

Aviation Insurance Clauses Group (AICG)

AGENDA

9.45am, Thursday 11 July 2024

IUA Large Meeting Room / Microsoft Teams Meeting

Chair: Graham Spencer-Brown

Members:

IUA:

Tina Collier
Julie Damant
Tony Powles
Nicolette Rodrigues
Adam Tozzi
Jette Varnals

LMA:

Jill Epps
Dele Fajimolu
Nick Medniuk
Michelle Myler-Falla

Other Representatives:

Aurélie Andre (France Assureurs)
Gary Hendries (Swiss Re)
Nick Hughes (Appointed Expert)
Roland Küsters (Munich Re) (Deputy Chair)
Ruth Wahner (Hannover Re)

Secretariat: Tom Hughes (IUA), Christopher Jones (IUA)

1. **Apologies for absence – Jill Epps, Nick Hughes**
2. **Minutes of previous meeting** (23 May 2024) *Paper attached*
3. **Matters arising**
4. **Current work items:**
 - 4.1 Drone Wording (CD67) *Paper attached*
 - 4.2 PFAS Exclusion Clause
5. **Potential new work items**
6. **Any other business**

Next Meeting Date: Thursday 22 August 2024, IUA Large Meeting Room / MS Teams

Competition law reminder:

It is the clear and unequivocal policy of IUA to comply in all respects with all applicable competition or antitrust laws. Consequently, the Committee will not participate in any practice that would have the object or effect of restricting competition, nor will it provide a forum to promote anti-competitive conduct. In particular, any discussion or agreement on key commercial terms, such as commercial premiums, is likely in all instances to be unlawful and must be avoided. A competition law ['Do's and Don't's' Guide](#) is available and the IUA is happy to answer any questions on competition law that Committee members may have.

Meeting	Aviation Insurance Clauses Group (AICG)
Time and Date	9:45am, Thursday 23 May 2024
Venue	Microsoft Teams Conference Call / IUA Offices

PRESENT:

Jill Epps	LMA
Julie Damant	IUA
Nick Hughes	Appointed Expert
Tom Hughes (Secretariat)	IUA
Christopher Jones (Secretariat)	IUA
Roland Küsters	Munich Re
Michelle Myler-Falla	LMA
Nicolette Rodrigues	IUA
Graham Spencer-Brown	Chair
Adam Tozzi	IUA
Ruth Wahner	Hannover Re

1. Apologies for absence

- 1.1 Apologies had been received from Nick Medniuk (IUA), Tina Collier (IUA), Tony Powles (IUA), Gary Hendries (Swiss Re), Dele Fajimolu (LMA) and Aurélie Andre (France Assureurs).

2. Minutes of the previous meeting – 25 April 2024

- 2.1 The minutes of the previous meeting were agreed to be a true and accurate representation.

3. Matters arising

- 3.1 There were no specific items raised for discussion.

4. Current work items:

Model Drone Wording

- 4.1 The Secretariat confirmed that the AICG Drone Wording Working Group had convened to continue its work on a draft wording, the latest version of which had been circulated with the agenda. This version was now being presented for publication to consultation, subject to a limited number of specific queries raised for AICG views, discussed as follows:

Definitions

- Members noted the definition of “Authorised Pilot” which means “the pilot stated in the Policy Schedule who is the person who is controlling, piloting or flying the Unmanned Aerial System who is properly trained and qualified to do so and holds all the required certification”. It was questioned whether “properly trained and qualified” was subjective. Members suggested that the CAA’s approach to defining drone users should be considered. One member had suggested using “Authorised Unmanned Aircraft Pilot” to draw a distinction with traditional pilot definitions. It was agreed that this would be appropriate but that reference to training should be removed and replaced with “certification”.

Section 1

- It was questioned whether the exclusion for “mysterious disappearance, unexplained loss or

shortage of any Insured Property” was necessary in respect of Section 1. Members agreed that the exclusion could be removed.

Section 2

- Members questioned whether exclusions c) and e) were necessary in respect of Section 2, noting that they were broader than what would typically be expected under AVN60A. It was agreed that the exclusions should be removed.

General Conditions

- It was suggested that Condition 3, “manufacturers recommendations”, would sufficiently capture requirements relating to the storage, use and maintenance of lithium-ion battery. Members agreed that the condition should be redrafted as follows:

The Insured shall comply with

- i. manufacturers recommendations; and
- ii. all air navigation and airworthiness orders and requirements issued by any competent authority

affecting the safe storage, maintenance and operation of the Unmanned Aircraft System.

- It was questioned whether the pro-rata premium return scale featured within the General Conditions (as per AVN1D) should be replaced by the scale used within AVN115. Members agreed that the table used remained most appropriate.

Optional Conditions

- It was suggested and agreed that a range of conditions could be published for potential use alongside the model wording by practitioners, as follows:
 - Additions and Deletions
 - Unauthorised Use
 - Breach of Air Navigations
 - Civil use of Ministry of Defence Airfields
 - Data Recognition Limited Coverage Extension
 - Supplementary Payments
 - Medical and Related Expenses
 - Trespassers Costs
 - Extended Coverage Endorsement (Aviation Liabilities)

4.2 Members agreed that subject to the above changes to the wording it would be appropriate to issue the wording to consultation. Prior to doing so it would be necessary to draft the set of additional conditions which could be published alongside the wording. The AICG Chair and Secretariat would progress the consultation draft accordingly.

PFAS Exclusion Clause

4.3 Members noted the circulated draft memo from AICG to the Parent Associations (IUA and LMA). Members were asked to review the key questions which would be asked of the Associations, as follows:

1. Should the AICG produce a model AVN clause to address PFAS?
2. If yes, what are your thoughts on the following drafting options for AICG to pursue? –
 - a) Specific total exclusion clause for PFAS
 - b) Limited PFAS exclusion clause that writes back coverage as in AVN46B – “unless caused by or resulting in a crash fire explosion or collision or a recorded in-flight emergency causing abnormal aircraft operation”. This clause could include a sub-limit for the coverage written back.
 - c) Clause as per a) or b) above except replacing “PFAS” with reference to a list of “Substances of very high concern under REACH” (see reference on OECD website here).
- 4.4 Members agreed that the questions were appropriate and the Secretariat would finalise the communication with the Chair and ensure it was issued.
- 5. Potential new work items:**
 - 5.1 There were no specific items raised for discussion.
- 6. Any Other Business**
 - 6.1 There were no further items raised for discussion.

Next Meeting: The next meeting was scheduled for 27 June 2024.

UNMANNED AIRCRAFT INSURANCE POLICY

(for use in respect of ~~Commercial commercial Unmanned Aircraft Operators~~)

POLICY SCHEDULE

Policy Number: {Response}

Item 1. NAME AND ADDRESS OF THE INSURED:

{Response}

Item 2. PERIOD OF INSURANCE:

From: {Response}

To: {Response}

Both days {Response} Local Standard Time at the address of the Insured

Item 3. SCHEDULE OF UNMANNED AIRCRAFT:

(1) Make and Model	(2) Registration Marks Serial Number	(3) Agreed Value	(4) Risks Covered <small>(Insert Flight or Ground as applicable)</small>
{Response}	{Response}	{Response}	{Response}

Additions and Deletions of Unmanned Aircraft:

All additions, deletions and changes in Unmanned Aircraft Agreed Values are subject to prior agreement by the Insurers.

Item 4. SCHEDULE OF GROUND EQUIPMENT:

(1) Make and Model	(2) Serial Number	(3) Agreed Value
{Response}	{Response}	{Response}

Commented [SJ1]: Does this heading actually have any meaning if the Aircraft is used for Non Commercial purposes? There are no defined uses, no definition of commercial and no exclusion for Private Pleasure purposes

Commented [TH2R1]: We could utilise 'commercial operators'. Note we intend to produce a consumer wording.

Commented [SJ3]: Should refer to Serial Number as an option

Commented [TH4R3]: Agreed

Commented [SJ5]: Per AVN1D but very narrow starting point

This isn't beneficial to the client and we don't believe that a deletion of any of these items would have to be subject to Insurers prior agreement. Notwithstanding this, the Wording also contains a version of Additions and Deletions clause AVN19A (adapted for UAV's) so the additions and deletions statements under Items 3, 4 and 5 should be deleted and this AVN19A clause could be amended properly to cater for the Ground Equipment and Payload Equipment as well.

Commented [TH6R5]: Within GA wordings there is an automatic provision. Not we drafted an AVN19A endorsement to go with this.

CHECK WITH AICG - Consider if this should be 19A if it will be amended each time. Also amend the version of 19A as an optional endorsement to include ground / payload equipment.

Additions and Deletions of Ground Equipment:

All additions, deletions and changes in Ground Equipment Agreed Values are subject to prior agreement by the Insurers.

