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"Sanctions-related loss" of an aircraft: challenges and opportunities faced by the aviation industry in the new reality

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1. External sanctions pressure:

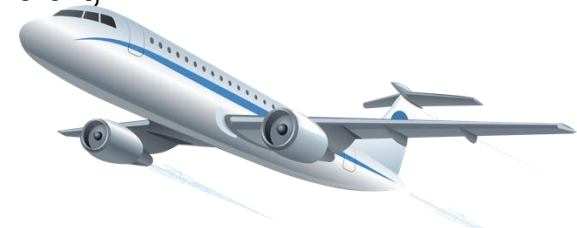
- Ban on selling, supplying, transferring or exporting, directly or indirectly, of goods and technologies suitable for use in the aviation or space industry (aircraft and parts thereof) to an organization or state agency in Russia or for use in Russia).

2. Countermeasures taken by the Russian Federation, including:

- Ban on aircraft export outside the Russian Federation;
- Special rules for payments between the lessor and the lessee of aircraft;
- Special rules for insuring aircraft.

3. Airspace closure

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State registration of aircraft ownership by airlines:

Opportunities for the airlines (Russian lessees)	Risks
<p>With regard to the aircraft owned by lessors from foreign countries (<i>included on the list of states and territories that commit unfriendly actions against the Russian Federation, Russian legal entities and individuals</i>):</p> <ul style="list-style-type: none"> ▪ to register ownership of operated foreign aircraft; ▪ to include them into the register of civil aircraft of the Russian Federation: <ul style="list-style-type: none"> • without submitting documents confirming the title to such aircraft; • without submitting documents confirming the removal of the aircraft from the register of civil aircraft of a foreign country. 	<p>Risks associated with potential international disputes regarding the title to the aircraft.</p>

Clause 5, Article 10 of Law of the Russian Federation No. 4015-1 “On Organizing the Insurance Business in the Russian Federation” dated November 27, 1992:

- *“In case of loss or destruction of the insured property, the insured (beneficiary) has the right to waive their rights to it in favor of the insurer in order to receive an insurance payment from the latter amounting to the full sum insured.”*



- May the insured (e.g., a Russian airline) declare an abandonment and transfer the title to a leased aircraft to the insurer in case of aircraft loss or destruction?
- Does the current legislation of the Russian Federation allows recognizing the situation caused by the impossibility of operating an aircraft **under international restrictions (sanctions and countermeasures) as the loss of the aircraft** and use the abandonment mechanism?

Issue

The inability to operate an aircraft in the current situation may not be equated to the loss or damage to the aircraft

The possibility for the insured and the beneficiary to announce an abandonment is limited

Solution

Amendments to the legislation enabling the insurers to initiate recognition of aircraft as "sanctiones-related loss"

Idea:

- With regard to an insured aircraft that is subject to restrictive measures and may not be operated by the owner – to provide for the right of the insurer to register ownership of the aircraft to themselves and pay the insured (beneficiary) an insurance compensation amounting to the full sum insured.

Important:

- To protect the insurance companies against the necessity of making payments and registering ownership of all insured aircraft, the possibility of ownership transfer is contingent on the initiative of the insurer.

Who might be interested:

- insurance companies, leasing companies, airlines
- **Anticipated results:**
 - ✓ The insurer receives the asset (opportunity to make profit, resell).
 - ✓ The insureds (beneficiaries) receive commensurate compensation for the aircraft.
 - ✓ Leasing companies may purchase an aircraft from an insurance company for subsequent leasing or enter into an agreement with an insurance company, according to which:
 - part of the lease payment will be transferred to the insurance company, and/or
 - the lessee will be obliged (under the terms of the lease agreement) to insure their aircraft with an appropriate insurance company.





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