

Aviation and space insurance

Purpose

At the end of this unit, candidates should be able to demonstrate an understanding of aviation and space insurance and related issues.

Assumed knowledge

It is assumed that the candidate already has the knowledge of the fundamental principles of insurance as covered in IF1 Insurance, legal and regulatory and Mo5/Po5 Insurance law or equivalent examinations.

Summary of learning outcomes

1. Know the main elements of aviation risk.
2. Understand the main international and national measures impacting on aviation risk.
3. Understand the scope of cover under the main and related classes of aviation insurance.
4. Understand the market practices of aviation insurance.
5. Understand risk assessment and underwriting of aviation insurance.
6. Understand claims investigation, handling and settlement procedures in aviation insurance.
7. Understand key aspects of space insurance.

Important notes

- Method of assessment: Part I 14 compulsory questions (140 marks). Part II 2 questions selected from 3 (60 marks). Total of 200 marks. Three hours are allowed for this exam.
- The syllabus is examined on the basis of English law and practice unless otherwise stated.
- The general rule is that the exams are based on the English legislative position six months before the date of the exams.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
 1. Visit www.cii.co.uk/qualifications
 2. Select the appropriate qualification
 3. Select your unit on the right hand side of the page

1. Know the main elements of aviation risk

- 1.1 Describe the key principles concerning how an aircraft flies.
- 1.2 Explain the types of aviation risk – human failure, mechanical failure, communication and navigation failure, hijacking, terrorism and war risks – including their frequency and severity.
- 1.3 Describe the measures taken to prevent and reduce accidents – Ground Proximity Warning System (GPWS), Enhanced Ground Proximity Warning System (EGPWS), Aircraft Collision Avoidance Systems (ACAS), Aeronautical Operational Control (AOC), Aircraft operating manual, pilot classification, Crew Resource Management, use of Simulators.
- 1.4 Describe key developments in global air navigation.

2. Understand the main international and national measures impacting on aviation risk

- 2.1 Explain the purpose and main features of the Warsaw Convention 1929, Hague Protocol 1955, EU Regulation 2027/97, Montreal Convention 1999, Rome convention 1952, European Directive on Product Liability and examine their application, including with reference to Airline Code Sharing agreements.
- 2.2 Describe the purpose and main features of Montreal Agreement 1966, Montreal Additional Protocols 1-4, Guadalajara Convention 1961.
- 2.3 Describe the purpose and features of the Chicago Convention.
- 2.4 Describe the purpose and role of the International Civil Aviation Organisation (ICAO) and International Air Transport Association (IATA).
- 2.5 Explain the International conventions for dealing with offences on board aircraft.
- 2.6 Describe the main functions of the Civil Aviation Authority (CAA) and European Aviation Safety Agency (EASA).
- 2.7 Describe the minimum levels of insurance; EU directive 785/2004 and 285/2010.
- 2.8 Explain the UK/European legal system and the calculation of damages.
- 2.9 Describe the Civil Aviation Act 1982 and Air Navigation Order 2005.
- 2.10 Explain the main features of the US legal system, jurisdiction and the litigation process and examine their application in aviation situations.
- 2.11 Examine the award of compensatory and punitive damages.
- 2.12 Describe the main provisions of the General Aviation Revitalization Act (GARA).
- 2.13 Describe the purpose and main functions of the Federal Aviation Administration (FAA).

3. Understand the scope of cover under the main and related classes of aviation insurance

- 3.1 Analyse the coverage, exclusions, conditions and definitions for aircraft hull and liability insurance with particular reference to AVN 1C.
- 3.2 Analyse the coverage, exclusions, conditions and definitions for aviation products liability insurance with particular reference to AVN 66.
- 3.3 Analyse airport liability including premises, hangar keepers, products, coverage, conditions and exclusions.
- 3.4 Analyse Hull War, War Liability and Excess War Liability coverage, conditions and exclusions.
- 3.5 Analyse airline insurance requirements and typical coverage.
- 3.6 Explain personal accident coverage and exclusions.
- 3.7 Explain loss of use and consequential loss policy coverage and exclusions.
- 3.8 Explain loss of licence policy coverage and exclusions.
- 3.9 Explain cargo liability and all risks cover and exclusions.
- 3.10 Explain Hull Deductible Insurance coverage and exclusions.
- 3.11 Explain Spares All Risks Insurance coverage and exclusions.

4. Understand the market practices of aviation insurance

- 4.1 Examine the use and application of endorsements and clauses.
- 4.2 Describe typical deductible amounts.
- 4.3 Analyse how the insurance market responds to bank/leasing agreements and contractual requirements.
- 4.4 Analyse how aviation insurance responds to airline and service provider agreements, contractual arrangements including ground handling, code sharing and interline agreements.
- 4.5 Explain the use of global providers of aviation insurance, the subscription market and the verticalisation of the placing.

