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The “Evergreen” Assumption: Rethinking Automatic Renewals in Letters of Credit

*By George H. Singer**

In this article, the author examines a recent court decision involving language in a standby letter of credit that looked remarkably like a conventional evergreen provision.

Letters of credit are supposed to provide certainty. In commercial finance, that certainty often depends not merely on the amount available under the instrument, but on its continued existence. A standby letter of credit provides a beneficiary with an independent payment obligation from an issuer, substituting—or at least supplementing—the issuer’s credit for that of the applicant.¹ When the letter of credit also contains an “evergreen” provision, the apparent protection is greater still: the instrument will remain available through successive renewal periods unless the issuer takes affirmative action to terminate the arrangement. An “evergreen” provision eliminates the need to obtain a replacement instrument each year. The conventional understanding is that the letter of credit remains in place.

Or so the beneficiary may assume.

The issue extends well beyond traditional lending transactions. Standby letters of credit are used as credit support in commercial leases, insurance programs, construction arrangements, regulatory obligations, and other commercial transactions in which a beneficiary expects the instrument to remain available for an extended period. In each setting, an assumption that an instrument will continue to renew can become consequential if the operative language does not produce that result.

A recent decision from the United States District Court for the Southern District of New York illustrates the danger in that assumption. In *Starr Indemnity & Liability Co. v. Midwest Mortgage Associates Corp.*,² Judge Jed S. Rakoff considered a letter of credit containing language that looked remarkably like a conventional evergreen provision. It provided that the letter of credit was “automatically extended without amendment for one (1) year” from its expiration date “or any future expiration date” unless the issuer gave at least

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¹ See, e.g., *Gilday v. Suffolk Cnty. Nat’l Bank*, 99 A.D.3d 1008, 1009 (N.Y. App. Div. 2012) (describing the credit-support function of letters of credit).

² 2026 U.S. Dist. LEXIS 10891 (S.D.N.Y. Jan. 21, 2026).

sixty days' notice that the letter of credit would not be renewed for an additional period.³ Starr, the beneficiary, understood that language to mean that the instrument automatically renewed each year unless the issuer opted out.

The court disagreed with the beneficiary's contention that the language created successive automatic renewals. Instead, it held that the phrase "any future expiration date" did not create a succession of automatic renewals. The provision provided for one automatic one-year extension. Unless the parties thereafter established another expiration date, there was no "future expiration date" from which another automatic extension could run. The letter of credit therefore expired in 2019—approximately six years before Starr attempted to draw upon it.⁴

The decision is important not because it establishes that evergreen letters of credit are disfavored. They are not. Nor does it hold that a particular talismanic phrase must be used to create one. Rather, *Starr* illustrates something both more mundane and more consequential: familiar language concerning "automatic extension," "future expiration dates," and "non-renewal" does not necessarily create the legal result that bankers, lawyers, credit officers, and beneficiaries may assume it does.

For financial institutions, the implications extend beyond drafting. The case raises three separate questions: What does the instrument actually say? Who determines whether it provides the collateral protection the parties intended? And who is responsible for making sure that protection remains in place years after closing? *Starr* suggests that the answer to the last two questions should never be: "The letter of credit says it is evergreen, so nobody needs to worry about it."

The concern is not merely theoretical. Standby letters of credit represent hundreds of billions of dollars of contingent obligations at U.S. banks. The issue therefore reaches beyond the interpretation of a single instrument: potentially similar auto-extension language appears in letters of credit already outstanding across the market.⁵

A LETTER OF CREDIT, EIGHT YEARS LATER

The underlying transaction in *Starr* was relatively straightforward. In 2017, GKD Management LP and A&G Commercial Trucking entered into a

³ Id. at *3.

⁴ Id. at *4-6.

⁵ Jacob Atkins, US court rulings cast doubt on 'evergreen' standby letters of credit, *Global Trade Review* (Aug. 12, 2026).

payment agreement with Starr Indemnity & Liability Company for insurance and risk-management services. The agreement required GKD to provide collateral securing its obligations to Starr. As part of that collateral package, GKD obtained a letter of credit from Midwest Mortgage Associates Corporation naming Starr as beneficiary.

There was, however, a problem from the outset. The payment agreement provided that a letter of credit would be acceptable collateral only if issued by a bank approved by the National Association of Insurance Commissioners (NAIC) and in a form acceptable to Starr. Midwest was not an NAIC-approved bank. Starr told GKD that it could not accept the letter of credit and explained that the problem could be cured either by replacing it with an instrument from an approved bank or by having an NAIC-approved bank affirm the letter of credit through an amendatory supplement. Neither occurred.⁶

The story then jumps forward approximately eight years.

In April 2025, Starr presented Midwest with a sight draft seeking payment under the 2017 letter of credit. Midwest rejected the draw, stating that the letter of credit had expired on October 16, 2022. No other reason for dishonor was given. Starr commenced litigation, initially in Colorado; the action was later transferred to the Southern District of New York. The parties eventually filed cross-motions for summary judgment.⁷

The court concluded that it needed to decide only a threshold issue: Was the letter of credit actually evergreen? If it was not, the instrument had expired before Starr attempted to draw, and Starr's claims necessarily failed. That narrow question ultimately disposed of the case.⁸

But the eight-year history is worth remembering. The dispute did not arise while lawyers were negotiating the letter of credit or while credit personnel were carefully reviewing a closing checklist. It arose years later, when the beneficiary needed the collateral. At that point, the value of the protection depended upon the meaning of language placed in an instrument in 2017. That is precisely when drafting assumptions become expensive.

