aim not only to ensure that you are technically able to answer the questions but also that you can do justice to your abilities under examination conditions.

Before the examination

Make sure you have a copy of the current Diploma in Insurance Information for Candidates

Details of administrative arrangements and the regulations which form the basis of your examination entry are to be found in the current Diploma in Insurance Information for Candidates brochure, which is essential reading for all candidates. It is available online at www.cii.co.uk or from Customer Service.

Study the syllabus carefully

It is important to study the syllabus, which is available online at www.cii.co.uk or from Customer Service. The questions in the question paper are based directly on the syllabus, so it is vital that you are familiar with it.

Read widely

Your knowledge should be wider than the scope of one book. While books specifically produced to support your studies will provide coverage of the syllabus areas, you should be prepared to read around the subject. A reading list can be found at the end of the syllabus.

Make full use of the Specimen Paper

You can use Specimen Papers as 'mock' question papers, attempting them under examination conditions as far as possible, and then comparing your answers to the model ones.

Understand the nature of assessment

Each Specimen Paper contains a full question paper and model answers. The model answers show the type of responses the examiners are looking for, and which would achieve high marks. However, you should note that there are alternative answers to some question parts which would also gain high marks. For the sake of clarity and brevity not all of these alternative answers are shown.

Know the structure of the examination

Familiarise yourself with the structure of the question paper and the time allowed to complete it. This information can be found on the question paper included within each Specimen Paper.

In the examination

Do justice to yourself in the examination

Assuming you have prepared adequately, you will only do justice to yourself in the examination if you follow two common sense rules:

1 Spend your time in accordance with the allocation of marks as indicated on the question paper. If you do not complete the whole question paper, your chances of passing may be reduced considerably. Do not spend excessive time on any one question. If you have used up the time allocation for that question, leave some space, go on to the next question, and only return to the incomplete question after you have completed the rest of the question paper. The maximum marks allocated to each question and any constituent parts are given on the question paper; the number of marks allocated is the best indication of how much time you should spend answering it.

2 Take care to answer the precise question set. You will see that the model answers provided in this Examination Guide are quite focused and precise; alternative answers would only be acceptable if they still answer the question. However brilliantly you write on a particular topic, if it does not provide a satisfactory answer to the precise question as set, you will not score the marks allocated. Many candidates leave the examination room confident that they have written ‘good’ answers, only to be mystified when they receive a disappointing result. Often, the explanation for this lies in a failure to think carefully about what the examiner requires, before putting pen to paper.

Order of tackling questions

Tackle the questions in whatever order you feel most comfortable with. Generally, it is better to leave any questions which you feel less confident in answering until you have attempted those with which you are more familiar, but remember not to spend excessive time on your ‘good’ questions.

Handwriting

Provided your handwriting is legible, you will not lose marks if it is untidy. We recommend that you do not write in block capitals, because you will be slowed down so much by doing so and, paradoxically, block capitals can become more difficult to read than joined-up writing when done quickly.

Answer format

Unless the question requires you to produce an answer in a particular format, such as a letter or a report, you should use ‘bullet points’ or short paragraphs, since this allows you to communicate your thoughts in the most effective way in the shortest time. The model answers give an indication of which style is acceptable for the different types of question.

Calculators

If you bring a calculator into the examination room, it must be a silent, battery or solar powered, non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetical or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements. It is important that you show all the steps of any calculation in your answer. The examination is testing your ability to carry out all the appropriate steps in calculating a value. A proficient mathematician is someone who follows the correct method, i.e. carries out the appropriate steps. The majority of the available marks will be allocated for demonstrating the correct method of calculation.

After the examination

All Diplomas in Insurance examiners, one of whom will mark your answer book, are either active practitioners in the insurance industry or are experts on the subject. They have been specially trained to mark question papers using a detailed marking scheme.

The marking of each examiner is closely monitored throughout the marking period and all marked answer books are carefully checked. This process means that all answer books are marked to the same standard.

After all the answer books have been marked, a moderation meeting is held, at which all available statistical information is considered, together with the views of the Senior Examiner for that unit and other assessment experts. At the meeting a pass mark is set to ensure that the standard of knowledge and skills required to gain a pass in the examination is comparable with that of previous question papers. All candidates at or above the agreed pass mark will pass: the CII does not operate a quota system whereby only a fixed percentage of candidates can pass an examination.

