

## **Aero-Engine Breakdown Insurance Policy** No

**Whereas the Insured** named in the Schedule hereto has made to the

(hereinafter called "the Insurers") a written proposal by completing a questionnaire which, together with any other statements made in writing by the Insured for the purpose of this Policy, is deemed to be incorporated herein,

**Now this Policy of Insurance witnesses** that, subject to the Insured having paid to the Insurers the premium mentioned in the Schedule and subject to the terms, exclusions, provisions and conditions contained herein or endorsed hereon,

**The Insurers hereby agree** with the Insured that if, at any time during the period of insurance stated in the Schedule or during any subsequent period for which the Insured pays and the Insurers may accept the premium for the renewal of this Policy, the aero-engines (or any part or parts thereof) entered in the Schedule suffer any unforeseen and sudden breakdown from causes such as defects in casting and material, faulty design, faulty assembly, bad workmanship, tearing apart on account of centrifugal force, short circuit, or from any other causes not specifically excluded hereinafter,

**The Insurers will indemnify** the Insured in respect of such loss or damage, as hereinafter provided, by payment in cash, replacement or repair (at the Insurers' option) up to an amount not exceeding in any one year of insurance in respect of each aero-engine specified in the Schedule the sum insured set opposite thereto and not exceeding in all the total sum expressed in the Schedule as insured hereby.

This Policy shall apply to insured aero-engines with valid airworthiness certification only after successful installation on a specified aircraft and during normal operation thereof.

Replacement aero-engines shall be covered only provided notification of such replacements is received by Insurers within 14 days and subject to an additional premium specified by the Insurers being paid.

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## Exclusions

The Insurers shall not be liable for

- 1** the deductible for each engine stated in the Schedule to be borne by the Insured in any one occurrence;
- 2** loss or damage or any technical deterioration as a direct consequence of the continual influence of operation, eg wear and tear, gradually developing distortions or cracks, overheating of parts, erosion, loss of coatings, compressor or turbine tip rub, pitting and spalling, corrosion, rust, as well as deterioration of engine performance or the cost for remedying such defects or deterioration;
- 3** loss or damage caused by any faults or defects existing at the time of commencement of this Policy within the knowledge of the Insured or his representatives, whether such faults or defects were known to the Insurers or not;
- 4** loss or damage due to fire or explosion, which fire or explosion actually commences outside of the engine casing, extinguishing of such fire, lightning, aerial devices or articles dropped therefrom, impact/collision including ingestion damage resulting from objects not a part of the aero-engine, burglary, theft, natural catastrophes or any other external causes whatsoever,
- 5** loss or damage arising out of the wilful act or wilful negligence of the Insured or his representatives;
- 6** loss or damage due to abuse of the aero-engine other than in case of an emergency;
- 7** loss or damage discovered during any scheduled or routine inspection, maintenance, repair or overhaul;
- 8** loss or damage occurring during any off-wing test run or in connection with preparations therefor;
- 9** the cost of mandatory hot section inspections following a hot start unless caused by a breakdown or failure of an engine unit or component; however, the cost incurred for the repair or replacement of parts which have suffered breakdown due to such hot start shall be indemnified;
- 10** loss or damage for which a manufacturer, supplier, contractor or repairer is responsible either by law or under contract;
- 11** any consequence of war, invasion, act of foreign enemy, hostilities (whether war be declared or not), civil

- war, rebellion, revolution, insurrection, mutiny, riot, strike, lock-out, civil commotion, military or usurped power, acts of a group of malicious persons or persons acting on behalf of or in connection with any political organization, conspiracy, confiscation, commandeering, requisition or destruction of or damage to property by order of any government de jure or de facto or by any public authority;
- 12** any consequence of nuclear reaction, nuclear radiation or radioactive contamination;
  - 13** loss or damage which is insured by any aviation insurance policy on the hull of the aircraft of which the aero-engine forms part, or for which the hull insurer pays a total loss indemnity;
  - 14** loss or damage to any equipment other than an aero-engine as defined herein;
  - 15** consequential loss or liability of any kind or description, any payment over and above the indemnity for material damage as provided herein.

In any action, suit or other proceeding where the Insurers allege that, by reason of the provision of Exclusion 11 above, any loss or damage is not covered by this Policy, the burden of proving that such loss or damage is covered shall be upon the Insured.

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## Definitions

- 1** "Abuse" shall mean the failure to maintain, repair and/or modify the aero-engine in accordance with the manufacturer's service bulletins, maintenance, repair and overhaul manuals at the times specified by and at facilities approved by the manufacturer and/or the failure to operate the aero-engine within its operational limits as specified in the engine manufacturer's and/or aircraft operating manual or to comply with the regulations and requirements of the appropriate civil aviation authority.
- 2** "Aero-engine" shall mean a certificated basic engine, ie without QEC (quick engine change unit) or any other attachments to make up a power plant, supplied by or through the engine manufacturer and/or its approved vendors as referenced in the respective engine illustrated parts catalogue.
- 3** "Breakdown" shall mean the actual breaking up or burning out of any part of the aero-engine specified in the Schedule whilst attached to the hull of any aircraft occurring during the normal operation thereof and which on discovery requires immediate repair or replacement.
- 4** "Normal service life" shall mean the point in the service life of an aero-engine, module or component at which an overhaul or replacement thereof is required by manufacturer's manuals and/or specifications or requirements of the appropriate civil aviation authority, or as dictated by the adopted maintenance schedule of the Insured. For engines which are maintained "on condition" or where no TBO recommendations are available the following service life limits shall apply:
  - a** combustion chamber, 6,000 hrs
  - first nozzle guide vanes, compressor and turbine shrouds
  - b** HPT module 12,000 hrs
  - c** LPT module 18,000 hrs
  - d** all other parts 24,000 hrs