Item 5. SCHEDULE OF PAYLOAD EQUIPMENT:

(1) Make and Model	(2) Serial Number	(3) Agreed Value
{Response}	{Response}	{Response}

Additions and Deletions of Payload Equipment:

All additions, deletions and changes in Payload Equipment Agreed Values are subject to prior agreement by the Insurers.

Item 6. LIMITS:

SECTION 1 – Physical Loss of or Damage to:

Unmanned Aircraft

Agreed Values as specified in Item 3 (43) above

Ground Equipment

Agreed Values as specified in Item 4 (3) above

Payload Equipment

Agreed Values as specified in Item 5 (3) above

SECTION 2 – Unmanned Aircraft Liability:

Bodily Injury and Property Damage combined:

{Response} any one Occurrence

Item 7. DEDUCTIBLES:

SECTION 1:

Unmanned Aircraft

{Response}

Ground Equipment

{Response}

Commented [CER7]: AIG Comment: Are costs and expenses payable in addition and not subject to the proposed limits.

Commented [TH8R7]: Within section 1 it is set out how expenses will be addressed. On Page 10 'section 2' defence and settlements, we state costs and expenses are payable by insurers in addition. The language used is as per standard (in addition). No change made.

Payload Equipment

{Response}

SECTION 2:

{Response}

Item 8. PURPOSE OF USE:

{Response}

Item 9. AUTHORISED UNMANNED AIRCRAFT PILOT:

{Response}

Item 10. THE GEOGRAPHICAL LIMITS IN RESPECT OF WHICH THE COVERAGE AFFORDED BY THIS POLICY APPLIES:

{Response}

Item 11. PREMIUM:

SECTION 1: {Response}

SECTION 2: {Response}

TOTAL PREMIUM: {Response}

Item 12. CHOICE OF LAW AND JURISDICTION:

This Policy shall be governed by and construed in accordance with the law of {Response} and each party agrees to submit to the exclusive jurisdiction of the Courts of {Response} in any dispute arising hereunder.

Item 13. ALL NOTIFICATIONS REQUIRED BY THIS POLICY SHALL BE GIVEN TO:

{Response}

Commented [SJ9]: In what circumstances are deductibles likely to be included for Liability coverage?

Commented [TH10R9]: Agreed (we note normally applicable for passenger / baggage). Change made.

Commented [SJ11]: Did the committee consider including any Standard Uses and Special Uses? Noting the title and reference to Commercial uses only, should it be clear what this means?

Commented [TH12R11]: RAISE WITH AICG. We think we should include a commercial definition (“for a business or professional purpose for hire and reward” - note some wordings use recreational definition), we agree that standard uses and special uses should be included. It will be an underwriting decision as to what special uses will be allowed.

Another example: Your use of the UAS for the benefit of third parties in exchange for remuneration as noted in the information supplied to the insurer when applying for this insurance.

Commented [SJ13]: Why is “authorised” used here? What is this intended to mean as opposed to how it is presented in AVNID?

Commented [TH14R13]: Agree. Comfortable removing given we reference authorised in the definition.

Commented [SJ15]: THE GEOGRAPHICAL LIMITS IN RESPECT OF WHICH THE COVERAGE AFFORDED BY THIS POLICY APPLIES is included in AVNID - why is this different?

Commented [TH16R15]: Note in 1E we utilise ‘{Response}’. This is an independent UAS wording. However, we see no issue with the amendment.

Certain words and phrases used in this Policy have special meanings which can be found in the Definitions below.

DEFINITIONS

"Agreed Value" means that amount specified at Item 3, Item 4 and Item 5 (respectively) of the Policy Schedule.

1. "~~Authorised~~ Unmanned Aircraft Pilot" means the person stated in the Policy Schedule who is authorised by the Insured to control, pilot or fly the Unmanned Aerial Aircraft System and who holds the certification required for the Purpose of Use.

2. "Bodily Injury" means ~~bodily physical injury, sickness or disease~~ including death at any time resulting therefrom.

3. "Deductible" means the amount that is to be paid by the Insured as specified in item 7 of the Policy Schedule and is deducted from each claim. If a claim is equal to or less than the amount of the Deductible then the Insured will bear all of the claim.

4. "Flight" means from the time the Unmanned Aircraft moves in taking off or attempting to take off, whilst in the air, and until the Unmanned Aircraft completes its landing.

5. "Force Majeure" means unusual and unforeseeable circumstances beyond the control of the Insured, the consequences of which could not have been avoided.

"Geographical Limits" is as specified in Item 10 of the Policy Schedule.

6. "Ground" means whilst the Unmanned Aircraft is not in Flight.

The above definitions 4 and 6 constitute Risks Covered as specified in Item 3 (4) of the Policy Schedule.

7. "Ground Equipment" means the control station, data links, telemetry, communications and navigation equipment and all of the associated support equipment as set forth in the Schedule of Ground Equipment necessary for the operation of the Unmanned Aircraft.

8. "Insured" means the insured named in the Policy Schedule.

In respect of Section Two, Insured shall include any ~~Authorised~~ Unmanned Aircraft Pilot and directors, officers and employees of the Insured whilst acting within the scope of their duties on behalf of the Insured.

9. "Insured Property" means Unmanned Aircraft, Ground Equipment and / or Payload Equipment.

"Limits" means the amounts specified in Item 6 of the Policy Schedule

10. "Occurrence" means an accident or a continued or repeated exposure to conditions occurring during the Period of Insurance, which results in Bodily Injury and/or Property Damage which is neither expected nor intended from the standpoint of the Insured. All liability arising out of the exposure to substantially the same general conditions shall be deemed to arise out of one Occurrence.

11. "Payload Equipment" means equipment as set forth in the Schedule of Payload Equipment ~~that is capable of enhancing the utility of the Unmanned Aircraft~~, the value of which is to be treated separately from that of the Unmanned Aircraft and not included in the Agreed Value thereof. However, Payload Equipment shall not include cargo or equipment which forms part of the Unmanned Aircraft at purchase and which is included in the Agreed Value thereof.

"Period of Insurance" means the period set out at Item 2 of the Policy Schedule.

Commented [CER17]: AIG Legal: Preference would be to see a definition of Agreed Value added to the Definitions as this is used throughout the policy.

Commented [TH18R17]: There are no other AVN wordings including a definition of 'Agreed Value' or 'Insured Value', so prefer not to include.

Commented [SJ19]: Authorised by who?

Commented [TH20R19]: Agreed and amended.

Commented [SJ21]: Is reference to UAS correct here?

Commented [TH22R21]: Amendment made.

Commented [CER23]: AIG Legal: Not a defined term. Should this be Unmanned Aircraft or Unmanned Aircraft System.

Commented [TH24R23]: Agreed.

Commented [TH25]: Reorder.

Commented [TC26]: I appreciate this definition is in AVNID, however, I'm wondering whether it's suitable. What is the reasoning behind using sickness and disease in the definition here? They don't seem to fit with what is likely to happen - ie a drone essentially hitting and injuring someone. Also, defining bodily injury with bodily injury - although we do know what this means from case law, seems a bit odd to define a term with the exact same words. Why don't we try to refine the definition?

What about something like:

"Bodily Injury" means physical injury including death resulting therefrom, excluding mental anguish, shock and/or psychological injury unless accompanied by and directly caused by such physical injury to the same individual.

Commented [TH27R26]: Amendment made. RAISE WITH AIGC - concept of psychological injury.

Commented [SJ28]: We would prefer this to be a broader definition including mental injury/anguish, shock, fright etc but notes as per AVNID

Commented [TH29R28]: Understood, but we think the current draft is the common position under existing wordings.

Commented [CER30]: AIG Legal: Not required as a definition is included of Risks Covered

Commented [TH31R30]: Agreed.

Commented [SJ32]: This should be deleted as is unnecessary and is confusing including it here with definition 5 in the middle

Commented [TH33R32]: Agreed.

Commented [SJ34]: What is this intended to achieve? What are Insurers looking to exclude by the inclusion of these words? If the payload has to be included in the Schedule then is this not sufficient?

Commented [TH35R34]: Understood. Comfortable with this amendment.

Commented [SJ36]: These two should be separated out as is confusing as drafted - the "which forms part etc" cou... [1]

- 12. "Property Damage" means physical loss of or damage to or destruction of tangible property, including the resultant loss of use of such property.
- 13. "Risks Covered" is as specified in Item 3 (4) of the Policy Schedule and means Flight and / or Ground as specified defined at Item 3(4) of the Policy Schedule herein.
- 14. "Total Loss" means:

- (a) physical damage to the Insured Property where in the opinion of the Insurers:
 - (i) the Insured Property is damaged to such an extent that it cannot be repaired; or
 - (ii) the cost of repairing the Insured Property is estimated to exceed its Agreed Value.
- (b) the disappearance of the Insured Property if it cannot be located 130 days after:
 - (i) in respect of Unmanned Aircraft, the commencement of Flight; or
 - (ii) the date on which the theft was reported to the Insurers.