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THE CHARTERED INSURANCE INSTITUTE

DIPLOMA

QUESTION PAPER

**UNIT P91
AVIATION AND SPACE INSURANCE**

INSTRUCTIONS

- Three hours are allowed for this question paper.
- Fill in the information requested on the answer booklet and on form B.
- You are allowed to write on the inside pages of this question paper but you must **NOT** write your name, candidate number, PIN or any other identification anywhere on this question paper.
- **The answer booklet and this question paper must be handed in personally by you to the invigilator before you leave the examination. Failure to do this may result in your question paper not being marked and you may be prevented from entering this examination in future.**

READ THE INSTRUCTIONS OVERLEAF CAREFULLY BEFORE ANSWERING ANY QUESTIONS.

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P91 – Aviation and space insurance

CANDIDATE INSTRUCTIONS

READ THE INSTRUCTIONS BELOW BEFORE ANSWERING ANY QUESTIONS.

Three hours are allowed for this question paper. You should answer all questions in Part I and two out of the three questions in Part II.

The question paper carries a total of 200 marks, as follows:

Part I	14 compulsory question	140 marks
Part II	2 questions selected from 3 (scenarios)	60 marks

The number of marks allocated to each question part is shown next to the question and you should spend your time in accordance with that allocation.

Answer each question on a new page. If a question has more than one part, leave several lines blank after each part.

It is important to show each step in any calculation, even if you have used a calculator.

You may find it helpful in some places to make rough notes in the answer booklet. If you do this, you should cross through these notes before you hand in the booklet.

PART I
Compulsory questions

- 1) Briefly explain why an Extended Coverage Endorsement AVN51 might be added to an Aircraft Hull and Liability Policy AVN1C. (10)
- 2) Identify eight factors which affect the rating of an aircraft hull and liability risk. (8)
- 3) Outline the reasons for the use of deductibles in aircraft hull and liability insurance. (7)
- 4) Briefly explain the aim and purpose of the Chicago Convention 1944. (13)
- 5) Briefly describe the main differences between the 2 aviation nuclear risks exclusion clauses AVN38B and AVN71 and when each might be used. Outline the additional coverage by AVN38B. (6)
- 6) Identify and briefly describe 5 different applications to which satellites may be put. (12)
- 7) Briefly describe the main areas of responsibility of the US Federal Aviation Administration (FAA). (12)
- 8) Briefly describe 5 benefits that a Captive Insurance Company can provide its owner. (10)
- 9) Explain the liability exposures an aircraft repairer may have in respect of his customers' aircraft whilst in his care, custody and control and what insurance coverage is available in respect of such exposure. (9)
- 10) State what information must be reported, to which authorities and by whom in the event of an aircraft accident in the UK. (14)
- 11) Briefly explain the purpose in the USA of a pre-trial conference. (7)
- 12) Briefly explain, giving 2 examples, why an Aviation Underwriter would use facultative reinsurance. (10)
- 13) a) Give the nine types of injury shown in the schedule of compensation of a Lloyd's Accident policy. (9)
b) State the timescale for payment of compensation per proviso 5 of the Lloyd's Accident Policy. (3)
(Total 12)
- 14) Briefly describe how the Civil Aviation Act 1982 deals with trespass, nuisance and surface damage in respect of the liability of aircraft operators. (10)

PART II

**Answer TWO of the following THREE questions
Each question is worth 30 marks**

- 15)** You are an insurance broker and have been asked to explain to a client the ways in which his aircraft insurance policy or the cover under the war writebacks may be cancelled by either him or his insurers. The client owns a light aircraft, which is insured under an AVN1C with AVN6A (quarterly premium payments), AVN51 and AVN52E clauses. **(30)**
- 16) a)** A new company - Posh Corporate Jets - has just been formed to fly Government officials around. The company has leased aircraft from a bank which has stipulated that Posh buys, amongst other insurances, Hull War Risks Insurance based on Sections One and Two of LSW555D. Explain to Posh the perils covered by these sections. **(20)**
- b)** Describe five of the perils which are excluded by the general exclusions of LSW555D. **(10)**
- (Total 30)**
- 17)** With regards to the Montreal Convention 1999, describe
- a)** the scope of its application; **(10)**
- b)** the documentation requirements and limits of liability in relation to the carriage of passengers; and **(15)**
- c)** and the way in which delay is dealt with. **(5)**
- (Total 30)**

NOTE ON MODEL ANSWERS

To achieve high marks the model answers must be read in conjunction with the guidance shown previously in this Specimen Paper.