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# Provisions

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## Memo 1 – Sum Insured

It shall be a requirement of this Policy that the sum insured for each aero-engine shall be equal to its replacement value on the aircraft, which means its purchase price including dues and customs duties, if any, and any other procurement cost plus the installation cost on the aircraft. The sum insured as stated in the Schedule less the applicable deductible shall represent the limit of indemnity for each aero-engine subject to the conditions of Memo 2 below.

## Memo 2 – Basis of Indemnity

**a** In cases where damage to an aero-engine can be repaired, the Insurers shall pay all expenses necessarily incurred to restore the damaged aero-engine to its former state of serviceability with parts of like kind and quality plus the cost of removal and reinstallation of the damaged aero-engine on the aircraft, the cost of disassembly and reassembly to the extent required for the purpose of effecting the repairs as well as any other cost to the extent such cost has been included in the sum insured. If the repairs are carried out in a workshop of the Insured, the Insurers shall pay the cost of materials and wages incurred for the purpose of the repairs plus a reasonable percentage to cover overhead charges.

Insurers shall also pay the Insured the cost of the least expensive reasonable means of transporting the aero-engine or components thereof to the nearest repair facility and back to the place of event or the Insured's place of business, whichever is nearer, up to the limit specified in the Schedule.

All damaged parts replaced by new or manufacturer-approved reconditioned parts shall be subject to deduction for depreciation in the following manner. The indemnifiable amount shall be equal to  $P (1 - T/N)$ , where P shall be the procurement cost of the part, N shall be the life limit for parts which are assigned a maximum life or alternatively the normal service life as defined for all other parts, modules or components, and T shall be equal to the expired life of life limited parts or alternatively the time since the last major shop visit for all other parts, modules or components.

Components which have to be replaced at the time of loss because they have insufficient service life remaining for a further period of service in accordance with the provisions of the manufacturer's maintenance and/or overhaul specifications shall not be indemnified.

The cost of alterations, additions, improvements, or any other non-incident-related repairs or activities, such as maintenance or overhaul, or complying with FAA or any other aviation authority's regulations or requirements, including the cost of incorporating modifications as per service bulletins at the time of repairs, shall not be indemnifiable under this Policy.

If at the time of indemnifiable repairs the aero-engine is overhauled, refurbished, or modified to the extent that it is released for a full overhaul period or the new anticipated release period is longer than the unexpired service life prior to the loss or damage, the Insured shall contribute to the disassembly, reassembly and testing cost in proportion of the expired period of the service life prior to the loss or damage to the new full overhaul period or expired plus new anticipated release period if the latter is less than a full overhaul period.

If the cost of repairs as detailed above including the value of any possible salvage equals or exceeds the actual value of the aero-engine insured immediately before the occurrence of the damage, the aero-engine shall be regarded as destroyed and settlement shall be made on the basis provided for in b below.

**b** In cases where an insured aero-engine is destroyed, the Insurers shall pay the actual value immediately before the occurrence of the loss, such value to be equal to a reasonable value for a replacement aero-engine of similar condition and engine profile. The Insurers shall also pay any normal charges for the dismantling and disassembly of the aero-engine destroyed, but the salvage shall be taken into account. Insurers reserve the right to take over title to the salvage, but there shall be no right to abandonment by the Insured.

The Insurers shall make payments only after being satisfied by production of the necessary invoices and documents proving that the repairs have been effected or replacement has taken place, as the case may be. The Insurers shall not be liable, however, for any cost of repair or replacement undertaken without the approval of the Insurers or its representative.