15. "Unmanned Aircraft" means an unmanned aircraft as set forth in the Schedule of Unmanned Aircraft, including equipment which forms part of the Unmanned Aircraft at purchase and which is included in the Agreed Value thereof.

In respect of Section One, Unmanned Aircraft does not include Payload Equipment. However, in respect of Section Two, Unmanned Aircraft does include Payload Equipment.

In respect of Section One, an Unmanned Aircraft includes parts temporarily detached from the Unmanned Aircraft and not intended to be replaced by similar parts.

Detached parts which are intended to be replaced by similar parts shall not be considered part of the Unmanned Aircraft from the moment that the replacement part comes into physical contact with the Unmanned Aircraft.

Detached parts which are not intended to be refitted to or replaced on the Unmanned Aircraft shall not be considered part of the Unmanned Aircraft from the moment that such parts are no longer in physical contact with the Unmanned Aircraft.

New parts shall be considered part of the Unmanned Aircraft from the moment that they come into physical contact with the Unmanned Aircraft.

16. "Unmanned Aircraft System" means an Unmanned Aircraft plus the Ground Equipment.

Commented [SJ37]: Add CTL threshold?

Commented [TH38R37]: We are comfortable leaving this at the insurer's discretion.

Commented [SJ39]: Shorted period would be more common in reality

Commented [TH40R39]: Amended to 10

Commented [SJ41]: This should be numbered 15

Commented [TH42R41]: Agreed

Commented [SJ43]: The concept of "at purchase" is unusual and will cause problems if the UAV is adapted in any way. It also causes confusion when it comes to parts removed and replaced as a replacement part is arguably not covered as it wasn't part of the UAV "at purchase"

Commented [TH44R43]: We agree it may be reasonable to remove 'at purchase'. We need to consider the example of purchasing a replacement camera or a more expensive one. It may be necessary to consider material changes. We will check this with the drafter.

Commented [SJ45]: This definition needs some work. We would suggest moving the second paragraph.

The reference to "at purchase" is a bit odd. Why does this not talk about "the engine(s) and standard instruments and equipment usually installed in or on the aircraft" per AVNID?

The inclusion for Section Two could be included in a simpler way, it is confusing as drafted.

Commented [TH46R45]: RAISE WITH AICG. We believe reference to 'engine(s)' etc. is more of a traditional aircraft concept - motor would be more appropriate.

Commented [SJ47]: This definition is used in the general exclusions but no coverage is provided in Section Two for liability arising out of the use of the UAS only for the UAV.

Combined with the fact that for Section Two the UAV includes Payload but for Section One only includes the UAV itself

Commented [TH48R47]: RAISE WITH AICG. So we are not covering any liability arising out of the ground control equipment (we aren't including ground equipment in Section Two).

We have amended to Unmanned Aircraft System (Section 2 Paragraph 1)

SECTION 1 – PHYSICAL LOSS OF OR DAMAGE TO INSURED PROPERTY

1. Coverage

The Insurers will pay for physical loss of or damage to the

- (a) Unmanned Aircraft
- (b) Payload Equipment whilst attached to an Unmanned Aircraft or being stored or transported solely for use on the Unmanned Aircraft.
- (c) Ground Equipment whilst being used to operate an Unmanned Aircraft or being stored or transported solely for use with the Unmanned Aircraft.

occurring during the Period of Insurance, and arising from the risks covered as specified in Item 3 (4) of the Policy Schedule, but not exceeding the Agreed Value as specified in Item 3 (3), 3 (4) and / or 3 (5) of the Policy Schedule less any applicable amount specified in Condition 3.4 (b) and (c) below.

2. Additional Coverage

- (a) In the event of an Unmanned Aircraft making a forced landing, including as a result of Force Majeure, in any place where it is unable to take-off safely, the Insurers will pay for all reasonable costs, expenses or expenditure for the removal of the Unmanned Aircraft to the nearest suitable take-off area, even if no physical damage has been sustained, provided always that the Insurers' liability for such costs, expenses or expenditure, and for any physical loss of or damage to the Unmanned Aircraft does not exceed the Agreed Value of the Unmanned Aircraft as specified in Item 3 (3) of the Policy Schedule.
- (b) For any Unmanned Aircraft covered for the risk of Flight, the Insurers will pay in addition any reasonable emergency expenses necessarily incurred by the Insured for the immediate safety of the Unmanned Aircraft consequent upon physical damage or forced landing, up to 10% of the Agreed Value as specified in Item 3 (3) of the Policy Schedule.

3. Exclusions applicable to this Section

This Section does not apply to:

- (a) loss of use of Insured Property.
- (b) wear and tear, depreciation, deterioration, freezing, over-heating, dryness, humidity, breakdown, defect or failure of Insured Property however caused.
- (c) loss of or damage to Insured Property which has a progressive or cumulative effect, but damage attributable to a single recorded incident is covered under paragraph 1 above.
- (d)(c) scratching or fogging of lenses and mechanical derangement of camera equipment, unless arising out of an incident involving Unmanned Aircraft to which it is fitted.
- (e) loss of or damage to Insured Property which may be sustained whilst the same is under any process and directly resulting therefrom.
- (f)(d) theft or attempted theft of Insured Property by an Insured or with their knowledge or consent.
- (g)(e) loss of or damage to Insured Property if the maximum take-off weight payload exceeds the maximum take-off weight, in accordance with manufacturer's recommendations is exceeded.

- Commented [SJ49]: What are Insurers trying to address with this limitation? Isn't this addressed in the exclusions? ... [1]
- Commented [TH50R49]: We think this is suitable as drafted, tying back to the Schedule with 'Unmanned Aircraft'. The intent is not to cover spares. ... [2]
- Commented [CER51]: AIG Legal: This could be replaced with arising from the Risks Covered as Risks Covered is a defined term. ... [3]
- Commented [TH52R51]: We agreed not to adopt the ... [2] ... [4]
- Commented [CER53]: AIG Legal: Is the intention ... [3] ... [4]
- Commented [TH54R53]: It's not an occurrence in S ... [4] ... [5]
- Commented [TC55]: I wondered whether the referen ... [5] ... [6]
- Commented [TH56R55]: Agreed. ... [6] ... [7]
- Commented [SJ57]: These references only apply to ... [7] ... [8]
- Commented [CER58]: AIG Legal: What is this inten ... [6] ... [8]
- Commented [CER59]: AIG Legal: Will Insurer or In ... [8] ... [9]
- Commented [CER60]: AIG Legal: See comments on ... [9] ... [10]
- Commented [TC61]: I've added in physical. I don't ... [10] ... [11]
- Commented [TH62R61]: We are covering physical ... [11] ... [12]
- Commented [SJ63]: Space ... [12] ... [13]
- Commented [CER64]: AIG Legal: Can this be clar ... [12] ... [13]
- Commented [TH65R64]: The intention is not to co ... [13] ... [14]
- Commented [SJ66]: Depreciation is a financial rath ... [14] ... [15]
- Commented [TH67R66]: Understood and agreed. ... [15] ... [16]
- Commented [SJ68]: Why have these been added? A ... [16] ... [17]
- Commented [TH69R68]: We understand that these ... [17] ... [18]
- Commented [SJ70]: There is no definition to Unit ... [18] ... [19]
- Commented [TH71R70]: As above, RAISE WITH ... [19] ... [20]
- Commented [CER72]: AIG Legal: Should this be ... [20] ... [21]
- Commented [CER73]: Paragraph and section to be ... [21] ... [22]
- Commented [SJ74]: The purpose of this exclusion ... [22] ... [23]
- Commented [TH75R74]: Understood. Agreed to remove. ... [23] ... [24]
- Commented [SJ76]: Please explain distinction betw ... [23] ... [24]
- Commented [TH77R76]: We understand this is a s ... [24] ... [25]
- Commented [CER78]: AIG Legal: As above "incide ... [25] ... [26]
- Commented [TH79R78]: Addressed above. ... [26] ... [27]
- Commented [SJ80]: Why is an "under process" exc ... [27] ... [28]
- Commented [TH81R80]: Noted. We are comfortab ... [28] ... [29]
- Commented [CER82]: AIG Legal: What is this inte ... [26] ... [29]
- Commented [TH83R82]: Agreed to remove. ... [29] ... [30]
- Commented [SJ84]: Would the payload exceed the ... [29] ... [30]
- Commented [CJ85R84]: MTOM cannot be exceed ... [30]

(f) loss of or damage to Insured Property whilst in or on any unattended vehicle or other means of conveyance (other than when being transported for the purpose of their use)

4. Conditions applicable to this Section

(a) Dismantling, Transport and Repairs

If the Insured Property is damaged:

- (i) no dismantling or repairs shall be commenced without the consent of the Insurers except whatever is necessary in the interests of safety, or to prevent further damage, or to comply with orders issued by the appropriate authority;
- (ii) the Insurers will pay only for repairs and transport of labour and materials by the most economical method unless the Insurers agree otherwise with the Insured.

