



AVIATION WORKING GROUP

EXPLANATORY NOTE

on

**AVN 67C ENDORSEMENT AND
AVN 99 TAIL COVER (CONTINUING LIABILITY) ENDORSEMENT**

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EXPLANATORY NOTE ON AVN 67C ENDORSEMENT AND AVN 99 TAIL COVER (CONTINUING LIABILITY) ENDORSEMENT

This note does not provide legal advice. It may not be relied upon for any purpose.

1. INTRODUCTION

This note summarises the following new aviation endorsements:

- (1) Airline Finance/Lease Contract Endorsement AVN 67C (*see Appendix A to this note for full text, and Appendix B for redline against AVN 67B*);
- (2) Hull War version of AVN 67C (*see Appendix C*); and
- (3) Finance/Lease Continuing Liability Endorsement AVN 99 (*see Appendix D*).

Following detailed consultation under the aegis of the Aviation Insurance Clauses Group (AICG), these endorsements are now available to the market on the AICG website (www.aicg.co.uk).

These endorsements are the outcome of discussions over a number of months between a working group that consisted of representatives from AICG, the Aviation Working Group (AWG) and the London Market Insurance Brokers Committee (LMBC).

AVN 67B has clearly served the insurance and financing communities well for a number of years, but it was felt that a number of improvements and clarifications could be made to it.

AVN 99 provides a new form of endorsement to evidence the “tail cover” for third party liability, which most financing documents require the airline to provide in favour of the financing parties for up to two years after expiry of the lease/financing.

2. KEY FEATURES OF AVN 67B

The following features of AVN 67B were innovative at the time of its introduction (all of these features have been preserved in AVN 67C):

- AVN 67B is a “stand-alone” endorsement that lists clearly the “Contract Parties” and the “Contracts”, and overrides any conflicting provisions in the underlying insurance policy, at least as regards the express provisions of the endorsement. Thus financiers do not need to review the underlying policy.
- Conversely, AVN 67B provides that (1) except as expressly stated in the endorsement, the Contract Parties are subject to the terms, conditions, limitations, warranties, exclusions and cancellation provisions of the underlying policy, and (2) the underlying policy is not varied by any provisions in the Contract(s) which purport to endorse or amend the policy. Thus there is no need for insurers/brokers to review the lease/financing contracts.
- AVN 67B provides robust breach of warranty and severability of interests provisions in favour of the financier.

- AVN 67B requires the insurer to give the financier, via the broker, 30 days' notice of cancellation or material alteration of the policy (except in case of provision for cancellation or automatic termination stipulated in the policy). In the hull war-only version of AVN 67B, this period is reduced to 7 days (again, subject to any shorter periods in the policy).

3. AIRLINE FINANCE/LEASE CONTRACT ENDORSEMENT AVN 67C

The following is a summary of the changes from AVN 67B to AVN 67C. Accompanying this note as Appendix B is a redline version showing these changes.

3.1 DURATION OF ENDORSEMENT: PREAMBLE TO AVN 67C

Timing for Termination of Endorsement

The opening paragraph of the endorsement clarifies the date/time at which the Endorsement ceases to apply. In AVN 67B, the Endorsement falls away if any one of three events occur: (i) expiry of the Insurance; or (ii) expiry or agreed termination of the Contracts; or (iii) the obligations under the Contracts are terminated by any action of the Insured or the Contract Party(ies).

In AVN 67C, this is simplified and expressed as the earlier of two events. Limb (i) is the same as in AVN 67B – expiry of the Insurance. However, limb (ii) refers to *“the date and time at which the Insured has no further obligation to insure the Equipment under the Contract(s) (as amended or supplemented), as notified by the Designated Contract Party to the Insurers (via the Appointed Broker)”*.

Thus the Endorsement will endure until the relevant financing party (see below) is satisfied that the airline no longer has to provide insurance for the benefit of the financing parties. It is intended that this will protect the financing parties in the situation where either:

- (a) there is a mid-term default by the airline and the financing parties have not yet repossessed the aircraft (and/or the airline otherwise has a continuing obligation to insure); or
- (b) the lease reaches its expiry date but the airline agrees to continue the insurance coverage for the benefit of the financing parties for a “holdover period” of a few days beyond the expiry date, while redelivery issues are resolved.

Notification from Designated Contract Party

We have added provision for a *“Designated Contract Party”* to notify the Insurers (via the broker) that the Insured has no further obligation to insure. This party will be separately identified in the Schedule to the Endorsement. In other words, if there are multiple financing parties (as in a combined loan/lease structure) they will decide among themselves who is the primary contact point for dealings with the insurers/broker. If, on the other hand, there is just a single Contract Party, that party will be the Designated Contract Party in any event.

AICG is also publishing a standard form of notice (set out in **Appendix E** to this note), under which the Designated Contract Party will notify the Appointed Broker of the date and time at which the airline ceased to have any further obligation to provide cover for the Contract Party(ies) for purposes of AVN 67C, and from that date/time AVN 67C will fall away (for the current Contract Parties for that aircraft).

AVN 67C requires the Designated Contract Party to notify Insurers “*promptly, and in any event within 30 days after such date*”. In any event, as noted above, the removal of cover will be retroactive to the date when the airline’s obligation actually ceased.

