

P91

Diploma in Insurance

Unit P91 – Aviation and space insurance

April 2016 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. State **ten** items of key underwriting information an insurer would require when rating a commercial airfield for airport liability insurance. (10)

2. (a) Describe briefly what is meant by 'strict liability' in relation to US products liability. (6)
- (b) Identify what a claimant must prove in respect of a strict liability claim for products liability in the USA. (3)

3. (a) Explain briefly why an underwriter may impose hull deductibles on an airline insurance policy. (5)
- (b) State **two** different examples of standard market deductibles for jet aircraft operated by airlines. (2)
- (c) Outline how an airline may reduce its hull deductibles. (7)

4. Describe briefly the importance of:
 - (a) Crew Resource Management; (5)
 - (b) the use of simulators in crew training. (5)

5. In respect of Section II: Legal Liability to Third Parties (other than passengers) of the London Aircraft Insurance Policy – AVN 1C:
 - (a) describe the coverage provided by insurers; (5)
 - (b) identify the exclusions applicable **specifically** to Section II of AVN 1C. (*Your answer should not include general exclusions.*) (5)

6. Describe the mission and role of the International Air Transport Association (IATA). (9)
7. Describe briefly the main provisions of **three** of the following:
- Treaty on Principles Governing the Activities of States in the Exploration and Use of Outer Space, including the Moon and other Celestial Bodies 1967.
 - Convention on International Liability for Damage Caused by Space Objects 1972.
 - Convention on Registration of Objects Launched into Outer Space 1976.
 - Commercial Space Launch Act 1984. (12)
8. Identify the **three** standard AVN referenced clauses used by aviation insurers to exclude nuclear risks from aviation insurance policies and describe briefly when **each** clause is used. (10)
9. In respect of the Finance/Lease Continuing Liability Endorsement – AVN 99:
- (a) describe its potential application; (5)
 - (b) state **five** of its provisions. (5)
10. Describe the responsibilities placed on organisations under the Aviation Disaster Family Assistance Act 1996. (10)
11. Describe briefly the hull claims settlement procedures in respect of an aircraft insured with an agreed value on the London Aircraft Insurance Policy – AVN 1C that has been declared a total loss by the adjuster. (9)

QUESTIONS CONTINUE OVER THE PAGE

12. (a) State the provisions of the Reinsurance Underwriting and Claims Control Clause – AVN 41A. (6)
- (b) Identify the differences between AVN 41A and the Claims Control Clause – AVN 25. (3)
13. Describe briefly the **key** development stages and expectations of the Future Air Navigation System (FANS). (9)
14. Describe briefly **three** benefits to an airline of setting-up a captive insurance company. (9)

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

- 15.** You are an insurance broker to an airport company and have been asked to review the liability insurances of a baggage handling company working airside at the airport.
- (a) Discuss the aviation exposures that the baggage handler needs to insure against. **(15)**
- (b) Discuss the wordings and clauses you would recommend are used for these exposures. **(15)**
- 16.** You are an insurance broker for the owner of a light aircraft insured on a London Aircraft Insurance Policy – AVN 1C. The policy has just expired and you were advised by the Insured that the aircraft was laid up for the last six months of the policy year. You have been asked to calculate the lay-up under the Aircraft Laying-up Returns Clause – AVN 26A.
- (a) Explain the provisions of AVN 26A and how you would calculate the lay-up, providing a brief example. **(8)**
- You have subsequently been advised that this aircraft suffered damage one month before expiry in a landing accident and that the owner has had it repaired at his own expense.
- (b) Discuss the insurance implication arising out of this scenario and the action you should be taking. **(22)**
- 17.** You are the Lawyer appointed by the insurers on Power Engine Manufacturer Ltd's products liability placing. A fault in an aircraft engine that they have manufactured has resulted in an uncontained disc failure and the total loss of an aircraft involving loss of life among the passengers and on the ground. This loss has also led to a demand for all similar engines to be withdrawn for inspection. The engine was assembled in the UK using components from the USA, EU and Japan. Power Engine Manufacturer Ltd is insured using the London Market Aviation Products Liability Policy – AVN 66.
- Explain the advice that you would give Power Engine Manufacturer Ltd concerning their potential liabilities and the possible jurisdictions that could apply. **(30)**

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