

## P91

### Diploma in Insurance

#### Unit P91 – Aviation and space insurance

April 2017 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. Outline the uses and provisions of the Additions and Deletions (combined) Clause – AVN 19A. **(8)**
  
2. Explain why hull surveyors are appointed and how they contribute to the hull claims process. **(9)**
  
3. Explain briefly **five** of the main changes that the Montreal Convention 1999 made to the Warsaw Convention 1929 liability regime. **(10)**
  
4. Explain briefly the coverage and specific exclusions under Section 2 (Hangarkeepers legal liability) of the ARIEL Airport Owners' and Operators' Liability Policy. **(7)**
  
5. **(a)** Describe briefly the offences to which the Tokyo Convention 1963 applies. **(4)**  
**(b)** Describe briefly the offences to which the Hague Convention 1970 applies. **(4)**
  
6. Explain quota share treaty reinsurance, and why it might be purchased by an aviation underwriter. **(10)**
  
7. Describe the coverage available for satellite launch and in orbit exposures. **(12)**
  
8. Outline the provisions of the Passenger Voluntary Settlement Endorsement – AVN 34A and when it is usually used. **(12)**

9. Describe the capabilities of the Enhanced Ground Proximity Warning System (EGPWS). (12)
10. List **ten** factors that an aviation underwriter will take into account when evaluating a proposal for aviation products liability insurance. (10)
11. (a) Describe briefly the provisions of the Full Premium if Loss Clause – AVN 8 and explain when this clause might be used. (6)
- (b) Outline the difference between AVN 8 and the Full Premium in the Event of a Claim exceeding Premium Paid Clause – AVN 9. (2)
12. Explain punitive damages and compensatory damages as awarded under the US legal system. (10)
13. Describe briefly:
- (a) the coverage that is provided under a loss of use policy; (9)
- (b) why an aircraft operator might buy loss of use coverage. (3)
14. Outline the provisions of **four** of the following six general conditions contained in the London Aircraft Insurance Policy (AVN 1C):
- Subrogation.
  - Variation in risk.
  - Cancellation.
  - Arbitration.
  - Limit(s) of indemnity.
  - False and fraudulent claims. (12)

QUESTIONS CONTINUE OVER THE PAGE

**PART II**

**Answer TWO of the following THREE questions**

**Each question is worth 30 marks**

- 15.** You are the insurance broker to Brackets plc, a UK industrial company which is buying a corporate jet aircraft. The aircraft will be chartered out commercially when not needed by the company. You have been asked to produce a report to Brackets plc explaining:
- (a)** why detailed underwriting information concerning pilots, annual utilisation, contractual agreements and geographical areas of operation is required by insurers; **(20)**
  - (b)** the factors that should be considered in deciding the level of liability limit to be purchased. **(10)**
- 16.** You are a claims manager for an aviation insurer who has received a report in respect of an aircraft accident. The aircraft had been connected to a ground power unit and during the start-up procedure the aircraft started moving, striking the ground power unit, injuring members of the ground crew, who are airport employees, and causing one of the aircraft's propellers to shatter damaging the aircraft's fuselage.
- The aircraft will probably be considered a constructive total loss and it has remained parked at the airport while the claim is settled, incurring large parking fees.
- Discuss the hull and liability aspects of the accident and how you feel the various claims might be resolved. **(30)**

- 17.** You are an insurance broker and one of your clients is a ground handling company, operating in the UK, providing refuelling, aircraft towing and aircraft cleaning services.
- (a)** Describe the potential aviation exposures that your client will need to consider insuring against and the policy that may be used. **(15)**
  
  - (b)** Outline the coverage issues that may arise in the following scenarios:
    - (i)** Fuel has leaked from your client's fuel storage facility and has polluted a local water supply. **(5)**
  
    - (ii)** A disgruntled employee of your client deliberately drives a truck into an aircraft that is being serviced. **(5)**
  
    - (iii)** An employee of your client drives his own vehicle airside and is involved in an accident with another vehicle. **(5)**

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