3.2 LIABILITY AS MANUFACTURER, REPAIRER OR MAINTAINER: PARAGRAPH 2.3 OF AVN 67C

AVN 67B states that the Endorsement does not provide liability coverage for the Contract Party(ies) with respect to claims arising out of their legal liability as “*manufacturer, repairer or servicing agent*”.

We were concerned that the reference to “*servicing agent*” might cause confusion with the role of servicer or lease manager in many aircraft financings, despite the fact that it is clearly only intended to denote an active maintenance/repair role, as opposed to a lease management role.

So in AVN 67C, this phrase has been replaced by the clearer phrase “*manufacturer of, or performer of maintenance, repairs or other operational activities in respect of, the Equipment*”. The phrase “other operational activities” is intended to denote activities such as cleaning and refuelling.

See also section 3.5 below concerning paragraph 3.3 of AVN 67C.

3.3 FINANCIER LIABILITY TO PILOTS AND CREW: PARAGRAPH 2.4 OF AVN 67C

Some aviation policies exclude liability of the Insured (or in some cases, any Insured) to employees for bodily injury arising out of and in the course of their employment, or liability for injury or loss sustained by any member of the flight, cabin or other crew whilst engaged in the operation of the aircraft, or for liability under workman’s compensation legislation. The premise is that for such liability, the airline should protect itself by employer’s liability insurance rather than aviation insurance. The exclusion wording varies from policy to policy.

From the financier’s perspective, there is concern that in some cases the exclusion wording might be wide enough to exclude liability of the financier to pilots and crew, although in other cases the exclusion may only apply to the airline itself, and the financier may be able to rely on “*severability of interests*” to claim protection.

In many policies, the financier has the benefit of endorsement AVN 73 (if it is adopted for the particular policy). This states that the policy coverage for passenger liability will extend to include “*liability of the Insured to the pilots and operational crew of the insured Aircraft, but excluding liability required to be insured under employers’ liability or workman’s compensation legislation or any similar legislation*”.

The approach adopted in AVN 67C is that the Endorsement should provide specific confirmation in all cases that the Contract Parties are covered for liability to pilots and crew. This is reflected in the new paragraph 2.4. However, two points should be noted:

- Paragraph 2.4 does not provide cover to the financier in cases where the pilots/crew are employed by the financier rather than the airline – so where a ferry flight is arranged at the end of the lease term using the financier’s pilots/crew, it is essential that the financier arranges its own cover.
- Paragraph 2.4 will only provide cover for liability to pilots/crew if and to the extent that the underlying policy provides cover for liability to passengers. So, for example,

in the case of a policy for a pure cargo operator the Contract Parties should check that the policy does include such cover.

3.4 THEFT: REFUSAL OR FAILURE TO REDELIVER: NEW PARAGRAPH 3.3 OF AVN 67C

Insurers are concerned that a financier might seek to claim a hull total loss under the theft section of the hull policy, if the financing parties are unable to repossess the aircraft from the airline either at lease expiry or in case of mid-term default.

A financier might, it is thought, claim that: (i) a prolonged refusal to redeliver by the airline (perhaps combined with active steps to put the aircraft beyond reach) amounts to theft; (ii) the breach of warranty clause in the Endorsement means that misconduct by the airline does not vitiate the financier's coverage; and (iii) a loss has occurred, even though the aircraft has not suffered physical damage, because the aircraft is unavailable with no prospect of recovery.

Some aviation policies (at least in the general aviation field) have an express exclusion for "*change in title or ownership of the Aircraft, or any theft or alleged theft of the Aircraft by any named insured or additional or joint insured*".

Insurers consider that the theft cover was never designed to provide cover for financiers against airline misconduct / obstruction. In the present case, insurers' concerns have been met by adding a narrower exclusion as a new paragraph 3.3 of AVN 67C. This makes it clear that no Contract Party can claim a loss by theft or alleged theft in cases of dispossession or refusal or failure to deliver the aircraft by the Insured or any other Contract Party (as opposed to a third party), but that the Contract Parties are still covered for any other loss or damage to the aircraft during the period of the Endorsement.

3.5 SERVICERS AND LEASE MANAGERS: PARAGRAPH 3.4 OF AVN 67C

AVN 67B states that the Endorsement applies to the Contract Parties solely in their capacity as financiers/lessors in the identified Contracts, and not in any other capacity. This sentence has been extended in AVN 67C to more clearly embrace lease servicers and managers, and we have added a sentence at the end of paragraph 3.4 (previously paragraph 3.3 in AVN 67B) to explain the meaning of these terms.

3.6 SCHEDULE TO AVN 67C

The main change to the Schedule is the addition of reference to a "Designated Contract Party" (see paragraph 1 above). Also, the previous AVN 67B notes in the text of the Schedule have been converted into footnotes, for greater clarity. Footnote 3 provides clearer wording on the meaning of "Effective Date".

4. HULL WAR VERSION OF AVN 67C

The Hull War-only version of AVN 67C is identical to the comprehensive version (as summarised above in section 3 of this note), apart from the deletion of (i) those provisions relating to liability cover; (ii) the theft paragraph; and (iii) the notice period for cancellation or material alteration of cover (see below).

