



Chartered
Insurance
Institute

P91

Diploma in Insurance

Unit P91 – Aviation and space insurance

April 2018 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. (a) Outline the provisions of the Non-aviation liability clause – AVN 59. (5)
(b) Describe briefly the circumstances in which this clause may be used. (5)

2. Describe the principal factors influencing the location of a space launch site. (10)

3. Describe briefly:
(a) the threat to aviation posed by cyber risks; (5)
(b) the extent to which malicious cyber risks are covered by an airport liability insurance. (5)

4. Describe, in connection with Section One Coverage B of the Aviation products, grounding and other aviation liabilities insurance – AVN 98:
(a) how grounding liability is defined; (6)
(b) the extent of coverage and exclusions. (6)

5. (a) State **four** of the principal uses to which drones are put in support of the emergency services. (4)
(b) State **four** of the potential risk exposures involved in the operation of drones. (4)

6. Describe insurers' duty to defend, in respect of aviation liability policies issued in the USA and the effect a conflict of interest may have on this duty. (8)

7. Describe briefly:
- (a) **three** types of captive that may be used by an airline; (6)
 - (b) **two** benefits to an airline of setting up a captive insurance company. (4)
8. (a) Describe briefly what is meant by the term deep pocket theory in relation to aviation claims litigation. (5)
- (b) Explain briefly why the results of litigation using deep pocket theory might be considered unfair. (5)
9. Outline the provisions of the Supplementary payments clause – AVN 76. (10)
10. (a) Describe briefly the coverage available under Section One of the ARIEL Airport Owners' and Operators' Liability Policy. (6)
- (b) Outline **three** exclusions specifically applicable to Section One of the ARIEL Airport Owners' and Operators' Liability Policy. (6)
11. (a) List **five** significant factors which may influence the selection of repairers following a hull loss involving major damage. (5)
- (b) Outline why an original equipment manufacturer (OEM) may or may not be the best solution for insurers for an aircraft repair. (5)
12. Describe the provisions of the Rome Convention 1952 that relate to a carrier's potential liability to third parties on the ground. (12)

QUESTIONS CONTINUE OVER THE PAGE

13. Describe briefly:
- (a) the coverage granted by Section III of the London Aircraft Insurance Policy (AVN 1C); (4)
 - (b) the provisos and exclusions that are contained in Section III of AVN 1C. (6)
14. (a) State the **four** jurisdictions in which an action for damages may be brought under Article 28 of the Warsaw Convention 1929. (4)
- (b) Describe briefly what is meant by the 'fifth jurisdiction' that has been introduced under Article 33 of the Montreal Convention 1999. (4)

PART II

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

- 15.** You are an insurance broker, and one of your clients is a finance company that has just decided to start diversifying into aircraft financing and leasing, specialising in executive aircraft registered in an EU state. They have asked you to advise them on the aircraft insurance and lease contractual conditions that they would require lessees to have, including advice on relevant EU legislation that may impact the insurances.

Explain what advice you would give your client.

(30)

- 16.** You are a claims manager for an insurance company. A broker has presented a claim for damage to an aircraft insured by your company on a London Aircraft Insurance Policy (AVN 1C). The broker advises that a part of the fuselage, an inspection door, broke off and was ingested, thereby causing engine damage. On investigation, your surveyor has found other less serious fuselage damage which they suspect may be as a result of ground handling.

Discuss how you would investigate the claim and address any possible coverage implications.

(30)

- 17. (a)** Discuss the factors that an underwriter would consider when rating a satellite launch and in orbit policy.

(20)

(b) Discuss the insurance issues and implications surrounding space tourism.

(10)

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