

P91

Diploma in Insurance

Unit P91 – Aviation and space insurance

April 2015 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) Describe the coverage afforded by the Non-owned Aircraft Endorsement – AVN 54. (8)
- (b) Describe briefly, when the clause might be used, providing an example. (3)

2. Describe the main orbital characteristics and the typical use of satellites in:
 - (a) low Earth orbit; (5)
 - (b) medium Earth orbit. (5)

3. Describe the role of the European Aviation Safety Agency (EASA). (8)

4. Outline **five** reasons why a direct aviation insurer might buy reinsurance. (10)

5. Describe the development and use of the Airborne Collision and Avoidance System (ACAS). (10)

6. Describe the exposures that are commonly covered in an airline liability policy. (9)

7. Outline the underwriting information that an insurer will require when assessing an aviation products liability risk for a component part manufacturer. (10)

8. Explain 'structured settlements' and the benefit they may have to insurers and claimants. (8)

9. Explain why underwriters consider that helicopters are a more hazardous underwriting risk than fixed wing aircraft. (10)
10. Explain the provisions of the EU Regulation 889/2002 as they specifically apply to ticketing and advanced payments affecting EU air carriers. (10)
11. Identify the deductibles as typically used on aviation liability insurances and explain how they are applied. (9)
12. Describe the provisions and exclusions of the Cargo Legal Liability Endorsement – AVN 92. (13)
13. Annex 13 of the Chicago Convention 1944 sets out the requirements placed upon signatory governments' investigating bodies following an aircraft accident.
- Identify:
- (a) the **five** States that the State of Occurrence is obliged to notify; (5)
- (b) **five** aspects relating to an accident to which an investigator is entitled to participate in. (5)
14. Explain, using an example, what is generally meant by the 'deep pocket theory' when used in relation to aviation liability losses. (12)

QUESTIONS CONTINUE OVER THE PAGE

PART II

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

- 15.** An executive jet has been hit by small arms fire whilst parked. Having been granted a temporary certificate of airworthiness, the aircraft is ferried out to be repaired. However, it crashes on take-off killing the pilot and a passing motorist.

The aircraft is covered under the London Aircraft Insurance Policy – AVN 1C and the Aviation Hull ‘War and Allied Perils’ Policy LSW555D.

Discuss the coverage issues that might apply and under which policies any potential claims may be covered.

(30)

- 16.** A company which only sells aircraft entertainment systems, decides to expand into the overhaul, supply and installation of aircraft avionics and related electronic systems, and to move from off-airport to an airside unit.

Discuss the implications this will have for their aviation insurance coverage and the additional underwriting information the company will have to provide to their insurers.

(30)

- 17.** Sunburn Holidays is forming an airline in the UK to operate charter flights to European destinations with 170 seat airliners. They have initially leased two aircraft from a New York based lessor (Leases Incorporated) whose lease agreements require that Sunburn Holidays carry liability insurance with a minimum combined single limit of USD250,000,000.

As Sunburn Holiday’s insurance broker, discuss:

- (a)** whether you feel that the minimum limit specified in the lease will be sufficient;

(10)

- (b)** if there will be any jurisdiction issues to take into account having a US lessor;

(10)

- (c)** how the airline liability policy will include the lease agreement provisions relating to insurance.

(10)

