

## P91

### Diploma in Insurance

#### Unit P91 – Aviation and space insurance

October 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. State, in respect of personal injury extension – AVN 60A:
  - (a) **four** offences for which coverage is provided; (8)
  - (b) the limit that is usually applied. (2)
  
2. Outline **five** of the objectives of the International Civil Aviation Organization (ICAO). (10)
  
3. Describe, in respect of space insurance claims, the reasons for setting up a claims coordination committee (CCC), explaining the role of its members. (10)
  
4.
  - (a) Explain briefly the reasons why a direct aviation underwriter would choose to buy excess of loss reinsurance and how it may be structured. (8)
  - (b) Explain briefly the term 'ultimate net loss' with respect to an excess of loss reinsurance. (4)
  
5. Explain briefly, in respect of the extended coverage endorsement (aviation liabilities) – AVN 52G:
  - (a) when it might be used; (4)
  - (b) the cover that is specifically excluded in respect of paragraph (a) of the war, hijacking and other perils exclusion clause (aviation) – AVN 48B; (2)
  - (c) the difference between AVN 52G and the extended coverage endorsement (aircraft liabilities) – AVN 52E. (2)
  
6. Explain the use of verticalisation for aviation risks and the implications to an insured. (8)

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7. Describe briefly, in respect of an airline risk management programme, the importance to an organisation of the following considerations.
- (a) Transfer of legal and financial responsibility. (4)
  - (b) Incident and accident reporting. (4)
  - (c) Quality/safety management review/event investigation. (4)
8. Explain briefly, under Section I of the London Aircraft Insurance Policy – AVN 1C:
- (a) the coverage issues arising from losses involving ‘wear and tear’; (5)
  - (b) insurers’ conditions in respect of dismantling, repairs and transportation in the event of an insured loss. (5)
9. Explain ‘structured settlements’ and the benefits there may be to claimants and insurers, in respect of aviation insurance. (8)
10. State the provisions contained in the Montreal Convention 1999 relating to damage and delay to cargo. (10)
11. (a) Explain briefly why pilots buy loss of licence insurance. (4)
- (b) Identify **four** circumstances in which loss of licence policy coverage will usually terminate. (4)
12. Describe briefly:
- (a) why an aviation insurer may wish to adjust the hull rate of an aircraft on which the value has been reduced; (6)
  - (b) the method insurers would use to calculate the new rate, providing a simple example. (6)

QUESTIONS CONTINUE OVER THE PAGE

- 13.** In respect of EU Regulation 996/2010:
- (a)** state the main objective of the regulation; **(2)**
  - (b)** describe briefly the situations in which this regulation does and does not apply; **(6)**
  - (c)** describe briefly the **four** requirements of **each** EU Member State's national civil aviation safety investigation authority (SIA). **(4)**
- 14.** Describe briefly the circumstances in which a hull war underwriter may review terms or cancel the policy when using the Aviation Hull 'War and Allied Perils' Policy (LSW555D). **(10)**

**Part II questions can be found on pages 8 and 9**

## PART II

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

15. You are the Insurance Manager for EC Airlines Company. One of their aircraft, whilst on a flight between countries within the EU, was hijacked and flown to a country outside the EU. On landing, the aircraft sustained damage and several passengers were injured.

The aircraft was insured on a London Aircraft Insurance Policy – AVN 1C with geographical limits of EU only, coverage was also purchased for hull and liability war perils.

Discuss the:

- (a) cover potentially available under these policies; (20)
- (b) information the appointed surveyor will need to investigate. (10)

16. You are the Insurance Broker to a company tendering to run airport ground services that an airline has decided to contract out at a new destination airport.

The services consist of passenger and baggage handling, aircraft line maintenance and, towing and ramp services such as cleaning and catering.

You have been asked to write a report to the company's Finance Director detailing the company's exposures and the risks if they accept this contract.

Discuss the:

- (a) exposures you would identify to the Finance Director; (15)
- (b) policy, and accompanying endorsements, you would recommend to cater for the exposures identified in **part (a)** above. (15)



17. You are an insurance broker and one of your clients, (ALC), is an aircraft leasing company which specialises in leasing small airliners to various airlines.

They have leased a twin-engine aircraft to an airline. The agreement contains an insurance provision specifying that they must be named as sole loss payee and additional insured under the operator's policy. The aircraft is insured for USD5,000,000 using a standard London Aircraft Insurance Policy – AVN 1C with an agreed value clause – AVN 61. The engines are valued at USD750,000 each.

The aircraft has suffered a constructive total loss. You have subsequently heard that the airline had earlier replaced one of the aircraft engines with one of their own. ALC's engine is currently missing during shipment back to them.

Discuss the insurance and contractual implications.

**(30)**

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