

AVIATION INSURANCE CLAUSES GROUP

3 August 2021

Chair: Graham Spencer-Brown
Secretariat: International Underwriting Association
8th Floor, 1 Minster Court, Mincing Lane
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Tel: 020 7617 5447

To: Bill Smith, Chair, LIIBA Aviation Executive Committee
Daniel Warburg, Chair, LMA Aviation Committee
Jette Varnals, Chair, IUA Aviation Technical Committee

[LETTER SENT BY EMAIL AND PUBLISHED ON THE AICG WEBSITE]

Dear Chairs,

AICG CONSULTATION DRAFT 59

PUBLICATION OF BUSINESS CONTINUITY EVENT INSURANCE PERIOD EXTENSION CLAUSE

In late January 2021, AICG received a request from a market participant to consider publishing a model AVN provision to allow for an automatic extension of coverage where a business continuity event leads to the inability to renew an insurance policy. It was acknowledged that there were several clauses in operation in the market with a similar effect and, as such, it was agreed by AICG that the development of a model AVN clause may be of benefit. Consultation Draft 59 was published on 4 May 2021.

AICG received a number of responses to CD59. These were considered at length and led to a number of drafting amendments. The AICG Chair has now agreed that the Business Continuity Event Insurance Period Extension Clause, designated AVN141, be published forthwith. This clause is included directly below this letter for information and the clause will also be attached separately to the e-mail publishing this letter. It will also shortly be uploaded to the AICG website.

We would like to reiterate our thanks to those that have responded to the consultation.

Yours sincerely,



Christopher Jones on behalf of Graham Spencer-Brown
(Secretary, AICG)

c.c. Neil Roberts LMA
Geraldine Wright LIIBA

BUSINESS CONTINUITY EVENT INSURANCE PERIOD EXTENSION CLAUSE

Subject to all premiums due prior to the happening of an Event having been paid, this Insurance shall be automatically extended on expiry of the Period of Insurance for the Extension Period upon the happening of an Event, unless notice is provided to the Insurer(s) that the extension is not required.

“Extension Period” means 30 days from the expiry of the Period of Insurance.

“Event” means a business continuity event (other than bankruptcy, insolvency or entering into a scheme of arrangement) happening on or within 60 days preceding expiry of the Period of Insurance affecting the Insured or their insurance broker or the Insurer(s) (herein being ‘the parties’) which results in the Insured or their insurance broker being unable to accomplish the process of renewing this Insurance. The inability to agree renewal terms within such process and/or the happening of any claims under this Insurance shall not constitute an Event.

Conditions

- A. The parties shall make reasonable efforts to proceed with the renewal of this Insurance and the Insured shall make reasonable efforts to advise the Insurer(s) that the Extension Period is effective.
- B. Any annual aggregate limits of liability as stated in this Insurance shall be applicable for the first twelve months and for the Extension Period separately.

Subject to any overall aggregate limit for the entire Period of Insurance being equal to the annual aggregate limit as stated in this Insurance, plus pro rata of the annual aggregate limit for the Extension Period.

- C. The premium for the Extension Period shall be pro rata of the expiring annual premium and shall be due and payable to the Insurer(s) no later than the last day of this Extension Period unless an alternative payment term is agreed by Insurer(s).
- D. Subsequent to an Event, all notices which are required under this Insurance to be given by the Insured may be deferred until the first day after the end of the Extension Period if it is not reasonably practicable for the Insured to comply with the notice conditions as stated in this Insurance.

All other terms and conditions of this Insurance remain unchanged.