

# THE CHARTERED INSURANCE INSTITUTE

## P91

### Diploma in Insurance

#### Unit P91 – Aviation and space insurance

April 2014 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.**



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## 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.

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**PART I**

**Answer ALL questions in Part I**

**Note form is acceptable where this conveys all the necessary information**

1. (a) Outline all the provisions of the non-aviation liability clause – AVN 59. (5)  
(b) Describe briefly when this clause is used. (2)
  
2. Explain why an aviation underwriter may choose to effect facultative reinsurance. (10)
  
3. Describe briefly, in respect of an aviation risk management programme, the importance within an organisation of **three** of the following four considerations.  
  - 'No blame' culture.
  - Transfer of legal and financial responsibility.
  - Incident and accident reporting.
  - Quality/safety management review. (12)
  
4. Describe the role of the International Air Transport Association. (10)
  
5. Explain why satellite launch parties carry third party liability insurance. (9)
  
6. (a) Define grounding and describe the coverage afforded by coverage B (grounding liability) of the aviation products liability policy – AVN 66. (6)  
(b) Identify the exclusions that specifically apply to this section. (6)
  
7. Explain briefly the following terms in respect of an aircraft hull claim.  
(a) Salvage. (6)  
(b) Subrogation. (6)

8. (a) Describe the coverage available under an aircraft loss of use policy. (4)
- (b) Explain why an operator may buy this coverage. (4)
9. Describe briefly when the provisions of EU Regulation 785/2004, as amended by 285/2010, apply and identify the minimum liability limits that air carriers are required to carry. (8)
10. (a) Identify **two** clauses normally used on an aircraft hull and liability policy to enable premium to be paid in instalments. (2)
- (b) Describe the provisions of **each** clause as identified in part (a) above. (8)
11. Explain **two** of the following in the context of space insurance. (10)
- Constructive total loss point.
  - Accumulation on launch.
  - International Traffic in Arms Regulations.
12. Describe briefly **two** of the following three exposures that arise as a result of airport operations. (10)
- Baggage and cargo handling.
  - Refuelling.
  - Air traffic control.
13. Outline the factors an insurer's claims adjuster would consider before agreeing to settle a hull claim. (8)
14. Compare the placing of an aviation risk on a subscription market basis with the placement on a verticalised basis. (10)

Questions continue over the page

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**PART II**

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

- 15.** Small Airfields Ltd (SAL) owns a general aviation airfield with one hangar. The aviation liability is insured under a standard ARIEL Airport Owners' and Operators' Liability Policy (48FLY00001).

Explain how the insurance would respond in the following situations.

- (a) Two visiting aircraft collide whilst taxiing on the airfield. (10)
- (b) The hangar is burnt down destroying aircraft belonging to SAL and a third party customer, also injuring the customer's pilot. (10)
- (c) Strong winds blow the roof off the hangar into cars parked on the premises and also damages the fuel storage tank, causing it to leak. (10)

- 16.** You are an insurance broker who has been asked to quote for hull, spares 'all risks' and liability insurance, covering a large turboprop aircraft for a new UK airline (Fly Air).

In particular, the client has asked you to:

- (a) describe the deductibles that might be applied; (10)
- (b) explain how the policy will deal with the contractual agreement that Fly Air has with the ground handling companies, and what would happen if Fly Air has any such agreements that they have not advised to insurers by mistake; (10)
- (c) explain, in the event that the client is involved in a minor incident in which a couple of passengers have suffered slight injuries, whether the client has to report this incident to insurers. The resultant hull loss is not expected to exceed the deductible. (10)

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17. (a) Describe the liability regime applicable in respect of passengers in the following situations.
- (i) A flight between two countries that have ratified the Montreal Convention 1999. (10)
  - (ii) A flight between a country that has ratified the Montreal Convention 1999 and one that has ratified the Warsaw Convention 1929, as amended by the Hague Protocol 1955, on an airline from the latter's state. (10)
- (b) Describe the coverage that may be purchased by an operator to cover their legal liabilities to passengers under the London Aircraft Insurance Policy AVN 1C and the exclusions specifically applicable to this coverage. (10)

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