As in the previous Hull War-only version of AVN 67B, the new Hull War endorsement provides in paragraph 8 that Insurers will give not less than 7 days' notice to the Contract Party(ies) (via the Appointed Broker, if any) of cancellation or material alteration of cover.

However, in AVN 67C the parenthetical “(or such lesser period as is customarily available)” has been deleted.

This is because AICG considered that: (i) the phrase “customarily available” (which does not appear in the comprehensive version of AVN 67B or 67C) is too vague; and (ii) in any event, it conflicts with the opening words of paragraph 8 “*Except in respect of any provision for Cancellation or Automatic Termination specified in the Policy or any endorsement thereof*” which make it clear that notice periods specified in the particular policy will prevail over the 7-day notice requirement in AVN 67B and 67C.

5. FINANCE/LEASE CONTINUING LIABILITY ENDORSEMENT AVN 99

It is common for lessors and other financing parties to require the airline to provide ongoing third party liability cover in favour of the financing parties for up to two years after expiry of the lease/financing. However, there is currently no standardised London market form to evidence such cover. The aim of Endorsement AVN 99 is to provide such a standard form.

AVN 99 is based on AVN 67C, but with all references to hull and spares cover deleted. Thus it includes similar wording to paragraph 2 of AVN 67C, and those parts of paragraph 3 of AVN 67C which relate to liability cover.

The Schedule to AVN 99 is similar to that in AVN 67C, except that (1) there is no reference to Policy Deductible or Additional Premium, and (2) regarding the “Effective Date” for the Endorsement, footnote 2 makes it clear that this will be either (i) the date when AVN 67C falls away for the particular aircraft, for tail cover commencing midway through a policy year, or (ii) the policy renewal date, in case of subsequent tail cover renewal.

The timing relationship between AVN 67C and the AVN 99 tail cover endorsement will be made clear by a standardised system of notifications. In addition to the standard termination notice for AVN 67C (mentioned in section 3.1 above under *Duration of Endorsement: Preamble to AVN 67C*), AICG is publishing, as part of the new package, a standard form of notification from the Designated Contract Party to the Appointed Broker that the airline has no further obligation to provide continuing liability cover. The pro forma termination notice is set out in **Appendix F** to this note.

6. TRANSITION TO AVN 67C

When AVN 67C becomes available for market use, each lessor/financier will need to discuss with its brokers (or the relevant airline’s brokers) how best to transition from AVN 67B to AVN 67C for particular aircraft, should it wish to do so. (As a matter of policy, AWG does not make any recommendation as regards transactional practice, which is solely for the parties to determine).

Whether the lessor/financier is entitled to require improved market cover (that is, a new form of certificate evidencing AVN 67C), either at next policy renewal or at some other date, will depend on the insurance provisions of the **particular financing contract**. Lessors/financiers should review such insurance provisions with their own advisers.

However, the following points should be borne in mind:

- For **new financings**, the lessor/financier and its advisers may consider the potential desirability of stipulating use of AVN 67C coverage when drafting and negotiating the financing contracts.

- For **existing financings**, we anticipate that the existing insurance certificate (evidencing AVN 67B) will remain in place until the next policy renewal date. At that point, if a decision is taken to transition to use of AVN 67C, the lessor/financier may (if the financing contracts so entitle it) wish to position the broker to issue a certificate referencing AVN 67C - the main point being that the lessor/financier will need to notify the broker of a "*Designated Contract Party*" for the particular aircraft.

November 2007

END.

APPENDIX A
FORM OF ENDORSEMENT AVN 67C

AIRLINE FINANCE/LEASE CONTRACT ENDORSEMENT

It is noted that the **Contract Party(ies)** have an interest or interests in respect of the **Equipment** under the **Contract(s)**. Accordingly, with respect to losses occurring during the period from the **Effective Date** until (i) the date and time at which the Insurance expires or, if earlier, (ii) the date and time at which the Insured has no further obligation to insure the **Equipment** under the **Contract(s)**, as notified in writing by the **Designated Contract Party** to the Insurers (via the Appointed Broker, if any) (such notification to be given promptly and in any event within 30 days after such date), and in consideration of the **Additional Premium**, it is confirmed in respect of the said interest(s) of the **Contract Party(ies)** that the Insurance afforded by the Policy is in full force and effect, and it is further agreed that the following provisions are specifically endorsed to the Policy:-

1. **Under the Hull and Aircraft Spares Insurances**

- 1.1 In respect of any claim on **Equipment** that becomes payable on the basis of a Total Loss, settlement (net of any relevant **Policy Deductible**) shall be made to, or to the order of the **Contract Party(ies)**. In respect of any other claim, settlement (net of any relevant **Policy Deductible**) shall be made with such party(ies) as may be necessary to repair the **Equipment** unless otherwise agreed after consultation between the Insurers and the Insured and, where necessary under the terms of the **Contract(s)**, the **Contract Party(ies)**.

Such payments shall only be made provided they are in compliance with all applicable laws and regulations.

- 1.2 Insurers shall be entitled to the benefit of salvage in respect of any property for which a claims settlement has been made.

