

# P91

## Diploma in Insurance

### Unit P91 – Aviation and space insurance

October 2013 examination

#### Instructions

- Three hours are allowed for this paper.
- **Do not begin writing until the invigilator instructs you to.**
- **Read the instructions on page 3 carefully before answering any questions.**
- Provide the information requested on the answer book and 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 book and this question paper must **both be handed in personally by you** to the invigilator before you leave the examination room. **Failure to comply with this regulation will result in your paper not being marked and you may be prevented from entering this examination in the future.**



## Unit P91 – Aviation and space insurance

### Instructions to candidates

#### Read the instructions below before answering any questions

- **Three hours** are allowed for this paper which carries a total of 200 marks, as follows:

|         |                             |           |
|---------|-----------------------------|-----------|
| Part I  | 14 compulsory questions     | 140 marks |
| Part II | 2 questions selected from 3 | 60 marks  |

- You should answer **all** questions in Part I and two out of the three questions in Part II.
- You are advised to spend no more than two hours on Part I.
- Read carefully all questions and information provided before starting to answer. Your answer will be marked strictly in accordance with the question set.
- The number of marks allocated to each question part is given next to the question and you should spend your time in accordance with that allocation.
- 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.
- It is important to show each step in any calculation, even if you have used a calculator.
- 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 alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.
- Answer each question on a new page. If a question has more than one part, leave six lines blank after each part.

**PART I****Answer ALL questions in Part I**

**Note form is acceptable where this conveys all the necessary information**

1. (a) State the provisions of the Full premium if lost clause AVN 8 and explain briefly when this clause is usually used. (8)  
(b) Outline the difference between the Full premium if lost clause AVN 8 and the Full premium in the event of a claim exceeding premium paid clause AVN 9. (2)
2. Describe the principal factors influencing the location of a space launch site. (10)
3. Explain the provisions of the US Aviation Disaster Family Assistance Act 1996. (10)
4. Identify and explain the perils of the War, Hijacking and Other Perils Exclusion Clause (Aviation) AVN 48B, that may be written back on aircraft hull and liability risks, using the Extended Coverage Endorsements AVN 51 and AVN 52E. (10)
5. List **six** factors that an aviation underwriter would take into account when rating the hull insurance for a business jet, describing briefly why each **one** is relevant to the underwriting of the risk. (12)
6. Describe briefly how Crew Resource Management is used as a means of improving air safety. (8)
7. (a) Describe briefly **three** of the following four types of captive that may be used by an airline.
  - Pure captives.
  - Association (or Group) captives.
  - Mutual structure.
  - Rent-a-captive. (6)(b) State **five** factors which may influence the location of a captive. (5)

8. Explain in respect of a general aviation aircraft:
- (a) the term insured value; (10)
  - (b) why an aircraft may be insured on an agreed value basis rather than on an insured value basis. (4)
9. Explain the role of the surveyor in the aircraft hull claims process. (7)
10. Explain briefly:
- (a) the reasons why insurers would impose a deductible on an aircraft hull policy; (5)
  - (b) why an aircraft operator would buy hull deductible insurance. (5)
11. Outline the provisions of the Montreal Convention 1999 in respect of cargo liability. (7)
12. Outline **five** of the general conditions applicable to all sections of the London Aircraft Insurance Policy AVN 1C. (10)
13. Differentiate between compensatory and punitive damages under the US legal system. (11)
14. (a) Outline the coverage that an airline might buy to cover a jet engine which has been removed from the aircraft. (7)
- (b) State what deductible would typically apply to the engine in the event of a loss. (3)

Questions continue over the page

## PART II

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

15. You are the Insurance Broker to Global plc, a large conglomerate which is leasing an executive jet to service its many subsidiary companies around the world. Global plc have asked you to review the aircraft lease contract and to summarise for their Finance Director the insurance requirements of the lessor.

Explain:

- (a) the insurance requirements you would expect the lessor to include in the aircraft lease contract; (15)
- (b) the standard clauses available to address the contractual issues and protect the lessor's interest in the aircraft. (15)

16. A client company owns an aircraft that was parked in a country which has suffered a civil war. They made insurers aware that they could not access the aircraft. Upon the outbreak of peace, when they were able to access the aircraft, they found that the aircraft was not airworthy and would cost more than the aircraft value to enable it to fly.

Discuss if the client has a valid claim under either the Hull All Risks or the Hull War Risks policies, which are on AVN 1C and LSW555D bases respectively. (30)

17. Service Company Ltd operates at UK airports providing various activities, including snow clearance, fuelling and aircraft cleaning.

- (a) Describe the potential aviation exposures of Service Company Ltd and the insurance cover available that would address these exposures. (15)
- (b) Outline the coverage issues in the following scenarios.
- (i) A disgruntled employee deliberately drives a high-lift truck into an aircraft that Service Company Ltd are cleaning. (5)
- (ii) Fuel has leaked from the company's storage facility into a local stream. (5)
- (iii) An employee uses his own vehicle to reach an aircraft and is involved in an accident with another vehicle whilst airside. (5)