# Conditions

- 1** The due observance and fulfilment of the terms of this Policy, in so far as they relate to anything to be done or complied with by the Insured, and the truth of the statements and answers in the Questionnaire and Proposal made by the Insured shall be a condition precedent to any liability of the Insurers.
- 2** The Schedule shall be deemed to be incorporated in and form part of this Policy and the expression "this Policy", wherever used in this contract, shall be read as including the Schedule. Any word or expression to which a specific meaning has been attached in any part of this Policy or of the Schedule shall bear such meaning wherever it may appear.
- 3** The Insured shall at his own expense take all reasonable precautions and comply with all reasonable recommendations of the Insurers to prevent loss or damage and comply with statutory requirements and manufacturer's recommendations.
- 4a** Representatives of the Insurers shall at any reasonable time have the right to inspect and examine the risk and the Insured shall provide the representatives of the Insurers with all details and information necessary for the assessment of the risk.
- b** The Insured shall immediately notify the Insurers by teletype (telex, telefax, telegram) or by telephone confirmed in writing of any material change in the risk and cause at his own expense such additional precautions to be taken as circumstances may require to ensure safe operation of the insured items, and the scope of cover and/or premium shall, if necessary, be adjusted accordingly. No material alteration shall be made or admitted by the Insured whereby the risk is increased, unless the continuance of the insurance is confirmed in writing by the Insurers.
- 5** In the event of any occurrence which might give rise to a claim under this Policy, the Insured shall
- a** immediately notify the Insurers by teletype (telex, telefax, telegram) or by telephone confirmed in writing, giving an indication as to the nature and extent of the loss or damage;
- b** take all reasonable steps within his power to minimize the extent of the loss or damage;
- c** preserve the parts affected and make them available for inspection by a representative or surveyor of the Insurers;
- d** furnish all such information and documentary evidence as the Insurers may require.
- The Insurers shall on no account be liable for loss or damage of which no notice has been received by the Insurers within 14 days of its occurrence. Upon notification being given to the Insurers under this condition, the Insured may carry out repairs of any minor damage or replace items which have sustained any minor damage; in all other cases a representative of the Insurers shall have the opportunity of inspecting the loss or damage before any repairs or alterations are effected. The liability of the Insurers under this Policy in respect of any insured item shall cease if said item is kept in operation after a loss without being repaired to the satisfaction of the appropriate civil aviation authority, or if temporary repairs are carried out without the aero-engine manufacturer's consent.
- 6** The Insured shall at the expense of the Insurers do and concur in doing and permit to be done all such acts and things as may be necessary or required by the Insurers in the interest of any rights or remedies or of obtaining relief or indemnity from other parties (other than those insured under this Policy) to which the Insurers are or would become entitled or which is or would be subrogated to them upon their paying for or making good any loss or damage under this Policy, whether such acts and things are or become necessary or required before the Insured's indemnification by the Insurers.
- 7** If any difference arises as to the amount to be paid under this Policy (liability being otherwise admitted), such difference shall be referred to the decision of an arbitrator to be appointed in writing by the parties in difference or, if they cannot agree upon a single arbitrator, to the decision of two arbitrators, one to be appointed in writing by each of the parties, within one calendar month after having been required in writing so to do by either of the parties, or, in case the arbitrators do not agree, of an umpire to be appointed in writing by the arbitrators before the latter enter upon the reference. The umpire shall sit with the arbitrators and preside at their meetings. The making of an award shall be a condition precedent to any right of action against the Insurers.
- 8** The Insurers shall be entitled to withhold indemnification
- a** if there are reasonable doubts regarding the Insured's right to receive the indemnity, pending receipt by the Insurers of the necessary proof;
- b** if in connection with the claim an examination by the police or an inquiry under criminal law has been instituted pending completion of such examination or inquiry.
- 9a** If the proposal or declaration of the Insured is untrue in any material respect, or if any claim made is fraudulent or substantially exaggerated, or if any false declaration or statement is made in support thereof, then this Policy shall be void and the Insurers shall not be liable to make any payment hereunder.
- b** In the event of the Insurers disclaiming liability in respect of any claim and if an action or suit is not commenced within three months after such disclaimer or (in the case of arbitration taking place in pursuance of Condition 7 of this Policy) within three months after the arbitrators or umpire have made their award, all benefit under this Policy in respect of such claim shall be forfeited.
- 10** If at the time any claim arises under this Policy there is any other insurance covering the same loss or damage, the Insurers shall not be liable to pay or contribute more than their rateable proportion of any claim for such loss or damage.
- 11** This Policy may be terminated at the request of the Insured at any time, in which case the Insurers will retain the customary short-period rate for the time this Policy has been in force. This Policy may equally be terminated at the option of the Insurers by seven days' notice to that effect being given to the Insured, in which case the Insurers will be liable to repay on demand a rateable proportion of the premium for the unexpired term from the date of cancellation less any reasonable inspection charges the Insurers may have incurred.
- 12** The insurers shall not be liable to pay interest other than interest for default.

# Schedule

Branch	Policy No	Currency	Declaration No	Type of plant

Incorporated in this Policy is Questionnaire and Proposal No

The following endorsements are attached to and form part of this Policy:

First premium

Annual premium  
(inclusive of extra premiums for the above-mentioned endorsements)

Name and address of Insured

▶ Name

Street

Postal code and city

Address of risk

▶ Street

Postal code and city

Policy inception date	Policy date due/expiry	Date of today	New/alteration	Country of risk	City, town, village of risk

## Specification of Aero-Engines Insured

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Item No	Description of machinery (type, manufacturer, serial No, etc)			Aircraft Reg No	Deductible	Sum insured	Transportation cost
	Manufacturer/Type	Serial No	Year of man				
Total sum insured							

In witness whereof the Undersigned being duly authorized by the Insurers and on behalf of the Insurers has (have) hereunto set his (their) hand(s)

Executed at

Date

Signature

▶ Space for EDP field identifier