2. **Under the Legal Liability Insurance**

- 2.1 Subject to the provisions of this Endorsement, the Insurance shall operate in all respects as if a separate Policy had been issued covering each party insured hereunder, but this provision shall not operate to include any claim howsoever arising in respect of loss or damage to the **Equipment** insured under the Hull or Spares Insurance of the Insured. Notwithstanding the foregoing the total liability of Insurers in respect of any and all Insureds shall not exceed the limits of liability stated in the Policy.
- 2.2 The Insurance provided hereunder shall be primary and without right of contribution from any other insurance which may be available to the **Contract Party(ies)**.
- 2.3 This Endorsement does not provide coverage for any **Contract Party** with respect to claims arising out of its legal liability as manufacturer of, or performer of maintenance, repairs or other operational activities on, the **Equipment**.
- 2.4 The coverage afforded by the Policy is amended by this Endorsement to provide coverage in respect of the liability of the **Contract Party(ies)** to the pilots and crew of the **Equipment** (excluding liability to those pilots and crew employed by the **Contract Party(ies)**), on the basis that for the purposes of providing such coverage under this Endorsement, such pilots and crew shall be deemed to be passengers.

3. **Under the Hull and Aircraft Spares Insurances and the Legal Liability Insurances**

- 3.1 The **Contract Party(ies)** are included as Additional Insured(s).
- 3.2 The cover afforded to each **Contract Party** by the Policy in accordance with this Endorsement shall not be invalidated by any act or omission (including misrepresentation and non-disclosure) of any other person or party which results in a breach of any term, condition or warranty of the Policy PROVIDED THAT the **Contract Party** so protected has not caused, contributed to or knowingly condoned the said act or omission.
- 3.3 Nevertheless, no **Contract Party** shall be entitled to claim a loss by theft or alleged theft of the **Equipment** under the hull insurances by reason of the actual or alleged dispossession or refusal or failure to redeliver the **Equipment** by the Insured or any other **Contract Party**, but this shall not exclude any claim by a **Contract Party** by reason of loss of or damage to the **Equipment** (other than loss by such theft) during the period of this Endorsement.
- 3.4 The provisions of this Endorsement apply to each **Contract Party** solely in its capacity as financier, lessor or lease servicer or manager under the **Contract(s)** and not in any other capacity. Knowledge that any **Contract Party** may have or acquire or actions that it may take or fail to take in that other capacity (pursuant to any other contract or otherwise) shall not be considered as invalidating the cover afforded by this Endorsement. For this purpose "lease servicer or manager" means a **Contract Party** who is appointed by one or more other **Contract Party(ies)** to provide services relating to the **Equipment** in connection with the **Contract(s)** (other than services of a kind specified in paragraph 2.3 above).
- 3.5 The **Contract Party(ies)** shall have no responsibility for premium, and Insurers shall waive any right of set-off or counterclaim against the **Contract Party(ies)** except in respect of outstanding premium in respect of the **Equipment**.
- 3.6 Upon payment of any loss or claim to or on behalf of any **Contract Party(ies)**, Insurers shall to the extent and in respect of such payment be thereupon subrogated to all legal and equitable rights of the **Contract Party(ies)** indemnified hereby (but not against any **Contract Party**). Insurers shall not exercise such rights without the consent of those indemnified, such consent not to be unreasonably withheld. At the expense of Insurers such **Contract Party(ies)** shall do all things reasonably necessary to assist the Insurers to exercise said rights.
- 3.7 Except in respect of any provision for Cancellation or Automatic Termination specified in the Policy or any endorsement thereof, cover provided by this Endorsement may only be cancelled or materially altered in a manner adverse to the **Contract Party(ies)** by the Insurers giving not less than 30 days' notice in writing to the **Contract Party(ies)** (via the **Appointed Broker**, if any). Notice shall be deemed to commence from the date such notice is given by the Insurers. Such notice will NOT, however, be given at normal expiry date of the Policy or any endorsement.

EXCEPT AS SPECIFICALLY VARIED OR PROVIDED BY THE TERMS OF THIS ENDORSEMENT:-

1. **THE CONTRACT PARTY(IES) ARE COVERED BY THE POLICY SUBJECT TO ALL TERMS, CONDITIONS, LIMITATIONS, WARRANTIES, EXCLUSIONS AND CANCELLATION PROVISIONS THEREOF.**
2. **THE POLICY SHALL NOT BE VARIED BY ANY PROVISIONS CONTAINED IN THE CONTRACT(S) WHICH PURPORT TO SERVE AS AN ENDORSEMENT OR AMENDMENT TO THE POLICY.**

SCHEDULE IDENTIFYING TERMS USED IN THIS ENDORSEMENT

1. **Equipment¹:**
2. **Policy Deductible** applicable to physical damage to the **Equipment²:**
3. (a) **Contract Party(ies):**
AND (b), in addition, in respect of Legal Liability Insurances:
4. **Contract(s):**
and references in this Endorsement to “**the Contract(s)**” mean the contract(s) listed above, as amended or supplemented from time to time.
5. **Designated Contract Party:**
6. **Effective Date³:**
7. **Additional Premium:**
8. **Appointed Broker:**

**AVN 67C
02.08.2007**

¹ Specify details of any aircraft, engines or spares to be covered.

² Insert all applicable Policy deductibles.