Model Answer for Part I (Compulsory questions)

- 1) The Extended Coverage Endorsement AVN51 provides cover for aircraft hulls that is excluded by either the war exclusion contained in the AVN1C policy form (Exclusion 10), or by the War, Hijacking and Other Perils Exclusion Clause AVN48B which may be added if Exclusion 10 is deleted.

The endorsement extends the hull section of the policy to cover the risks of:

- Strikes, riots, civil commotions or labour disturbances.
- Any malicious act or act of sabotage.
- Hijacking or any unlawful seizure of the aircraft.

Provision is made for an aggregate limit and an additional premium, however, in practice underwriters usually waive these provisions.

The clause is generally used for smaller aviation risks, the larger risks will usually have these coverages included in the full Hull War Risks policy.

- 2)
- Type of aircraft;
 - Passenger Seating;
 - Who maintains the aircraft;
 - Pilot experience;
 - General market conditions
 - Aircraft uses
 - Geographical limits
 - Claims record.
- 3) There are three main reasons that deductibles are applied to aviation insurances:
- 1) Deductibles serve to remove the involvement of insurers with those smaller losses that are seen as one of the operating costs of an aircraft. Insurers use the deductibles as a way of avoiding the trouble and expense of dealing with minor claims. With some smaller claims, the cost of handling the claim could be higher than the claimed amount without the application of the deductible.
 - 2) The application of a deductible may also help to improve the risk in that the Insured know that they stand to share the loss and, it is hoped, will take more care. It could also improve the moral hazard of a risk.
 - 3) Insurers often use deductibles in conjunction with rating as a way of offering a competitive advantage over rivals; for example by offering a lower rate but a higher deductible or vice versa.
- 4) The principal aim of the Chicago Convention 1944 was to promote co-operation between nations and develop civil aviation in an orderly manner on the basis of equality of opportunity as between contracting states.

The Chicago Convention deals with issues such as flight over the territory of contracting states, registration and nationality of aircraft, measures to facilitate air navigation and conditions to be fulfilled with respect to aircraft (including minimum documentation requirements and regulation in respect of crew and aircraft). The Chicago Convention also sets out international standards and recommended practices.

The convention also lists certain minimum documentation which must be carried on board an aircraft engaged in international navigation:

- Aircraft's certificates of registration and airworthiness
- Appropriate crew licences
- Log Book
- Radio Station Licence
- Passenger and Cargo manifests

5) AVN38B is usually used on aircraft policies.

AVN38B recognises that there are different types and toxicity of nuclear or radioactive materials. In particular, radioactive materials are used in a wide variety of professions and can be carried in special containers aboard aircraft, and losses may be covered in certain circumstances. Rules for the carriage of radioactive materials are laid down in the ICAO "Technical Instructions for the safe Transport of Dangerous Goods by Air". Losses arising from otherwise excluded nuclear risks may be covered subject to the materials being handled in compliance with the ICAO rules.

AVN71 is normally used on non aircraft policies.

AVN71, on the other hand, is an absolute exclusion with no allowances for different types of exposure or radioactive materials.

- 6) 1) **Communication services** such as trans-oceanic telephony, the delivery of satellite television and satellite-based mobile phone services for those who travel outside areas served by terrestrial means, as well as the emergency services for times when terrestrial services have failed.
- 2) **Meteorology**, which not only provides the general public with the weather forecast each day but which also allows scientists to build a model of the environment to help predict the impact of environmental change.
- 3) **Earth observation**, whereby images are collected by satellites for popular uses such as Google Earth as well as professional uses such as town planning, disaster monitoring and agriculture where satellite imagery can be used to remotely monitor the health of crops, for example.
- 4) **Navigation systems** such as the Global Positioning System (GPS) which have now come into common usage with satellite navigation for cars being the most prominent application. Navigation, both for ships and aircraft, relies on accurate timing signals. New applications of navigation services are constantly being proposed: search and rescue, civil engineering and land-mine clearance being just a few examples. In addition, the accurate timing signals of the navigation systems are increasingly allowing for the time-stamping of financial transactions, improving the security of the financial

services industry.