(b) Partial Loss

If in the event that Insurers settle a claim other than on the basis of a Total Loss the Insurers will pay the cost of repairing the Insured Property less:

- (i) any applicable Deductible specified in Item 5.7 of the Policy Schedule and/or
- (ii) that part of any repair that results in better than equivalent kind or quality.

(c) Total Loss

If in the event that Insurers settle a claim on the basis of a Total Loss the Insurers will pay the Agreed Value of the Insured Property as specified in Item 3 (3), Item 4(3) or Item 5(3) of the Policy Schedule less any applicable Deductible specified specified specified in Item 5.7 of the Policy Schedule.

(d) Salvage

If the Insurers settle a claim on the basis of a Total Loss, then from the date of settlement the Insured Property will no longer be insured under this Policy, and the Insurers may take the Insured Property together with all documents of record, registration and title as salvage.

(e) No Abandonment

Unless the Insurers elect to take the Insured Property as salvage the Insured Property shall at all times remain the property of the Insured who shall have no right of abandonment to the Insurers.

(f) Theft of the Insured Property

In the event of theft of the Insured Property the Insured shall report details to the police as soon as reasonably practicable. If the Insured Property is found undamaged before the Insurers have paid any claim in relation to such theft, then Insurers will pay the cost of returning it to the Insured by the most economical means.

Commented [SJ86]: Difficult to understand the intention here - what about following an accident? What does "being transported for the purpose of their use" mean?

Commented [CJ87R86]: The risk is where the IP is left unattended prior to use (or presumably afterwards also) is intended to be excluded, excepting the specific transit to the location of use. Noting that the purpose of use is identified in the Schedule.

Commented [SJ88]: Would prefer most practical method

Commented [CJ89R88]: NAR. This can be negotiated as required.

Commented [TH90R88]: Note AVN1D uses 'economical'

Commented [SJ91]: Incorrect reference

Commented [TH92R91]: Thanks.

Commented [CER93]: AIG Legal: Not required as Deductible is defined.

Commented [TH94R93]: Agreed. Check consistency elsewhere.

Commented [SJ95]: As there is no reference to Overhaul Life, Insurers are looking to add a "betterment" exclusion. The language is not very clear and could be improved

Commented [CJ96R95]: Ok as drafted.

Commented [CER97]: AIG Legal: Propose additional drafting is deleted as not required given how these terms are defined.

Commented [CJ98R97]: Check for consistency - if in definitions can be removed, check throughout.

Commented [SJ99]: Incorrect reference

Commented [TH100R99]: Agreed.

SECTION 2 – LEGAL LIABILITY TO THIRD PARTIES

1. Coverage

The Insurers agree to pay on behalf of the Insured all sums which the Insured shall become legally liable to pay as compensatory damages for Bodily Injury and/or Property Damage to third parties resulting from an Occurrence caused by the Unmanned Aircraft System whilst such Unmanned Aircraft System is being operated by the Insured.

The liability of the Insurers under this Section shall not exceed the applicable Limits as specified in Item 4.6 of the Policy Schedule less any applicable Deductible specified in Item 5.7 of the Policy Schedule.

2. Exclusions applicable to this Section

This Section does not apply to:

- (a) Bodily Injury sustained by any director or employee of the Insured or partner in the Insured's business whilst acting in the course of their employment with or duties for the Insured;
- (b) Property Damage to any property belonging to or in the care, custody or control of the Insured;
- (c) Claims arising from nuisance and/or the infringement of rights to property or airspace.
- (d) Claims arising from the intentional release of cargo from the Unmanned Aircraft.
- (e) Claims excluded by the attached Noise and Pollution and Other Perils Exclusion Clause AVN46B (Amended);
- (f) Claims excluded by the attached Asbestos Exclusion Clause 2488AGM00003 (Amended).
- (g) Claims excluded by the attached Cyber and Data Exclusion LMA5404 (Amended).

Commented [CER101]: AIG Legal: Will the damages always be "compensatory"?

Commented [CJ102R101]: Yes. Also AVN1D consistent.

Commented [SJ103]: Is this required?

Commented [CJ104R103]: Not strictly necessary but felt to be ok as drafted to clarify.

Commented [CER105]: AIG Legal: Should this be caused by an Occurrence arising from the used of an Unmanned Aircraft?

Commented [CJ106R105]: Slightly amended drafting. Note though the difference from AVN1D - "caused by an Occurrence arising from the use of the Aircraft by the Insured"

Commented [CER107]: AIG Legal: Only bodily injury excluded. Previous drones wording excluded Property damage as well.

Commented [CJ108R107]: Noting here the limitation to employees / directors - which we think the intention is only to cover BI. Third parties otherwise covers BI/PD.

Commented [CER109]: AIG Legal: Are we excluding any Property damage as opposed to tying it to Unmanned Aircraft?

Commented [CJ110R109]: The wider application of any property in the CCC of the Insured. UAV aspect covered off in Section 1.

Commented [SJ111]: How is this intended to interact with AVN46B which has an exclusion for "interference with the use of property"? How will cargo liability coverage be provided if required?

Commented [CJ112R111]: For further discussion. There is a wider discussion also to be had on the treatment of cargo liability - part of the cover rather than potential coverage extension?

Commented [SJ113]: This mean cargo can be part of the payload (but not insured under Section One) but any BI/PD caused by the intentional release of cargo is excluded?

Commented [CJ114R113]: Agree that having this exclusion links awkwardly re the exclusion cargo coverage as part of the payload - for further discussion.

Commented [SJ115]: This exclusion removes a huge amount of coverage. Do Insurers really intend to exclude any liability claim arising out of a software related issue? LMA5404 refers to "the whole of the contract" but this is attached to the liability section only. This could cause some ambiguity

We would expect AVN139 to be included as a general affirmation clause applicable to the whole Policy

Commented [CJ116R115]: Overall, need to agree a default position on cyber affirmation or exclusion. WG considered GPS interference / spoofing as part of the enhanced risks around UAS?

DEFENCE AND SETTLEMENT PAYMENTS APPLICABLE TO SECTION 2

With respect to such coverage as is afforded under ~~Sections~~ Section 2 of this Policy:

1. The Insurers shall have the right and obligation to

(a) investigate, evaluate and settle

or

(b) defend to discontinuance or judgment

any claim or legal proceedings against the Insured, even if groundless, false or fraudulent.

Nevertheless, the Insurers retain the right to tender the applicable limit of liability in settlement of a claim if they consider this to be appropriate and in this event, the Insurers' obligations under this Policy will cease as regards the claim.

2. The amount payable by Insurers in respect of any settlement or judgment requiring payment by the Insured shall include any costs and expenses assessed against the Insured and interest accruing after entry of judgment and shall not exceed the applicable limit of the Insurers' liability.

3. The Insurers shall pay any costs and expenses

(a) of any legal or other person whom they appoint, that are incurred for the purpose of investigation, evaluation, settlement or defence of such claim or legal proceedings;

(b) of the Insured (other than the salaries of the Insured's employees and the Insured's normal expenses) that are incurred with the Insurers' prior approval.

These costs and expenses are payable by the Insurers in addition to any settlement or judgment. However, the Insurers' liability is limited in case of settlement(s) and / or judgment(s) that exceed the applicable limit of the Insurers' liability. In such case Insurers' liability is limited to such proportion of those costs and expenses as the applicable limit bears to the total amount for which the Insured is adjudged liable and / or which it has agreed to pay in settlement of any such claim(s) or legal proceedings. The Insured is liable to reimburse the Insurers for that proportion of any costs and expenses as they may have paid which exceed the limit of the Insurers' liability.

4. With respect to any coverage which is subject to an aggregate limit hereunder the Insurers' obligations under this Policy will cease as regards such coverage once the applicable aggregate limit of liability of this Policy has been exhausted and in this event the Insured shall have the responsibility to take over control of any claim or legal proceedings from the Insurers.

Commented [CER117]: AIG Legal: There is no reference to an aggregate limit above. Can this be clarified.

Commented [CJ118R117]: Aggregate AV52 cover possible. Generally, this covers off any agreed aggregate cover, even though not specifically noted.

Commented [CJ119R117]: CJ further question: Maybe also remove 'hereunder' and link specifically to Section 2, e.g. 'With respect to any cover under Section 2 of the Policy which is subject to an aggregate limit....'?