³ Insert the date when the **Contract Party(ies)** acquire their interests in the **Equipment**, or the policy renewal date, as applicable.

APPENDIX B
ENDORSEMENT AVN 67C, REDLINED AGAINST AVN 67B

AIRLINE FINANCE/LEASE CONTRACT ENDORSEMENT

It is noted that the **Contract Party(ies)** have an interest or interests in respect of the **Equipment** under the **Contract(s)**. Accordingly, with respect to losses occurring during the period from the **Effective Date** until (i) the ~~expiry of the Insurance or until the expiry or agreed termination of the Contract(s) or until the obligations under the Contract(s) are terminated by any action of the Insured or the Contract Party(ies), whichever shall first occur, in respect of the said interest of the Contract Party(ies)~~ date and time at which the Insurance expires or, if earlier, (ii) the date and time at which the Insured has no further obligation to insure the **Equipment** under the **Contract(s)**, as notified in writing by the **Designated Contract Party** to the Insurers (via the Appointed Broker, if any) (such notification to be given promptly and in any event within 30 days after such date), and in consideration of the **Additional Premium**, it is confirmed in respect of the said interest(s) of the Contract Party(ies) that the Insurance afforded by the Policy is in full force and effect, and it is further agreed that the following provisions are specifically endorsed to the Policy:-

1. Under the Hull and Aircraft Spares Insurances

1.1 In respect of any claim on **Equipment** that becomes payable on the basis of a Total Loss, settlement (net of any relevant **Policy Deductible**) shall be made to, or to the order of the **Contract Party(ies)**. In respect of any other claim, settlement (net of any relevant **Policy Deductible**) shall be made with such party(ies) as may be necessary to repair the **Equipment** unless otherwise agreed after consultation between the Insurers and the Insured and, where necessary under the terms of the **Contract(s)**, the **Contract Party(ies)**.

Such payments shall only be made provided they are in compliance with all applicable laws and regulations.

1.2 Insurers shall be entitled to the benefit of salvage in respect of any property for which a claims settlement has been made.

2. Under the Legal Liability Insurance

2.1 Subject to the provisions of this Endorsement, the Insurance shall operate in all respects as if a separate Policy had been issued covering each party insured hereunder, but this provision shall not operate to include any claim howsoever arising in respect of loss or damage to the **Equipment** insured under the Hull or Spares Insurance of the Insured. Notwithstanding the foregoing the total liability of Insurers in respect of any and all Insureds shall not exceed the limits of liability stated in the Policy.

2.2 The Insurance provided hereunder shall be primary and without right of contribution from any other insurance which may be available to the **Contract Party(ies)**.

2.3 This Endorsement does not provide coverage for ~~the any~~ **Contract Party(ies)** with respect to claims arising out of ~~their~~ its legal liability as manufacturer, ~~repairer, or servicing agent of~~ of, or performer of maintenance, repairs or other operational activities on, the **Equipment**.

2.4 The coverage afforded by the Policy is amended by this Endorsement to provide coverage in respect of the liability of the **Contract Party(ies)** to the pilots and crew of the **Equipment** (excluding liability to those pilots and crew employed by the **Contract Party(ies)**), on the basis that for the purposes of providing such coverage under this Endorsement, such pilots and crew shall be deemed to be passengers.

3. **Under ~~ALL~~ the Hull and Aircraft Spares Insurances and the Legal Liability Insurances**

3.1 The **Contract Party(ies)** are included as Additional Insured(s).

3.2 The cover afforded to each **Contract Party** by the Policy in accordance with this Endorsement shall not be invalidated by any act or omission (including misrepresentation and non-disclosure) of any other person or party which results in a breach of any term, condition or warranty of the Policy PROVIDED THAT the **Contract Party** so protected has not caused, contributed to or knowingly condoned the said act or omission.

3.3 Nevertheless, no **Contract Party** shall be entitled to claim a loss by theft or alleged theft of the **Equipment** under the hull insurances by reason of the actual or alleged dispossession or refusal or failure to redeliver the **Equipment** by the Insured or any other **Contract Party**, but this shall not exclude any claim by a **Contract Party** by reason of loss of or damage to the **Equipment** (other than loss by such theft) during the period of this Endorsement.

3.4 The provisions of this Endorsement apply to ~~the each~~ **Contract Party(ies)** solely in ~~their~~its capacity as financier(s)/lessor(s) ~~in the identified, lessor or lease servicer or manager under the~~ **Contract(s)** and not in any other capacity. Knowledge that any **Contract Party** may have or acquire or actions that it may take or fail to take in that other capacity (pursuant to any other contract or otherwise) shall not be considered as invalidating the cover afforded by this Endorsement. For this purpose “lease servicer or manager” means a **Contract Party** who is appointed by one or more other **Contract Party(ies)** to provide services relating to the **Equipment** in connection with the **Contract(s)** (other than services of a kind specified in paragraph 2.3 above).

~~3.4~~3.5 The ~~**Contract Party(ies)**~~**Contract Party(ies)** shall have no responsibility for premium, and Insurers shall waive any right of set-off or counterclaim against the **Contract Party(ies)** except in respect of outstanding premium in respect of the **Equipment**.