5. Understand risk assessment and underwriting of aviation insurance

- 5.1 Examine the factors to be considered by an aviation underwriter when selecting which risks to underwrite.
- 5.2 Examine different rating factors and methods of rating for the main classes of aviation insurance and their application.
- 5.3 Explain the application of warranties, excesses, deductibles and franchises.
- 5.4 Explain the use of profit commission and no claims bonuses.
- 5.5 Examine key account management considerations for the underwriter.
- 5.6 Describe the various types of captive insurance arrangements available to the aviation industry.
- 5.7 Explain the alternative forms of reinsurance that can be used by an aviation underwriter.

6. Understand claims investigation, handling and settlement procedures in aviation insurance

- 6.1 Examine the settlement process of hull and spares claims, including investigation, the role and responsibilities of surveyors, application of the insurance policy.
- 6.2 Examine the investigation of liability claims including information required, prosecution of claim, passenger claims, settlements in the UK, USA/Canada and other jurisdictions.
- 6.3 Examine the methods of investigating and settling cargo, third party and product liability claims.
- 6.4 Describe the role and responsibility of the UK Air Accidents Investigation Branch (AAIB) and the US National Transportation Safety Board (NTSB).
- 6.5 Describe the Air Accidents Investigation: EU Regulation 996/2010.

7. Understand key aspects of space insurance

- 7.1 Explain satellite technology and its uses.
- 7.2 Examine types of cover available.
- 7.3 Examine the factors affecting the underwriting of space and satellite insurances, including any relevant legislation.
- 7.4 Examine claims handling and procedures for space insurance.

Reading list

The following list provides details of various publications which may assist you with your studies.

Note: The examination will test the syllabus alone.

The reading list is provided for guidance only and is not in itself the subject of the examination.

The publications will help you keep up-to-date with developments and will provide a wider coverage of syllabus topics.

CII/PFS members can borrow most of the additional study materials below from Knowledge Services. CII study texts can be consulted from within the library.

New materials are added frequently - for information about new releases and lending service, please go to www.cii.co.uk/knowledge or email knowledge@cii.co.uk.

CII study texts

Aviation and space insurance. London: CII. Study text: Pg1

Books

A guide to general aviation claims handling. Tim Scorer. London: Ince & CO, 2010.

'Aviation and corporate social responsibility'. Simon Bennett. Chapter – Innovative thinking in risk, crisis and disaster management. Farnham: Gower, 2012.

'Aviation insurance'. Chapter – MacGillivray on insurance law: relating to all risks other than marine. 11th ed. London: Sweet & Maxwell, 2008.

Aviation insurance. Rod D Margo. 4th ed. London: Butterworths, 2014.

Aviation law: cases, laws and related sources. 2nd ed. P B Larsen et al. Lieden: Martinus Nijhoff, 2012.

Aviation insurance: a planeman's guide. 2nd ed. Peter Viccars. London: Witherby, 2012.

Buyer's handbook on aviation insurance. Sudheesh Kollerithara. Cranfield: Cranfield University Press, 2011.

Insuring the air transport industry against aviation war and terrorism risks and allied perils. YOM Nyampong. Heidelberg: Springer-Verlag, 2013.

Introduction to aviation insurance and risk management. 2nd ed. Alexander Wells, Bruce Chadbourne. Malabar: Krieger, 2000.

Margo on aviation insurance: the law and practice of aviation insurance, including hovercraft and spacecraft insurance. Philip Chrystal, et al. 4th ed. London: LexisNexis, 2014.

Risk and liability in air law. George Leloudas. London: Informa, 2009.

Journals and magazines

Post magazine. London: Incisive Financial Publishing. Weekly. Also available online at www.postonline.co.uk.

The Journal. London: CII. Six issues a year. Also available online via www.cii.co.uk/knowledge (CII/PFS members only).

Further periodical publications are available at www.cii.co.uk/journalmagazines (CII/PFS members only).

Reference materials

Aviation policy forms, proposal forms and clauses, etc. 5th ed (rep.) Looseleaf. London: Lloyd's Market Association, 2005.

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010. Also available online through Discovery via www.cii.co.uk/discovery (CII/PFS members only).

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

Insurance: Conduct of Business sourcebook (ICOBS). Available via www.fshandbook.info/FS/.

Examination guides

Guides are produced for each sitting of written answer examinations. These include the exam questions, examiners' comments on candidates' performance and key points for inclusion in answers.

You are strongly advised to study guides from the last two sittings. Please visit www.cii.co.uk to buy online or contact CII Customer Service for further information on +44 (0)20 8989 8464.

Alternatively, if you have a current study text enrolment, the latest exam guides are available via www.revisionmate.com.

Older guides are available via www.cii.co.uk/pastexamguides (CII/PFS members only).

Exam technique/study skills

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

The Insurance Institute of London (IIL) holds a lecture on revision techniques for CII written exams approximately three times a year. The slides from their most recent lectures can be found at www.cii.co.uk/iilwrittenrevision (CII/PFS members only).