

P91

Diploma in Insurance

Unit P91 – Aviation and space insurance

October 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. Describe briefly the meaning of the term 'no abandonment' in a London aircraft insurance policy and what effect this term may have on the settlement of a hull claim. (6)

2. Identify the requirements of EC Regulation 785/2004 as amended by EU Regulation 285/2010, as applied to an air carrier. (12)

3. Identify **five** of the perils that are specifically excluded under the Aviation Hull 'War and Allied Perils' Policy (LSW555D). (10)

4. List **ten** items of underwriting information that an underwriter would assess when rating the hull and liabilities for a flying school. (10)

5. (a) Describe briefly the coverage afforded by an aircraft spares all risks wording. (7)

(b) State **six** exclusions that are commonly found in an aircraft spares all risks wording. (*Your answer should not include nuclear or war and allied perils.*) (6)

6. Explain why an aviation insurer may choose to buy facultative reinsurance. (10)

7. Describe the importance to accident prevention of a safety management system (SMS) and a 'no blame' culture within the aviation industry. (12)

8. Describe briefly the provisions and use of the Agreed Value clause – AVN 61. (10)

9. Describe briefly the role and main functions of the:
- (a) US Federal Aviation Administration (FAA); (5)
 - (b) UK Civil Aviation Authority (CAA). (5)
10. Describe briefly how the following terms are defined in the London Market Aviation Products Liability Policy – AVN 66:
- (a) Aircraft products. (3)
 - (b) Products hazard. (3)
 - (c) Occurrence. (3)
11. Describe briefly the main provisions of the European Product Liability Directive. (10)
12. Explain briefly, in relation to US litigation, the bases of venue objections in respect of:
- (a) improper venue; (5)
 - (b) inconvenient venue (*forum non conveniens*). (5)
13. Describe briefly the use of hull total loss only insurance. (8)
14. Outline the provisions of the Civil Aviation Act 1982 relating to third party claims for damage on the ground in the UK. (10)

QUESTIONS CONTINUE OVER THE PAGE

PART II

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

- 15.** Discuss the importance of satellites to aviation safety in the fields of navigation, communications and surveillance, together with the characteristics of the positioning of the different satellites. **(30)**
- 16.** You are the insurance broker to Industrials Ltd who owns a business jet for their own industrial aid use. Industrials Ltd is refinancing the aircraft under a lease finance arrangement with a bank.
- (a)** Describe the specific insurance provisions you would expect the bank to specify in the lease agreement to protect their interests, and how you would expect the aircraft insurances to accommodate the bank's requirements. **(22)**
- (b)** Explain the coverage you would recommend for Industrials Ltd to cover their legal liability arising from the use of their company vehicles airside. **(8)**
- 17.** You are the insurance broker to an airfield which currently only handles small general aviation aircraft. The airfield owner has decided to expand operations so that it can take business jets or possibly cargo charters; being a former UK military base it has concrete runways and taxiways which need some maintenance and upgrade. Insurance coverage is currently written on the basis of the ARIEL Airport Owners' and Operators' Liability Policy (48FLY00001).
- Explain:
- (a)** the additional information underwriters will need; **(10)**
- (b)** the potential additional exposure that will result from the expansion; **(10)**
- (c)** whether this expansion will mean changes to the current policy wordings. **(10)**