~~3.5~~3.6 Upon payment of any loss or claim to or on behalf of any **Contract Party(ies)**, Insurers shall to the extent and in respect of such payment be thereupon subrogated to all legal and equitable rights of the **Contract Party(ies)** indemnified hereby (but not against any **Contract Party**). Insurers shall not exercise such rights without the consent of those indemnified, such consent not to be unreasonably withheld. At the expense of Insurers such **Contract Party(ies)** shall do all things reasonably necessary to assist the Insurers to exercise said rights.

~~3.6~~3.7 Except in respect of any provision for Cancellation or Automatic Termination specified in the Policy or any endorsement thereof, cover provided by this Endorsement may only be cancelled or materially altered in a manner adverse to the **Contract Party(ies)** by the Insurers giving ~~of~~ not less than ~~Thirty~~ ~~(30)~~ days' notice in writing to the Contract Party(ies) (via the Appointed Broker, if any). Notice shall be deemed to commence from the date such notice is given by the Insurers. Such notice will NOT, however, be given at normal expiry date of the Policy or any endorsement.

EXCEPT AS SPECIFICALLY VARIED OR PROVIDED BY THE TERMS OF THIS ENDORSEMENT:-

1. **THE CONTRACT PARTY(IES) ARE COVERED BY THE POLICY SUBJECT TO ALL TERMS, CONDITIONS, LIMITATIONS, WARRANTIES, EXCLUSIONS AND CANCELLATION PROVISIONS THEREOF.**
2. **THE POLICY SHALL NOT BE VARIED BY ANY PROVISIONS CONTAINED IN THE CONTRACT(S) WHICH PURPORT TO SERVE AS AN ENDORSEMENT OR AMENDMENT TO THE POLICY.**

SCHEDULE IDENTIFYING TERMS USED IN THIS ENDORSEMENT

1. **Equipment** ~~(Specify details of any aircraft, engines or spares to be covered)¹:~~
2. **Policy Deductible** applicable to physical damage to the **Equipment** ~~(Insert all applicable Policy deductibles)²:~~
3. (a) **Contract Party(ies):**
AND (b), in addition, in respect of Legal Liability Insurances:
4. **Contract(s):**

and references in this Endorsement to “the Contract(s)” mean the contract(s) listed above, as amended or supplemented from time to time.

5. **Designated Contract Party:**

~~6. Effective Date (being the date that the **Equipment** attaches to the Policy or a specific date thereafter):³.~~

~~6.7. Additional Premium:~~

~~7.8. Appointed Broker:~~

AVN 67BC

~~28.9.94~~

02.08.2007

¹ Specify details of any aircraft, engines or spares to be covered.

² Insert all applicable Policy deductibles.

³ Insert the date when the **Contract Party(ies)** acquire their interests in the **Equipment**, or the policy renewal date, as applicable.

APPENDIX C
FORM OF ENDORSEMENT AVN 67C, HULL WAR ONLY

AIRLINE FINANCE/LEASE CONTRACT ENDORSEMENT (HULL WAR)

It is noted that the **Contract Party(ies)** have an interest or interests in respect of the **Equipment** under the **Contract(s)**. Accordingly, with respect to losses occurring during the period from the **Effective Date** until (i) the date and time at which the Insurance expires or, if earlier, (ii) the date and time at which the Insured has no further obligation to insure the **Equipment** under the **Contract(s)**, as notified in writing by the **Designated Contract Party** to the Insurers (via the Appointed Broker, if any) (such notification to be given promptly and in any event within 30 days after such date), and in consideration of the **Additional Premium**, it is confirmed that the Insurance afforded by the Policy is in full force and effect, and it is further agreed that the following provisions are specifically endorsed to the Policy:-

1. In respect of any claim on **Equipment** that becomes payable on the basis of a Total Loss, settlement (net of any relevant **Policy Deductible**) shall be made to, or to the order of the **Contract Party(ies)**. In respect of any other claim, settlement (net of any relevant **Policy Deductible**) shall be made with such party(ies) as may be necessary to repair the **Equipment** unless otherwise agreed after consultation between the Insurers and the Insured and, where necessary under the terms of the **Contract(s)**, the **Contract Party(ies)**.

Such payments shall only be made provided they are in compliance with all applicable laws and regulations.

2. Insurers shall be entitled to the benefit of salvage in respect of any property for which a claims settlement has been made.
3. The **Contract Party(ies)** are included as Additional Insured(s).
4. The provisions of this Endorsement apply to each **Contract Party** solely in its capacity as financier, lessor or lease servicer or manager under the **Contract(s)** and not in any other capacity. Knowledge that any **Contract Party** may have or acquire or actions that it may take or fail to take in that other capacity (pursuant to any other contract or otherwise) shall not be considered as invalidating the cover afforded by this Endorsement. For this purpose "lease servicer or manager" means a **Contract Party** who is appointed by one or more other **Contract Party(ies)** to provide services relating to the **Equipment** in connection with the **Contract(s)** (other than services consisting of performance of maintenance, repairs or other operational activities on the **Equipment**).
5. The cover afforded to each **Contract Party** by the Policy in accordance with this Endorsement shall not be invalidated by any act or omission (including misrepresentation and non-disclosure) of any other person or party which results in a breach of any term, condition or warranty of the Policy PROVIDED THAT the **Contract Party** so protected has not caused, contributed to or knowingly condoned the said act or omission.
6. The **Contract Party(ies)** shall have no responsibility for premium, and Insurers shall waive any right of set-off or counterclaim against the **Contract Party(ies)**, except in respect of outstanding premium in respect of the **Equipment**.
7. Upon payment of any loss or claim to or on behalf of any **Contract Party(ies)**, Insurers shall to the extent and in respect of such payment be thereupon subrogated to all legal and equitable rights of the **Contract Party(ies)** indemnified hereby (but not against any **Contract Party**). Insurers shall not exercise such rights without the consent of those indemnified, such consent not to be unreasonably withheld. At the expense of Insurers, such **Contract Party(ies)** shall do all things reasonably necessary to assist the Insurers to exercise said rights.