Commented [CER120]: AIG Legal: Previously there was also an exclusion if the Unmanned Aircraft was being used to cover munitions. This is no longer included.

Commented [CJ121R120]: Uses of the UAS would be identified in the Schedule and considered at the u/w stage as to whether to cover.

Commented [SJ122]: Should this be vehicle rather than system?

Commented [CJ123R122]: Probably ok as drafted.

Commented [SJ124]: No defined uses

Commented [SJ125]: This doesn't include the payload

Commented [SJ126]: Isn't it the vehicle which is piloted rather than the system ?

Commented [CJ127R126]: Delete as suggested?

GENERAL EXCLUSIONS APPLICABLE TO ALL SECTIONS

This Policy does not apply:

1. Whilst the Unmanned Aircraft System is being used by the Insured for any purpose other than those specified in Item 8 of the Policy Schedule, ~~or, or whilst the Unmanned Aircraft System is being used~~ for any illegal purpose.

2. Whilst the Unmanned Aircraft System is outside the ~~geographical~~ Geographical limits specified in Item 10 of the Policy Schedule unless due to a forced landing or as a result of Force Majeure.

3. Whilst the Unmanned Aircraft System is being piloted by any person other than as specified in Item 9 of the Policy Schedule.

4. To liability assumed or rights waived by the Insured under any agreement, except to the extent that such liability would have attached to the Insured in the absence of such agreement.
5. To claims excluded by the attached War, Hi-Jacking and Other Perils Exclusion Clause (Aviation) AVN48B.
6. To claims excluded by the attached Nuclear Risks Exclusion Clause AVN71.
7. To claims excluded by the attached Date Recognition Exclusion Clause AVN2000A.
8. To claims excluded by the attached Contracts (Rights of Third Parties) Act 1999 Exclusion Clause AVN72.

GENERAL CONDITIONS APPLICABLE TO ALL SECTIONS

1. The Insured shall at all times use due diligence and do and concur in doing everything reasonably practicable to avoid or diminish any loss hereon.
2. The Insured shall comply with
 - i. ~~M~~manufacturers' ~~manufacturers~~ recommendations; and
 - ii. all air navigation and airworthiness orders and requirements issued by any competent authority

affecting the safe storage, maintenance and operation of the Unmanned Aircraft System.
3. Notice of any event likely to give rise to a claim under this Policy shall be given to Insurers as soon as reasonably practicable via the firm named for the purpose specified in Item 13.11 of the Policy Schedule. In all cases the Insured shall:
 - (a) furnish full particulars in writing of such event and forward as soon as reasonably practicable notice of any claim with any letters or documents relating thereto;
 - (b) give notice of any impending prosecution;
 - (c) provide such further information and assistance as the Insurers may reasonably require;
 - (d) not act in any way to the detriment or prejudice of the interest of the Insurers.
4. The Insured shall not make any admission of liability, payment, offer or promise of payment without the written consent of the Insurers.
5. The coverage provided by Section 1 of this Policy shall be proportional with any other valid and collectible insurance available to the Insured. The coverage provided by Section 2 of this Policy shall be excess insurance over any other valid and collectible insurance available to the Insured.
6. Upon a payment being made under this Policy, the Insurers shall be subrogated to the rights and remedies of the Insured who shall co-operate with and do all things necessary to assist the Insurers to exercise such rights and remedies.
7. The Insured shall be under a continuing duty, during the Period of Insurance, to notify the Insurers immediately of any changes which increase the risks which have been presented to the Insurers. Such changes shall be subject to agreement by Insurers and may require an additional premium to be charged. There shall be no coverage for any claims resulting from any

Commented [SJ128]: We would prefer AVN38B. Is this not used because there is no cargo coverage?

Commented [CJ129R128]: For discussion particularly in respect of the inclusion of cargo. Initially agreed the full exclusion is preferred.

Commented [TC130]: I know I've raised this before.

The wider question is how will an English statute be seen in a non-English jurisdiction (this clause has never been tested as far as I'm aware).

Could AVN72 be amended here to "...Act 1999 or equivalent legislation..."

Commented [CJ131R130]: Agreed. AVN72 is typically agreed on everything when will not always apply. For discussion - noting the approach taken on AVN108(A) with a Schedule of equivalent legislation to be completed.

Commented [CER132]: AIG Legal: Preference would be to see the following general conditions added:
 Policy Period
 Limit of Liability
 Premium
 Non-payment of Premium
 Law and Jurisdiction

Commented [CJ133R132]: Generally applied in the Schedule or other policy provisions added such as AVN6B.

Commented [CER134]: AIG Legal: No firm is named in Item 11. Schedule to be updated or should this cross refer to Item 13?

Commented [CJ135R134]: Agreed, amended to Item 13.

Commented [SJ136]: Per AVN1D but would prefer less onerous provision

Commented [CJ137R136]: Noted.

changed element of the risk unless the changed element of the risk has been notified to and agreed by Insurers.

8. This Policy may be cancelled by notice in writing. The Insured may give notice at any time. The Insurers shall give 30 days or such other notice, if of longer duration, as is mandated by the law stated in Item [40-12](#) of the Policy Schedule.

If the Policy is cancelled by the Insured the Insurers shall be entitled to the proportion of the premium calculated in accordance with the following scale:

Period on risk	Percentage of annual premium
Up to 1 calendar month	20
Over 1 calendar month and up to 2 calendar months	30
Over 2 calendar months and up to 3 calendar months	40
Over 3 calendar months and up to 4 calendar months	50
Over 4 calendar months and up to 5 calendar months	60
Over 5 calendar months and up to 6 calendar months	70
Over 6 calendar months and up to 7 calendar months	75
Over 7 calendar months and up to 8 calendar months	80
Over 8 calendar months and up to 9 calendar months	85
Over 9 calendar months	100

If the Policy shall be cancelled by Insurers, they shall be entitled to the premium for the period that this Policy has been in force, calculated pro-rata. Notice of cancellation by the Insurers shall be effective even though the Insurers make no payment or tender of return premium.

There will be no return of premium in respect of any Unmanned Aircraft on which a loss is paid or is payable under this Policy.

9. This Policy shall not be assigned in whole or in part except with the prior written agreement of the Insurers.
10. The choice of law and jurisdiction applicable to this Policy is as specified in Item [40-12](#) [13120](#) of the Policy Schedule.
11. When two or more Unmanned Aircraft are insured hereunder the terms of this Policy, including the Limits as specified in Item [4-36](#) of the Policy Schedule, shall apply separately to each Unmanned Aircraft unless otherwise specified herein.
12. Notwithstanding the inclusion herein of more than one Insured, whether by endorsement or otherwise, the total liability of the Insurers in respect of any or all Insureds shall not exceed the Limits as specified in Item [4-36](#) of the Policy Schedule less any applicable Deductible [specified in Item 5-7 of the Policy Schedule](#).
13. An Insured shall not in the presentation and furtherance of any claim:
 - (a) deliberately or recklessly conceal from Insurers any information which the Insured knows or ought to know might be material to their consideration of any claim;
 - (b) provide to Insurers information, which the Insured knows to be false, with respect either to any event relied upon as a cause of loss or as to the amount claimed; nor
 - (c) otherwise use fraudulent means or devices, including suppressing a known defence to Insurers' liability.

Commented [SJ138]: Would prefer AVN115

Commented [CJ139R138]: We understand this scale is in common use in commercial risks - can be amended by endorsement.

In any such event the Insurers shall have the option to refuse to pay the whole or any part of the claim to such Insured.

In the circumstances set out in sub-paragraph (b) above, Insurers shall also have the option to:

- (i) terminate the cover provided by all sections of the Policy to such Insured with effect from the date that such information was provided;
- (ii) recover any sums paid to the Insured in respect of losses occurring on or after the date that such information was provided; and
- (iii) retain any and all premium paid by such Insured.

If any provision of this condition is in conflict with the law governing the Policy it shall be of no effect to the extent of such conflict.

14. Notwithstanding anything to the contrary in the Policy the following shall apply:

- (i) If, by virtue of any law or regulation which is applicable to an Insurer at the inception of this Policy or becomes applicable at any time thereafter, providing coverage to the Insured is or would be unlawful because it breaches an embargo or sanction, that Insurer shall provide no coverage and have no liability whatsoever nor provide any defence to the Insured or make any payment of defence costs or provide any form of security on behalf of the Insured, to the extent that it would be in breach of such law or regulation.
- (ii) In circumstances where it is lawful for an Insurer to provide coverage under the Policy, but the payment of a valid and otherwise collectable claim may breach an embargo or sanction, then the Insurer will take all reasonable measures to obtain the necessary authorisation to make such payment.
- (iii) In the event of any law or regulation becoming applicable during the Policy period which will restrict the ability of an Insurer to provide coverage as specified in paragraph 1, then both the Insured and the Insurer shall have the right to cancel its participation on this Policy in accordance with the laws and regulations applicable to the Policy provided that in respect of cancellation by the Insurer a minimum of 30 days notice in writing be given. In the event of cancellation by either the Insured or the Insurer, the Insurer shall retain the pro rata proportion of the premium for the period that the Policy has been in force. However, in the event that the incurred claims at the effective date of cancellation exceed the earned or pro rata premium (as applicable) due to the Insurer, and in the absence of a more specific provision in the Policy relating to the return of premium, any return premium shall be subject to mutual agreement. Notice of cancellation by the Insurer shall be effective even though the Insurer makes no payment or tender of return premium.