- 5) **Science**, whereby satellites are used to understand the formation of the universe and the planets so that we can gain a better insight into the development of, and future for, the Earth.
- 7) The FAA has a dual role: to promote aviation and is responsible for safety and economic regulation of aviation in the U.S.

The main areas within the FAA are:

- Flight standards – oversight of commercial air carrier maintenance and training, flight procedures, pilot training and accident investigation.
 - Civil aviation security – airport and aircraft security and hazardous materials shipment.
 - Airports – the funding of public airports and the oversight of airport fire services and emergency preparedness.
 - Airway facilities – the installation and maintenance of FAA radar, navigation aids and associated computer equipment.
 - Aircraft certification – oversight of aircraft design, flight test and production.
- 8) A captive can provide the financial strength to retain a portion of risk commensurate with the balance sheet of the group of companies to which it belongs, allowing individual operating companies to self-insure at a level more appropriate to their own profit centre.

The cycles of the insurance market can lead to wide variations in premium prices over time. A captive, underwriting working losses, leaves its parent to purchase catastrophe cover from external insurers or reinsurers, cover that is generally more suitable in price and rated more specifically to the risk in question.

If an insurer no longer has to fund administration and profit costs at the lower end of the risk spectrum, a captive may reduce net insurance cost. Thus the total cost of the risk should be stabilised and reduced. The presence of a captive in the risk financing programme of a corporation can encourage insurers to rate a risk more competitively in the knowledge that they may otherwise lose premium income to the captive.

If located in an off-shore environment with low or zero tax, the captive's investment income can build up more quickly than, for example, a self-insurance fund onshore.

As funds paid out in premiums do not leave the group until paid out in claims, there can be an increase in net cash flow.

There may be tax advantages in forming a captive for the following reasons:

- Premium paid to the captive constitutes tax deductible expenses in most parent domiciles, subject to transfer pricing rules (USA is an exception).
 - Profits from the captive can be deferred.
- 9) Insurable interest will arise largely through Contract but may arise through possession.

In addition to the exposure that a repairer will have simply whilst a customer's aircraft is in its possession or its care, custody and control, the repairer's exposure extends to while he is working on the customer's aircraft. In the event of loss or damage to that aircraft arising while the work is being carried out by the repairer or his employees, the repairer is liable.

The exact legal situation will vary depending on the wording of any contractual agreement between the repairer and its customer.

The usual way that an aircraft repairer would insure his liability for a customer's aircraft is using Section 2 of the Airport Owners and Operator's Liability (Ariel) Policy. This section is commonly known as Hangarkeepers Liability and covers the Insured's liability for loss of or damage to non-owned aircraft whilst on the ground and in the care, custody and control of the Insured or while being serviced, handled or maintained by the Insured or his servants. This section normally excludes loss or damage arising during test flights, although it may be possible to have this coverage reinstated.

The exclusions under Section 2 of the Ariel policy are:

- Loss or damage to clothes, personal effects and merchandise.
- Loss or damage to aircraft or aircraft equipment hired, leased by or loaned to the Insured.
- Loss or damage to any aircraft while in flight (which is defined in the policy).

- 10)** All reportable accidents are required to be notified to the Department of the Environment, Transport and the Regions (the Air Accident Investigation Branch - 'AAIB').

The legal responsibility for notification of an accident rests first with the commander of the aircraft or, if the commander is killed or incapacitated, then the operator.

If the accident occurs on or adjacent to an aerodrome, the aerodrome authority is also required to notify the accident.

The notification is required to be passed to the AAIB by the quickest means and giving, as far as possible, the following information:

- The type, model, nationality and registration marks of the aircraft.
- The name of the owner, operator and hirer (if any) of the aircraft.
- The person in command.
- The date and time (UTC or GMT).
- The last point of departure and the next point of intended landing of the aircraft involved.
- The position of the accident in relation to some easily defined geographical location.
- The number of persons on board and the number killed or seriously injured.
- The nature of the accident as far as is known.
- Brief particulars of damage to the aircraft.