8. Except in respect of any provision for Cancellation or Automatic Termination specified in the Policy or any endorsement thereof, cover provided by this Endorsement may only be cancelled or materially altered in a manner adverse to the **Contract Party(ies)** by the Insurers giving not less than 7 days' notice in writing to the **Contract Party(ies)** (via the **Appointed Broker**, if any). Notice shall be deemed to commence from the date such notice is given by the Insurers. Such notice will NOT however be given at normal expiration date of the Policy or any endorsement.

EXCEPT AS SPECIFICALLY VARIED OR PROVIDED BY THE TERMS OF THIS ENDORSEMENT:-

1. **THE CONTRACT PARTY(IES) ARE COVERED BY THE POLICY SUBJECT TO ALL TERMS, CONDITIONS, LIMITATIONS, WARRANTIES, EXCLUSIONS AND CANCELLATION PROVISIONS THEREOF.**
2. **THE POLICY SHALL NOT BE VARIED BY ANY PROVISIONS CONTAINED IN THE CONTRACT(S) WHICH PURPORT TO SERVE AS AN ENDORSEMENT OR AMENDMENT TO THE POLICY.**

SCHEDULE IDENTIFYING TERMS USED IN THIS ENDORSEMENT

1. **Equipment¹:**
2. **Policy Deductible** applicable to physical damage to the **Equipment²:**
3. **Contract Party(ies):**
4. **Contract(s):**

and references in this Endorsement to “**the Contract(s)**” mean the contract(s) listed above, as amended or supplemented from time to time.

5. **Designated Contract Party:**
6. **Effective Date³:**
7. **Additional Premium:**
8. **Appointed Broker:**

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¹ Specify details of any aircraft, engines or spares to be covered.

² Insert all applicable Policy deductibles.

³ Insert the date when the **Contract Party(ies)** acquire their interests in the **Equipment**, or the policy renewal date, as applicable.

APPENDIX D
FORM OF ENDORSEMENT AVN 99 –
FINANCE/LEASE CONTINUING LIABILITY

AIRCRAFT FINANCE/LEASE CONTRACT -
CONTINUING LIABILITY ENDORSEMENT

It is noted that the **Contract Party(ies)** had an interest or interests in respect of the **Equipment** under the **Contract(s)** when the Equipment was being operated by the Insured pursuant to the **Contract(s)**. Accordingly, in respect of the said interest(s) of the **Contract Party(ies)**, with respect to losses occurring during the period from the **Effective Date** until (i) the date and time at which the Insurance expires or, if earlier, (ii) the date and time at which the Insured has no further obligation to insure the said interest(s) of the **Contract Party(ies)**, as notified by the **Designated Contract Party** to the Insurers (via the Appointed Broker, if any) (such notification to be given promptly and in any event within 30 days after such date), and in consideration of the **Additional Premium**, it is confirmed that, as required by the **Contract(s)**, the Legal Liability Insurance afforded by the Policy is in full force and effect, and it is further agreed that the following provisions are specifically endorsed to the Legal Liability Insurance section of the Policy:-

1. The **Contract Party(ies)** are included as Additional Insured(s).
2. Subject to the provisions of this Endorsement, the Insurance shall operate in all respects as if a separate Policy had been issued covering each party insured hereunder. Notwithstanding the foregoing the total liability of Insurers in respect of any and all Insureds shall not exceed the limits of liability stated in the Policy.
3. The Insurance provided hereunder shall be primary and without right of contribution from any other insurance which may be available to the **Contract Party(ies)**.
4. This Endorsement does not provide coverage for any **Contract Party** with respect to claims arising out of its legal liability as manufacturer of, or performer of maintenance, repairs or other operational activities on, the **Equipment**.
5. The coverage afforded by the Policy is amended by this Endorsement to provide coverage in respect of the liability of the **Contract Party(ies)** to the pilots and crew of the **Equipment** (excluding liability to those pilots and crew employed by the **Contract Party(ies)**), on the basis that for the purposes of providing such coverage under this Endorsement, such pilots and crew shall be deemed to be passengers.
6. The cover afforded to each **Contract Party** by the Policy in accordance with this Endorsement shall not be invalidated by any act or omission (including misrepresentation and non-disclosure) of any other person or party which results in a breach of any term, condition or warranty of the Policy PROVIDED THAT the **Contract Party** so protected has not caused, contributed to or knowingly condoned the said act or omission.

