

P91

Diploma in Insurance

Unit P91 – Aviation and space insurance

October 2014 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. Identify the advantages and the concerns there could be on the implementation of the Global Navigation Satellite System (GNSS), with regard to air navigation. **(12)**

2. State the coverages provided by Personal injury extension – AVN 60A. **(10)**

3. Describe briefly:
 - (a) the offences to which the Tokyo Convention 1963 applies; **(4)**

 - (b) **three** of the circumstances in which the State of Registration of an aircraft is able to take action in respect of offences committed under the Tokyo Convention 1963. **(6)**

4. Outline the coverage and conditions under Section two (Extortion and Hijack Expenses) of the Aviation Hull 'War and Allied Perils' Policy LSW555D. **(7)**

5. Explain briefly **six** of the main changes that the Montreal Convention 1999 made to the existing Warsaw Convention 1929 liability regime. **(12)**

6.
 - (a) Explain briefly why a direct aviation underwriter may choose to buy excess of loss reinsurance. **(6)**

 - (b) Outline **three** examples of situations where excess of loss reinsurance coverage would be important to a direct aviation underwriter. **(9)**

7. Explain, in respect of the US litigation process, the purpose and use of pre-trial conferences. (8)
8. Explain briefly:
- (a) why a pilot would buy loss of licence insurance; (4)
 - (b) the types of benefits that are payable in the event of a valid claim. (6)
9. Describe the coverage that is provided for physical loss damage or failure under a satellite launch and in orbit policy. (10)
10. Describe what is meant by an airline code share agreement. (10)
11. Describe the coverage provided by the Passenger Voluntary Settlement Endorsement – AVN 34A, including the condition precedent relating to settlement under the endorsement. (9)
12. Explain briefly the coverage that is available to the insured in respect of passengers under Section III of the London Aircraft Insurance Policy – AVN 1C and the provisos to this coverage. (9)
13. Explain what an underwriter should consider if an insured asks to increase or decrease the agreed value of their aircraft at renewal of their insurance. (10)
14. Describe briefly insurers' duty to defend in respect of aviation liability policies issued in the USA and the effect a conflict of interest may have on this duty. (8)

QUESTIONS CONTINUE OVER THE PAGE

PART II

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

- 15.** An aircraft belonging to ABC Airlines, a UK company operating a flight from London to Paris, has a landing accident in France involving fatalities.
- (a)** Explain the compensation that will be payable in the event of passenger death or injury and the applicable legislation. **(10)**
- (b)** Discuss the considerations that a surveyor or insurer might take into account when selecting an organisation to repair this aircraft which had suffered substantial damage in the accident. **(20)**
- 16.** An aircraft belonging to DJS Airways, a European airline, crashes and is declared a total loss involving loss of life and third party damage, after the failure of an engine mounting bolt manufactured by Bolts Ltd, an Asian company.
- You are the lawyer retained by the insurer of Bolts Ltd.
- Explain the advice you would give the insurer of Bolts Ltd regarding the potential liability, the claims they may anticipate and whether the European Product Liability Directive will have any effect on this. **(30)**
- 17.** You are an insurance broker. One of your UK clients is a farmer who has created a runway for his sole use on his land and he has bought a light aircraft to fly from there. Your client has asked you to obtain quotes to insure the aircraft and runway.
- Identify the:
- (a)** coverage your client needs; **(10)**
- (b)** information your client needs to provide to obtain a quotation; **(10)**
- (c)** provisions required in the insurance if your client has obtained finance to buy the aircraft. **(10)**

BLANK PAGE