AVN [\[Reference\]**](#) [\[Date\]**.**.**](#)

ATTACHMENTS FORMING A PART OF THIS POLICY

ATTACHMENT NUMBER 1

WAR, HI-JACKING AND OTHER PERILS EXCLUSION CLAUSE (AVIATION)

This Policy does not cover claims caused by:

- (a) War, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, martial law, military or usurped power or attempts at usurpation of power.
- (b) Any hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.
- (c) Strikes, riots, civil commotions or labour disturbances.
- (d) Any act of one or more persons, whether or not agents of a sovereign Power, for political or terrorist purposes and whether the loss or damage resulting therefrom is accidental or intentional.
- (e) Any malicious act or act of sabotage.
- (f) Confiscation, nationalisation, seizure, restraint, detention, appropriation, requisition for title or use by or under the order of any Government (whether civil military or de facto) or public or local authority.
- (g) Hi-jacking or any unlawful seizure or wrongful exercise of control of the Unmanned Aircraft (including any attempt at such seizure or control) made by any person or persons acting without the consent of the Insured

Furthermore, this Policy does not cover claims arising while the Unmanned Aircraft System is outside the control of the Insured by reason of any of the above perils. The Unmanned Aircraft System shall be deemed to have been restored to the control of the Insured on the safe return of the Unmanned Aircraft System to the Insured at location not excluded by the ~~geographical~~-Geographical Limits of this Policy.

AVN48B (Amended)

ATTACHMENT NUMBER 2

NUCLEAR RISKS EXCLUSION CLAUSE

This Policy does not cover:

- (i) loss of or destruction of or damage to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss
- (ii) any legal liability of whatsoever nature

directly or indirectly caused by or contributed to by or arising from:

- (a) the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof;
- (b) ionizing radiations or contamination by radioactivity from, or the toxic, explosive or other hazardous properties of, any other radioactive source whatsoever.

AVN 71 22.7.96

ATTACHMENT NUMBER 3

NOISE AND POLLUTION AND OTHER PERILS EXCLUSION CLAUSE

1. This Policy does not cover claims directly or indirectly occasioned by, happening through or in consequence of:-
 - (a) noise (whether audible to the human ear or not), vibration, sonic boom and any phenomena associated therewith,
 - (b) pollution and contamination of any kind whatsoever,
 - (c) electrical and electromagnetic interference,
 - (d) interference with the use of property;unless caused by or resulting in a crash fire explosion or collision or a recorded in-flight emergency causing abnormal Unmanned Aircraft operation.
2. With respect to any provision in the Policy concerning any duty of Insurers to investigate or defend claims, such provision shall not apply and Insurers shall not be required to defend
 - (a) claims excluded by Paragraph 1 or
 - (b) a claim or claims covered by the Policy when combined with any claims excluded by Paragraph 1 (referred to below as "Combined Claims").
3. In respect of any Combined Claims, Insurers shall (subject to proof of loss and the limits of the Policy) reimburse the Insured for that portion of the following items which may be allocated to the claims covered by the Policy:
 - (i) damages awarded against the Insured and
 - (ii) defence fees and expenses incurred by the Insured.
4. Nothing herein shall override any radioactive contamination or other exclusion clause attached to or forming part of this Policy.

AVN46B (Amended)

ATTACHMENT NUMBER 4

DATE RECOGNITION EXCLUSION CLAUSE

This Policy does not cover any claim, damage, injury, loss, cost, expense or liability (whether in contract, tort, negligence, product liability, misrepresentation, fraud or otherwise) of any nature whatsoever arising from or occasioned by or in consequence of (whether directly or indirectly and whether wholly or partly):

- (a) the failure or inability of any computer hardware, software, integrated circuit, chip or information technology equipment or system (whether in the possession of the Insured or of any third party) accurately or completely to process, exchange or transfer year, date or time data or information in connection with any change of year, date or time; whether on or before or after such change of year, date or time;
- (b) any implemented or attempted change or modification of any computer hardware, software, integrated circuit, chip or information technology equipment or system (whether in the possession of the Insured or of any third party) in anticipation of or in response to any such change of year, date or time, or any advice given or services performed in connection with any such change or modification;
- (c) any non-use or unavailability for use of any property or equipment of any kind whatsoever resulting from any act, failure to act or decision of the Insured or of any third party related to any such change of year, date or time;

and any provision in this Policy concerning any duty of Insurers to investigate or defend claims shall not apply to any claims so excluded.

AVN2000A 14.03.01

ATTACHMENT NUMBER 5

CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999 EXCLUSION CLAUSE

The rights of a person who is not a party to this insurance or reinsurance to enforce a term of this insurance or reinsurance and/or not to have this insurance or reinsurance rescinded, varied or altered without his consent by virtue of the provisions of the Contracts (Rights of Third Parties) Act 1999 [or equivalent legislation](#) are excluded from this insurance or reinsurance.

Commented [CJ140]: To be considered and check references in the underlying Policy is amendments made to the Attachment.

AVN72 9.2.00 [\(amended\)](#)

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ATTACHMENT NUMBER 6

ASBESTOS EXCLUSION CLAUSE

This Policy does not cover any claims of any kind whatsoever directly or indirectly relating to, arising out of or in consequence of:

- (1) the actual, alleged or threatened presence of asbestos in any form whatsoever, or any material or product containing, or alleged to contain, asbestos; or
- (2) any obligation, request, demand, order, or statutory or regulatory requirement that any Insured or others test for, monitor, clean up, remove, contain, treat, neutralize, protect against or in any other way respond to the actual, alleged or threatened presence of asbestos or any material or product containing, or alleged to contain, asbestos.

However, this exclusion shall not apply to any claim caused by or resulting in a crash fire explosion or collision or a recorded in-flight emergency causing abnormal Unmanned Aircraft operation.

Notwithstanding any other provisions of this Policy, Insurers will have no duty to investigate, defend or pay defence costs in respect of any claim excluded in whole or in part under paragraphs (1) or (2) hereof.

All other terms and conditions of the policy remain unchanged.

2488AGM00003 (Amended)

ATTACHMENT NUMBER 7
CYBER AND DATA EXCLUSION

The following exclusions apply to the whole of the contract.

We will not pay for any:

(a) Cyber

loss, damage, liability, cost or expense caused deliberately or accidentally by:

- i. the use of or inability to use any application, software, or programme;
- ii. any computer virus;
- iii. any computer related hoax relating to i and/or ii above.

(b) Electronic Data

loss of or damage to any electronic data (for example files or images) wherever it is stored. [LMA5404](#)
[20 November 2019](#)

LMA5404 (Amended)
20 November 2019

Commented [CER141]: AIG Legal: The Policy states which exclusions apply to which sections so suggest this is deleted from here.

Commented [CJ142R141]: Agree, but for further discussion on the affirmation vs exclusion.

Commented [CER143]: AIG Legal: Should be consistent with other exclusions. Suggest using "The Insurers will not pay for any"

Commented [CJ144R143]: Consider in line with wider use of this clause.

Optional endorsements to be published individually

Included in full below

- Additions and Deletions
- Unauthorised Use or Unauthorised Use (Theft Only)
- Breach of Air Navigations
- Data Recognition Limited Coverage Extension
- Supplementary Payments
- Medical and Related Expenses
- Trespassers Costs
- Extended Coverage Endorsement (Aviation Liabilities)

Commented [CER145]: AIG: Was there any discussion about inclusion of AVN52 and AVN51 in this list?

Commented [CJ146R145]: Malicious damage re AVN51?