The person reporting the accident to the AAIB is also required to inform the local police of the accident and the place where it occurred.

It is the responsibility of the policy to report the accident to the relevant Air Traffic Control Centre.

- 11)** The reason that pre-trial conferences are held is to reduce the number of cases appearing before the courts and the purpose of these conferences is to determine:
- The issues to be tried;
 - The evidence to be offered and the objectives;
 - The witnesses to be called;

- The depositions to be read;
- Whether a pre-trial settlement can be reached;
- If the action will ultimately go to trial.

- 12)** A Facultative Reinsurance is generally a one-off specific reinsurance arrangement whereby an underwriter will decide which aspects they wish to reinsure on a case by case basis. Facultative reinsurance is also used when local legislation requires a local insurance company to ‘front’ the risk.

The advantage of facultative reinsurance is that the original underwriter can accept an otherwise desirable risk and reinsure out the part that they do not like.

The disadvantage of facultative reinsurance is that placing can be administratively work intensive and the premiums/commission can be low for the work involved.

Examples

An underwriter may have accepted a higher participation on the original risk than they want. The underwriter may then reinsure a percentage of the entire risk.

On an airline risk an underwriter may choose to reinsure out all aircraft with a low hull value or of a type that he does not like.

- 13)**
- a)**
- Death;
 - Total and irrecoverable loss of sight of both eyes;
 - Total and irrecoverable loss of sight of one eye;
 - Loss of two limbs;
 - Loss of one limb;
 - Total and irrecoverable loss of sight of one eye and loss of one limb;
 - Permanent total disablement (other than total loss of sight of one or both eyes or loss of limb);
 - Temporary total disablement;
 - Temporary partial disablement.
- b)**
- Under item 1, if death occurs within 12 months of the date of the accident,
 - Under items 2 to 6, if loss occurs within 12 months of the date of the accident,
 - Under item 7, the Insured Person becomes totally disabled within 12 months of the date of the accident, and such disablement lasts for 12 months.
- 14)** Section 76 of the Civil Aviation Act 1982 prevents claims being brought against aircraft operators for trespass or nuisance if the aircraft is engaged in normal flight and flying over a property at a height above the ground which is reasonable (taking into consideration wind, weather and the circumstances of the case). In order to invoke this defence, the aircraft operator also has to satisfy a court that it has complied with any applicable Air Navigation Order and section 81 of the Act (which deals with dangerous flying).

Section 76 imposes strict liability in respect of loss or damage caused to any person or property on land or water. Liability is imposed where a person in an aircraft causes an article, animal or person to fall from that aircraft whilst in flight, take-off or landing. However, if the loss or damage was caused or contributed to by the negligence of the person claiming damages, then it is still necessary for the claimant to prove negligence.

If material loss or damage is caused, without contributory negligence on the part of the claimant, then damages are recoverable from the owner of the aircraft in respect of the loss. The owner of the aircraft is entitled to seek an indemnity from any third party in respect of such claims if caused by that third party.

Model Answers for Part II (each question is worth 30 marks)

15) AVN1C Policy Form

This policy may be cancelled by either the Insurers or the Insured giving 10 days notice in writing of such cancellation.

If cancelled by Insurers, they will return a pro rata portion of the premium in respect of the unexpired period of the policy.

If cancelled by the Insured, a return of premium shall be at the discretion of Insurers.

There will be no return of premium in respect of any aircraft on which a loss is paid or is payable under the policy.

AVN6A

In the event that an instalment of premium is not paid by its due date Insurers shall have the right to terminate the cover afforded by the policy to the Insured and any other party (ies) protected, whether by endorsement or otherwise, by giving not less than 30 days notice in writing to the appointed broker.

Notice shall be deemed to commence from the date such notice is given by the insurers.

AVN51

The insurance provided by this endorsement may be cancelled by the Insurers giving notice effective on the expiry of seven days from midnight GMT on the day on which notice is issued.

Void and Voidable policies

A contract is void if it is obtained by fraud or if the policy is deemed to be a wagering contract (i.e. there is no insurable interest). A void contract is not enforceable by the courts.

A contract is voidable by an aggrieved party for example in the event of breach of good faith.

The underwriter, if they are the aggrieved party, may waive the breach or void the contract.