7. The provisions of this Endorsement apply to each **Contract Party** solely in its capacity as former financier, former lessor or former lease servicer or manager under the **Contract(s)**, and not in any other capacity. Knowledge that any **Contract Party** may have or acquire or actions that it may take or fail to take in that other capacity (pursuant to any other contract or otherwise) shall not be considered as invalidating the cover afforded by this Endorsement. For this purpose “lease servicer or manager” means a **Contract Party** who is appointed by one or more other **Contract Party(ies)** to provide services relating to the **Equipment** in connection with the **Contract(s)** (other than services of a kind specified in paragraph 4 above).
8. The **Contract Party(ies)** shall have no responsibility for premium, and Insurers shall waive any right of set-off or counterclaim against the **Contract Party(ies)**.
9. Upon payment of any loss or claim to or on behalf of any **Contract Party(ies)**, Insurers shall to the extent and in respect of such payment be thereupon subrogated to all legal and equitable rights of the **Contract Party(ies)** indemnified hereby (but not against any **Contract Party**). Insurers shall not exercise such rights without the consent of those indemnified, such consent not to be unreasonably withheld. At the expense of Insurers such **Contract Party(ies)** shall do all things reasonably necessary to assist the Insurers to exercise said rights.
10. Except in respect of any provision for Cancellation or Automatic Termination specified in the Policy or any endorsement thereof, cover provided by this Endorsement may only be cancelled or materially altered in a manner adverse to the **Contract Party(ies)** by the Insurers giving not less than thirty (30) days’ notice in writing to the **Contract Party(ies)** (via the **Appointed Broker**, if any). Notice shall be deemed to commence from the date such notice is given by the Insurers. Such notice will NOT, however, be given at normal expiry date of the Policy or any endorsement.

EXCEPT AS SPECIFICALLY VARIED OR PROVIDED BY THE TERMS OF THIS ENDORSEMENT:-

1. **THE CONTRACT PARTY(IES) ARE COVERED BY THE POLICY SUBJECT TO ALL TERMS, CONDITIONS, LIMITATIONS, WARRANTIES, EXCLUSIONS AND CANCELLATION PROVISIONS THEREOF.**
2. **THE POLICY SHALL NOT BE VARIED BY ANY PROVISIONS CONTAINED IN THE CONTRACT(S) WHICH PURPORT TO SERVE AS AN ENDORSEMENT OR AMENDMENT TO THE POLICY.**

SCHEDULE IDENTIFYING TERMS USED IN THIS ENDORSEMENT

1. **Equipment¹:**
2. **Contract Party(ies):**
3. **Designated Contract Party:**

¹ Specify details of any aircraft, engines or spares to be covered.

4. Contract(s):

and references in this Endorsement to “**the Contract(s)**” mean the contract(s) listed above, as amended or supplemented from time to time.

5. Effective Date²:

6. Appointed Broker:

7. Additional Premium:

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² Insert effective date of continuing liability coverage. This will normally be either (i) the date on which the corresponding AVN67C cover for the Equipment terminates for the particular Contract Party(ies), in the case of tail cover commencing midway through a policy year, or (ii) the policy renewal date, in case of subsequent renewal. Note that AVN67C and the present tail cover endorsement should never both be in force concurrently.

APPENDIX E
PRO FORMA TERMINATION NOTICE
FROM DESIGNATED CONTRACT PARTY - AVN 67C

[Name of Designated Contract Party]

[Name of Appointed Broker]
[address]

[Date]

Dear Sirs,

One [•] [Aircraft] [Engine], manufacturer's serial number [•] (the *Equipment*): [Name of Airline]

[Insurance] [Reinsurance] Certificate No. [•] – Termination of AVN 67C Endorsement

We are the Designated Contract Party under the above certificate.

We hereby notify you that at [•] hours (GMT) on [•] 200[•], the Insured ceased to have any further obligation to insure the Equipment under the Contract(s), and that consequently the insurance provided by Endorsement AVN 67C for the benefit of the Contract Party(ies) terminated with effect from that date and time.

We request you to provide us with a certificate evidencing application of Continuing Liability Endorsement AVN 99 for the benefit of the Contract Party(ies), with effect from that date and time.

Yours faithfully,

.....
[Name of Designated Contract Party]

APPENDIX F
PRO FORMA TERMINATION NOTICE
FROM DESIGNATED CONTRACT PARTY - AVN 99

[Name of Designated Contract Party]

[Name of Appointed Broker]
[address]

[Date]

Dear Sirs,

One [•] [Aircraft] [Engine], manufacturer's serial number [•] (the *Equipment*): *[Name of Airline]*

[Insurance] [Reinsurance] Certificate No. [•] – Termination of AVN 99 Continuing Liability Endorsement

We are the Designated Contract Party under the above certificate.

We hereby notify you that at [•] hours (GMT) on [•] 200[•], the Insured ceased to have any further obligation to insure the interest(s) of the Contract Party(ies) as former financier, former lessor and/or former lease servicer or manager of the Equipment under the Contract(s), and that consequently the continuing liability insurance provided by Endorsement AVN 99 for the benefit of the Contract Party(ies) terminated with effect from that date and time.

Yours faithfully,

.....
[Name of Designated Contract Party]