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ADDITIONS AND DELETIONS (Combined)

1. The coverage provided by this Policy is automatically extended to include at pro rata additional premium further Unmanned Aircraft added during the Period of Insurance provided such Unmanned Aircraft are owned or operated by the Insured and are of the same Make and Model as set out at Item 3 of the Policy Schedule and Agreed Value as Unmanned Aircraft already covered under this Policy.
2. The inclusion of additional Unmanned Aircraft of other Make and Models or different Agreed Values shall be subject to the Insurer's prior written special-agreement and rating by Insurers prior to such Unmanned Aircraft being covered under this Policy attachment.
3. Under Section 1 of this Policy Unmanned Aircraft which have been sold or disposed of shall be deleted from this Policy and the Insured shall be entitled to pro rata return of premium provided no claim has arisen and become payable in respect of such Unmanned Aircraft under Section 1 of this Policy and that this Policy is not cancelled by virtue of such deletion.
4. Under Section 2 of this Policy Unmanned Aircraft which have been sold or disposed of shall be deleted from this Policy and the Insured shall be entitled to pro rata return of premium.

Provided always that

- (i) Notwithstanding the foregoing provisions for additions and deletions the premium in respect of each separate period of Flight risk insurance on any Unmanned Aircraft covered during the Period of Insurance shall in no case be less than fifteen days' pro rata premium.
- (ii) In the event of a claim arising in respect of any Unmanned Aircraft added to this Policy being settled on a Total Loss basis the full twelve months' Unmanned Aircraft premium in respect of Section 1 of this Policy shall be paid in respect of such Unmanned Aircraft.
- (iii) Notice of the addition or deletion of any Unmanned Aircraft under the provisions of Paragraphs 1, 3 and 4 respectively shall be given to the Insurers in writing via the firm named for the purpose specified in Item 13 of the Policy Schedule within ten days of attachment or deletion.

Commented [SJ147]: 1. In addition to amending this to cater for the other equipment, I don't believe paragraph 1 is correct in that it states that all Unmanned Aircraft have to be the same Agreed Value as the Unmanned Aircraft already covered under the Policy. Ordinarily the Slip would state a maximum agreed value amount and because of this it shouldn't really matter if the Insured purchases a UAV that isn't the same make and model of existing types just so long as the max value isn't exceeded. Ideally the first clause in the paragraph would be amended to read:

The coverage provided by this Policy is automatically extended to include at pro rata additional premium further Unmanned Aircraft added during the Period of Insurance provided such Unmanned Aircraft are owned or operated by the Insured and subject to not exceeding the maximum Agreed Value hereunder.

With respect to the 2nd paragraph of the clause this would then read:

The inclusion of additional Unmanned Aircraft of greater Agreed Values shall be subject to special agreement and rating by Insurers prior to attachment.

Ideally the notice period as stated in paragraph (iii) of the clause would be amended from within ten days of attachment/deletion to be at expiry of the period of insurance.

Commented [CJ148R147]: Maximum Agreed Value is related to the Insured Property, not referenced in the Schedule - do we need a MAV for the Adds and Dels(?) regarding additional UAV - 'subject to a maximum value of'. Consider further.

UNAUTHORISED USE

No claim under this Policy shall be rejected on the grounds that the Unmanned Aircraft was used in a place or in a manner or by a person not permitted under the terms of this Policy provided such use was not authorised by the Insured and that the Insured had taken reasonable precautions to prevent such unauthorised use. Any consent given by an employee or agent of the Insured outside the normal scope of his authority shall be deemed not to be authorisation given by the Insured.

OR

UNAUTHORISED USE – THEFT ONLY

No claim under this Policy following theft of an Unmanned Aircraft shall be rejected on the grounds that the Unmanned Aircraft was used in a place or in a manner or by a person not permitted under the terms of this Policy, provided such use was not authorised by the Insured and that the Insured had taken reasonable precautions to prevent such unauthorised use. Any consent given by an employee or agent of the Insured outside the normal scope of his authority shall be deemed not to be authorisation given by the Insured.

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BREACH OF AIR NAVIGATION REGULATIONS

The cover afforded to the Insured shall not be invalidated by any act or omission which results in a breach of any air navigation or airworthiness orders or requirements issued by any competent authority affecting the safe operation of an Unmanned Aircraft provided that the Insured so protected has not caused, contributed to or knowingly condoned the said act or omission. Any Insured who has caused, contributed to or knowingly condoned the said act or omission shall not be entitled to indemnity under this Policy.

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DATE RECOGNITION LIMITED COVERAGE EXTENSION (UNMANNED AIRCRAFT HULL AND LIABILITY)

WHEREAS the Policy of which this Endorsement forms part includes the Date Recognition Exclusion Clause, it is hereby understood and agreed that, subject to all terms and provisions of this Endorsement, the Date Recognition Exclusion Clause shall not apply:

- (1) to any accidental loss of or damage to an Unmanned Aircraft defined in the Policy Schedule ("Unmanned Aircraft");
- (2) to any sums which the Insured shall become legally liable to pay, and (if so required by the Policy) shall pay (including costs awarded against the Insured) in respect of:
 - (a) accidental bodily injury, fatal or otherwise, caused by an accident to an Unmanned Aircraft; and/or
 - (b) accidental bodily injury, fatal or otherwise, and accidental damage to property caused by an Unmanned Aircraft or by any object falling therefrom.

PROVIDED THAT:

1. Coverage provided pursuant to this Endorsement shall be subject to all terms, conditions, limitations, warranties, exclusions and cancellation provisions of the Policy (except as specifically provided herein), and nothing in this Endorsement extends coverage beyond that which is provided by the Policy.
2. Nothing in this Endorsement shall provide any coverage:
 - (a) in respect of grounding of any Unmanned Aircraft; and/or
 - (b) in respect of loss of use of any property unless it arises out of physical damage to or destruction of property in the accident giving rise to a claim under the Policy.
3. The Insured agrees that it has an obligation to disclose in writing to the Insurers during the Policy period any material facts relating to the Date Recognition Conformity of the Insured's operations, equipment and products.

SUPPLEMENTARY PAYMENTS

The Insurers agree to indemnify the Insured for any reasonable expenses

- (a) incurred for the purpose of search and ~~recovery~~ rescue operations for an Unmanned Aircraft determined to be missing ~~and unreported after the computed maximum endurance of the Flight has been exceeded;~~
- (b) incurred for the purpose of attempted or actual raising, removal, disposal or destruction of the wreck of an Unmanned Aircraft;
- (c) which the Insured may be called upon to pay in respect of any public inquiry or inquiry by any airworthiness authority into an Occurrence involving an Unmanned Aircraft;
- (d) incurred for the purpose of fire and crash control expenses arising out of an Occurrence involving an Unmanned Aircraft.

The limit of Insurers' liability in respect of the coverage provided by this extension shall be * any one incident and in the aggregate arising out of all incidents during the Period of Insurance. This amount shall be payable in addition to the Policy limit.

Commented [CER149]: AIG Legal: What would amount to a determination that the UAS is missing. Is there specific UK regulation that require the UAS to be reported as missing.

Commented [CJ150R149]: Noting 10 days reference in Section 1. Not sure on the specific UK regulation question. Possibly delete as per tracked suggestion(?).

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MEDICAL AND RELATED EXPENSES

The coverage provided under Section 2 of this Policy is extended to apply to all reasonable expenses incurred within one year from the date of an Occurrence for necessary medical, surgical, ambulance, hospital, professional nursing, repatriation and/or funeral expenses to and/or for each person who sustains Bodily Injury caused by an Occurrence.

As soon as practicable, the injured person or someone on his behalf shall give to the Insurers or any of their representatives written proof of claim, under oath if required, and shall, after each request from the Insurers, execute authorisation to enable the Insurers to obtain medical reports and copies of records. The injured person shall submit to physical examination by physicians selected by the Insurers when and as often as the Insurers may reasonably require.

The insurance afforded by this clause shall be subject to a limit of * any one person which shall be included within, and not in addition to, the limit in respect of Section 2 of this Policy.

Coverage hereon shall be excess insurance over any other valid and collectible insurance available to the Insured.

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TRESPASSERS COSTS

The coverage provided by this Policy is extended to apply to all reasonable expenses incurred by the Insured for the cost of rectifying damage to crops and/or other property caused by trespassers and arising out of the crash or forced landing of an Unmanned Aircraft. This extension will only apply in the event that these expenses are not recoverable from the trespassers.

The insurance afforded by this clause shall be subject to a limit of * any one Occurrence which shall be included within, and not in addition to, the limit in respect of Section 2 of this Policy.

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EXTENDED COVERAGE ENDORSEMENT (AVIATION LIABILITIES)

1. Whereas the Policy of which this Endorsement forms part includes the War, Hi-Jacking and Other Perils Exclusion Clause (Clause AVN 48B (Amended)), in consideration of an Additional Premium of * , it is hereby understood and agreed that all sub-paragraphs other than (b) of Clause AVN 48B (Amended) forming part of this Policy are deleted subject to all terms and conditions of this Endorsement.

2. EXCLUSION applicable only to any cover extended in respect of the deletion of sub-paragraph (a) of Clause AVN 48B (Amended).