An underwriter who voids the contract treats it as though they never accepted it in the first place. Accordingly, avoidance is always ab initio.

Such action does not make the policy void. It remains a legally valid document and the Insured is entitled to use the policy as an instrument in a court of law to challenge the underwriter's right to avoid the contract.

Non-disclosure

Any non-disclosure of a material fact will enable the underwriter to avoid the contract, irrespective of whether the non-disclosure was intentional or inadvertant.

Breach of a warranty or condition.

A warranty is a promise by the Insured to the underwriter, which usually implies the maintenance or improvement of the risk.

Underwriters attach great importance to warranties. They must be exactly complied with, whether material or not. Failure in this respect, subject to certain exceptions, will discharge underwriters from liability as from the date of the breach.

AVN52E

Paragraph 4. Automatic Termination

To the extent provided below, cover extended by this endorsement shall terminate automatically in the following circumstances:

- i) All Cover upon the outbreak of war (whether there be a declaration of war or not) between any two or more of the following States, namely, France, the People's Republic of China, the Russian Federation, the United Kingdom, the United States of America
- ii) Any cover extended in respect of the deletion of sub-paragraph (a) of Clause AVN48B. Upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter wheresoever or whensoever such detonation may occur and whether or not the Insured aircraft may be involved.
- iii) All cover in respect of any of the Insured aircraft requisitioned for either title or use upon such requisition

provided that if an Insured Aircraft is in the air when (i), (ii) or (iii) occurs, then the cover provided by this endorsement (unless otherwise cancelled, terminated or suspended) shall continue in respect of such an aircraft until completion of its first landing thereafter and any passengers have disembarked.

Paragraph 5. Review and Cancellation

b) Limited Cancellation (48 hours)

Following a hostile detonation as specified in Paragraph 4 (ii) above, Insurers may give notice of cancellation of one or more parts of the cover provided by paragraph 1 of AVN52E by reference to sub-paragraphs (c), (d), (e), (f) and/or (g) of clause AVN48B – such notice to become effective on the expiry of forty eight hours from 23.59 hours GMT on the day on which notice is given.

c) Cancellation (7 days)

The cover provided by this endorsement may be cancelled by either Insurers or the Insured giving notice to become effective on the expiry of seven days from 23.59 hours GMT on the day on which notice is given.

16) a) Section One of LSW555D

- a) War, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, martial law, military or usurped power or attempts at usurpation of power.
- b) Strikes, riots, civil commotions or labour disturbances.
- c) Any act of one or more persons, whether or not agents of a sovereign power, for political or terrorist purposes and whether the loss or damage resulting therefrom is accidental or intentional.
- d) Any malicious act or act of sabotage.

- e) Confiscation, nationalisation, seizure, restraint, detention, appropriation, requisition for title or use by or under the order of any government (whether civil, military or de facto) or public or local authority.
- f) Hi-jacking or any unlawful seizure or wrongful exercise of control of the aircraft or crew in flight (including any attempt at such seizure or control) made by any person or persons on board the aircraft acting without the consent of the Insured.

The policy covers claims excluded from the Hull All Risks policy from occurrences while the aircraft is outside the control of the Insured by reason of the above perils.

Section Two of LSW555D

The policy will indemnify the Insured for 90% (warranted 10% remaining uninsured) of payments up to the policy limits shown in the policy schedule, properly made in respect of:

- Threats made against any aircraft stated in the schedule or its passengers or crew made during the currency of the policy.
- Extra expenses necessarily incurred following confiscation, etc. (as clause (e) of Section One) or hi-jacking (as clause (f) of Section One).

No cover will be provided under this section in any territory where such insurance is not lawful, and the Insured is responsible for ensuring that no arrangements of any kind are made which are not permitted by the proper authorities.

