Arbitration Award Default Insurance (AADI) for Investor-State Disputes
Despite the protection provided by international investment treaties, holders of international arbitral awards remain exposed to the risk of non-compliance by the respondent.

Whether due to illiquidity or unwillingness, respondents to arbitrations can flout rulings, forcing claimants into the difficult and costly process of award enforcement.

A reliable solution

Arbitration Award Default Insurance (AADI) guarantees payment of a legally enforceable arbitral award against a sovereign entity 60 days after its failure or refusal to honour it. By matching the insurance market’s appetite for sovereign risk and debt enforcement with investors’ desire for certainty and returns, AADI provides protection against complex political and economic risks which can change drastically over the course of an arbitration.

AADI at a glance

- Cover available at any time prior to rendering of award
- Limit of liability equal to estimate of reasonable settlement
- Limited exclusions and conditions
- Instalments outside of policy period covered provided first payment falls within
- Policy periods of up to 7 years
- Claims paid 60 days after award
- After a claim, enforcement costs met initially by insurers
- Policies underwritten by Lloyd’s syndicates benefitting from its A+ S&P rating.
- Eligible respondent states must be New York Convention signatories
Experience, capacity and flexibility

30
years' experience of geopolitical sovereign credit risks

$4.7bn
Credit and political risk market capacity

$100m
Available Policy Limit

Insurer appetite and pricing is a function of a respondent state’s sovereign credit rating, political environment, the nature of the underlying claim and the surrounding political context of the arbitration. The case study below illustrates the range of possibilities in terms of period, limit of liability and premium with reference to a recently marketed arbitration.

Case study

Client: UK based investment firm

Respondent State	EU member state
Basis of Arbitration	Breach of BIT in relation to a renewable energy project
Forum	International Centre for Settlement of Investment Disputes

Policy period

<table>
<thead>
<tr>
<th>5 years</th>
<th>Limit of Liability</th>
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<tbody>
<tr>
<td>0 years</td>
<td>$50m</td>
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<tr>
<td>7 years</td>
<td>$0</td>
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Premium

<table>
<thead>
<tr>
<th>Pre-award on liability</th>
<th>Post-award on liability</th>
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<tbody>
<tr>
<td>60bps</td>
<td>120bps</td>
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| 0bps | 700bps |

Required underwriting information

- Case overview including:
  - Background to underlying investment
  - Basis of dispute
  - Quantum sought with rationale
  - Assessment of implications of default
- Q&A document (following insurers initial feedback);
- Copies of legal advice on key aspects of the arbitration identified by insurers
- Decision tree of potential outcomes