Cover shall not include liability for damage to any form of property on the ground situated outside Canada and the United States of America unless caused by or arising out of the use of Unmanned Aircraft.

3. LIMITATION OF LIABILITY

The limit of Insurers' liability in respect of the coverage provided by this Endorsement shall be * or the applicable Policy limit whichever the lesser any one Occurrence and in the aggregate arising out of all Occurrences during the Period of Insurance (the "sub-limit"). This sub-limit shall apply within the full Policy limit and not in addition thereto.

4. AUTOMATIC TERMINATION

To the extent provided below, cover extended by this Endorsement shall TERMINATE AUTOMATICALLY in the following circumstances:

(i) **All cover**

upon the outbreak of war (whether there be a declaration of war or not) between any two or more of the following States, namely, France, the People's Republic of China, the Russian Federation, the United Kingdom, the United States of America

(ii) **Any cover extended in respect of the deletion of sub-paragraph (a) of Clause AVN 48B (Amended)**

upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter wheresoever or whensoever such detonation may occur and whether or not the Unmanned Aircraft may be involved

(iii) **All cover in respect of any of the Unmanned Aircraft requisitioned for either title or use**

upon such requisition

PROVIDED THAT if an Unmanned Aircraft is in the air when (i), (ii) or (iii) occurs, then the cover provided by this Endorsement (unless otherwise cancelled, terminated or suspended) shall continue in respect of such Unmanned Aircraft until completion of its first landing thereafter

5. REVIEW AND CANCELLATION

(a) **Review of Premium and/or Geographical Limits (7 days)**

Insurers may give notice to review premium and/or geographical limits - such notice to become effective on the expiry of seven days from 23.59 hours GMT on the day on which notice is given.

(b) **Limited Cancellation (48 hours)**

Following a hostile detonation as specified in 4 (ii) above, Insurers may give notice of cancellation of one or more parts of the cover provided by paragraph 1 of this Endorsement by reference to sub-paragraphs (c), (d), (e), (f) and/ or (g) of Clause AVN 48B (Amended) - such notice to become

effective on the expiry of forty-eight hours from 23.59 hours GMT on the day on which notice is given.

(c) **Cancellation (7 days)**

The cover provided by this Endorsement may be cancelled by either Insurers or the Insured giving notice to become effective on the expiry of seven days from 23.59 hours GMT on the day on which such notice is given.

(d) **Notices**

All notices referred to herein shall be in writing.

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Page 4: [1] Commented [SJ36]	Seth, Jared	24/06/2024 11:39:00
These two should be separated out as is confusing as drafted - the “which forms part etc” could be deemed to apply to cargo		
Page 6: [2] Commented [TH52R51]	Tom Hughes	05/07/2024 09:10:00
We agreed not to adopt the ‘Agreed Value’ definition.		
Page 6: [3] Commented [CER53]	Cane, Emily R	26/06/2024 11:56:00
AIG Legal: Is the intention therefore that the Insurer pays for loss/damage of the Unmanned Aircraft up to the Agreed Value for each Occurrence. Should this cover be tied into Occurrence.		
Page 6: [4] Commented [TH54R53]	Tom Hughes	05/07/2024 09:14:00
It’s not an occurrence in Section 1, usually we would expect occurrence language in respect of liability.		
Page 6: [5] Commented [TC55]	Tina Collier	27/06/2024 10:20:00
I wondered whether the reference to “the Agreed Value as specified in Item 3(3) of the Policy Schedule” should be expanded to reference the AVs for the Payloads and Ground Equipment as applicable.		
There may have been thought already around this however,		
Perhaps it could read: “...but not exceeding the Agreed Value as specified in Item 3(3), 4(3) and/or 5(3) as necessary less any applicable...”		
Page 6: [6] Commented [CER58]	Cane, Emily R	26/06/2024 10:20:00
AIG Legal: What is this intending to remove from cover? Can this be made clearer?		
Page 6: [7] Commented [SJ57]	Seth, Jared	24/06/2024 15:26:00
These references only apply to (a) and therefore needs to be amended		
Page 6: [8] Commented [CER59]	Cane, Emily R	26/06/2024 10:21:00
AIG Legal: Will Insurer or Insured determine that the place is not suitable for safe take off?		
Page 6: [9] Commented [CER60]	Cane, Emily R	26/06/2024 10:21:00
AIG Legal: See comments on Policy Schedule as to whether these costs and expenses sit outside of the amounts listed within the Limit of Liability section.		
Page 6: [10] Commented [TC61]	Tina Collier	27/06/2024 11:54:00
I’ve added in physical. I don’t follow why physical is not referred to when physical damage is what is being covered. (I appreciate this is what happens in a lot, if not all policies!)		
Page 6: [11] Commented [TH62R61]	Tom Hughes	05/07/2024 09:11:00
We are covering physical loss of or damage to the UA, so including		
Page 6: [12] Commented [CER64]	Cane, Emily R	26/06/2024 10:23:00
AIG Legal: Can this be clarified. If the Insured Property is damaged such that it can not be used is the intention of this exclusion to cover the consequential losses arising as opposed to the direct physical loss which per section 1 is covered?		
Page 6: [13] Commented [TH65R64]	Tom Hughes	05/07/2024 09:38:00
The intention is not to cover consequential loss, we think these words will cover off financial loss. Here we are thinking about potential earnings lost. Loss of use is arguably a separate policy altogether.		
CHECK WITH AICG.		
Page 6: [14] Commented [SJ66]	Seth, Jared	24/06/2024 15:02:00
Depreciation is a financial rather than physical loss - why has this been added to the wear and tear exclusion? Why is an exclusion necessary at all in light of the insuring agreement?		
Page 6: [15] Commented [TH67R66]	Tom Hughes	05/07/2024 09:40:00

Understood and agreed. CONFIRM with Julie.

Page 6: [16] Commented [SJ68] Seth, Jared 24/06/2024 15:02:00

Why have these been added? Are these intended to apply to the UAV or other elements? These items are not excluded in other hull wordings - what is the intention?

Page 6: [17] Commented [TH69R68] Tom Hughes 05/07/2024 09:44:00

We understand that these issues pose a specific risk to UAVs, thinking particularly about the batteries. The intention was to capture them in a similar way to concepts like freezing. RAISE WITH AICG TO CONFIRM.

Page 6: [18] Commented [SJ70] Seth, Jared 24/06/2024 15:03:00

There is no definition to Unit and no resultant loss writeback meaning that if any of these items result in damage to the UAV then it is included. Is this really the intent as this would make the coverage extremely narrow

Page 6: [19] Commented [TH71R70] Tom Hughes 05/07/2024 09:46:00

As above, RAISE WITH AICG. We acknowledge the concept of 'Unit' usually applies to any item with an overhaul life, here we wouldn't have overhaul life applying in respect of UAV parts.

Page 6: [20] Commented [CER72] Cane, Emily R 26/06/2024 10:25:00

AIG Legal: Should this be Occurrence to tie into the definitions?

Page 6: [21] Commented [CER73] Cane, Emily R 26/06/2024 10:25:00

Paragraph and section to be used consistently

Page 6: [22] Commented [SJ74] Seth, Jared 24/06/2024 15:04:00

The purpose of this exclusion and writeback is getting confused. In Broker wordings we would only include this in the context of engine ingestion. How do you envisage the "single recorded incident" writeback to apply here?

Page 6: [23] Commented [SJ76] Seth, Jared 24/06/2024 15:05:00

Please explain distinction between "mechanical derangement" and "breakdown" and why this is necessary ?

Page 6: [24] Commented [TH77R76] Tom Hughes 05/07/2024 09:50:00

We understand this is a standard approach taken in respect of camera equipment. Some clauses also refer to electronic derangement. Agreed to remove on the basis that b) would already exclude.

Page 6: [25] Commented [CER78] Cane, Emily R 26/06/2024 10:26:00

AIG Legal: As above "incident" or "occurrence"

Page 6: [26] Commented [CER82] Cane, Emily R 26/06/2024 10:26:00

AIG Legal: What is this intended to exclude. Can the drafting be revised to make this exclusion clearer and to avoid ambiguity.

Page 6: [27] Commented [SJ80] Seth, Jared 24/06/2024 15:06:00

Why is an "under process" exclusion delt necessary?

Page 6: [28] Commented [TH81R80] Tom Hughes 05/07/2024 09:56:00

Noted. We are comfortable removing.

Page 6: [29] Commented [SJ84] Seth, Jared 24/06/2024 15:08:00

Would the payload exceed the take off weight? Why can't this just be addressed as part of a general airworthiness condition ?

Page 6: [30] Commented [CJ85R84] Christopher Jones 05/07/2024 09:24:00

MTOM cannot be exceeded by the payload weight. We feel that this needs to be specifically identified and not assume it would fall within the GA condition. Slight amendment therefore suggested.