- b) a) War (whether there is a declaration of war or not) between any of the following states: United Kingdom, United States of America, France, the Russian Federation, the People's Republic of China; nevertheless, if any aircraft is in the air when an outbreak of such war occurs, this exclusion shall not apply in respect of such aircraft until said aircraft has completed its first landing thereafter.
- b) Confiscation, nationalisation, seizure, restraint, detention, appropriation, requisition for title or use by or under the authority of the Government stated in the schedule, or any public or local authority under its jurisdiction.
- c) The emission, discharge, release or escape of any chemical, biological or biochemical materials or the threat of same but this exclusion shall not apply in certain instances.
- d) Any debt, failure to provide bond or security or any other financial cause under court order or otherwise.
- e) The repossession or attempted repossession of the aircraft either by any title holder, or arising out of any contractual agreement to which any insured protected under this policy may be party.
- f) Delay, loss of use, or except as specifically provided in Section Two any other consequential loss; whether following on loss of or damage to the aircraft or otherwise.

- g) Any use, hostile or otherwise, of radioactive contamination or matter but this exclusion shall not apply to loss of or damage to an aircraft if such use is hostile and originates solely and directly:
 - On board such aircraft, whether it is on the ground or in the air, or
 - External to such aircraft and causes physical damage to the aircraft while the aircraft's wheels are no longer in contact with the ground.
 Any such use originating external to the aircraft that causes damage to the aircraft as a result of contamination without other physical damage to the aircraft exterior is not covered by the policy.
- h) Any use, hostile or otherwise, of an electromagnetic pulse but this exclusion shall not apply to loss of or damage to an aircraft if such use originates solely and directly on board such aircraft, whether it is on the ground or in the air.
- i) Any detonation, hostile or otherwise, of any device employing atomic or nuclear fission and/or fusion or other like reaction, and notwithstanding (g) and (h) above, any radioactive contamination and electromagnetic pulse resulting directly from such detonation is also excluded by this policy.

17) a) Scope

The Convention applies to all international carriage of persons (baggage and cargo) performed in an aircraft for reward. It applies equally to gratuitous carriage by aircraft performed by an air transport undertaking.

For the purpose of the Convention, 'international carriage' means any carriage in which, according to the agreement between the parties, the place of departure and the place of destination, whether or not there is a break in the carriage, are situated either in the territories of two States' Parties, or within the territory of a single State Party if there is an agreed stopping place within the territory of another State.

Carriage to be performed by several successive carriers is deemed, for the purpose of the Convention, to be one undivided carriage if it has been regarded by the parties as a single operation, whether it had been agreed upon under the form of a single contract or a series of contracts. It does not lose its international character merely because one contract or series of contracts is to be performed entirely within the territory of the same State.

The Convention applies also to carriage by air performed by a person other than the contracting carrier (subject to the terms of Chapter V of the Convention).

b) Documentation

An individual or collective document of carriage is to be delivered containing:

- a) an indication of the places of departure and destination;
- b) if the places of departure and destination are within the territory of a single State Party, one or more agreed stopping places being within the territory of another State, an indication of at least one such stopping place.

Any other means, which preserves the information contained in the paragraph above.

The carrier must give the passenger a baggage identification tag for each piece of checked baggage.

The passenger shall be given written notice to the effect that, where this Convention is applicable, it governs and may limit the liability of carriers in respect of death or injury and for destruction, loss of or damage to baggage or for delay.

Non-compliance with the provisions of the foregoing paragraphs shall not affect the existence or the validity of the contract of carriage, which shall, nonetheless, be subject to the rules of the Convention including those relating to the limitation of liability.

Limits of liability

(Under paragraph 1 of Article 17) In the event that a passenger suffers death or wounding or any other bodily injury during embarkation, disembarkation or while on board the aircraft, the carrier shall be liable for an amount not exceeding 100,000 Special Drawing Rights for each passenger. The carrier will not be able to exclude or limit its liability.

The carrier will not be liable for damages arising under paragraph 1 of Article 17 to the extent that they exceed for each passenger 100,000 Special Drawing Rights if the carrier proves that:

- a) Such damage was not due to the negligence or other wrongful act or omission of the carrier or its servants or agents; or
- c) Such damage was solely due to the negligence or other wrongful act or omission of a third party.

c) Delay

(Per Article 19) The carrier is liable for damage occasioned by delay in the carriage by air of passengers and their baggage. Nevertheless, the carrier shall not be liable for damage occasioned by delay if it proves that it and its servants and agents took all measures that could reasonably be required to avoid the damage or that it was impossible for them to take such measures.

In the case of damage caused by delay, the liability of the carrier for each passenger is limited to 4,150 Special Drawing Rights.