AN EVERGREEN CLAUSE THAT WASN'T

The operative provision of the letter of credit stated: "This Letter of Credit is deemed to be automatically extended without amendment for one (1) year

⁶ Starr Indemnity & Liability Co. v. Midwest Mortgage Assocs. Corp., 2026 U.S. Dist. LEXIS 10891 *2 (S.D.N.Y. Jan. 21, 2026).

⁷ Id. at *2-3.

⁸ Id. at *3.

from the expiration date hereof or any future expiration date, unless sixty (60) days prior to such expiration date, we notify you . . . that this Letter of Credit will not be renewed for any such additional period.” Starr’s interpretation was intuitive. The letter of credit automatically extended for one year from its expiration date or “any future expiration date.” Each extension produced another expiration date. Unless Midwest sent the required sixty-day notice, another one-year extension followed. In other words, it was evergreen.⁹

Midwest argued that the provision did something considerably more limited. It provided one automatic extension from the original expiration date. The reference to a “future expiration date” accommodated the possibility that the parties might later amend the letter of credit to establish a different expiration date. But the provision did not itself establish an endless series of future expiration dates.¹⁰

Judge Rakoff agreed with Midwest. The court regarded the phrase “any future expiration date” as “perhaps less than artful,” but insufficient to make the letter of credit evergreen. In the court’s view, the most natural reading was that the language left open the possibility that the parties could subsequently agree to establish a new expiration date during the term. Without such an amendment, however, there was no new “future expiration date” from which another extension could run.¹¹

The result followed directly. The provision authorized one automatic renewal and contemplated possible later amendments. It did not provide for indefinite successive renewals. Once the one-year extension elapsed without another amendment, the letter of credit expired on October 15, 2019.¹² Starr’s 2025 draw therefore came approximately six years too late. The court entered summary judgment for Midwest, and final judgment followed on January 22, 2026.¹³

AUTOMATIC DOES NOT MEAN RECURRING

The result in *Starr* is particularly instructive because Starr’s reading was hardly frivolous. An experienced commercial lawyer encountering the provision outside the context of litigation could readily understand it to describe an evergreen letter of credit. It contained nearly every familiar signal: automatic

⁹ Id.

¹⁰ Id. at *3-4.

¹¹ Id. at *4.

¹² Id. at *4-6.

¹³ Id. at *6; Judgment, *Starr Indem. & Liab. Co. v. Midwest Mortg. Assocs. Corp.*, No. 25-cv-4874 (JSR) (S.D.N.Y. Jan. 22, 2026).

extension, no amendment requirement, future expiration dates, advance notice, and a procedure for nonrenewal. The problem was not that Starr's interpretation was commercially irrational. The problem was that the language did not state with sufficient clarity that the extension mechanism would repeat for successive periods. The provision contained several of the ingredients commonly associated with an evergreen letter of credit. Yet those ingredients did not add up to an evergreen instrument. The drafting vulnerability becomes clearer when *Starr* is compared with the cases on which *Starr* relied.

There is also a respectable textual argument on the other side. The first automatic extension necessarily produced a new expiration date. One could therefore read that new date as a "future expiration date" within the same provision, triggering another one-year extension unless Midwest gave the prescribed notice of nonrenewal. The provision's references to notice before "such expiration date" and nonrenewal for "any such additional period" arguably reinforce that reading. Judge Rakoff rejected that construction, concluding instead that a future expiration date had to arise from a subsequent agreement or amendment. But the competing interpretation underscores the practical point: the language was sufficiently suggestive of recurring renewal that sophisticated parties could reasonably understand the same words differently.¹⁴

Golden West Refining

In *Golden West Refining Co. v. SunTrust Bank*,¹⁵ the Ninth Circuit considered a letter of credit with materially different renewal language. There, the instrument provided that it would expire one year from its date but would be automatically renewed without amendment for "additional one year periods." Those words mattered.¹⁶

The Ninth Circuit treated the provision as an evergreen mechanism and rejected the issuer's contention that its potentially indefinite duration made it "perpetual" within the meaning of U.C.C. § 5-106(d).¹⁷ Yet, Judge Rakoff found the comparison damaging rather than helpful to Starr. The *Golden West*

¹⁴ See Paul M. Roder, Not So Evergreen: Court Limits Duration of Auto-Extension Clause in Letter of Credit, *Documentary Credit World* (Mar. 2026) (questioning the court's interpretation of the auto-extension clause and discussing its potential industry consequences).

¹⁵ 538 F.3d 1233 (9th Cir. 2008).

¹⁶ *Id.* at 1238.

¹⁷ *Id.* at 1239-41.

language expressly contemplated additional periods. The *Starr* instrument did not.¹⁸

Michigan Commerce Bank

The same was true in *Michigan Commerce Bank v. TDY Industries, Inc.*¹⁹ There, the letter of credit provided that it would “automatically renew on a month to month basis.” The court rejected the issuer’s argument that the instrument should be treated as perpetual and therefore subject to U.C.C. § 5-106(d)’s five-year limitation. The court relied substantially on *Golden West* in concluding that an evergreen renewal provision does not become “perpetual” merely because repeated renewals could allow the instrument to remain outstanding for an indefinite period.²⁰

Again, Judge Rakoff saw the contrast as decisive. “Automatically renew on a month to month basis” unmistakably contemplates repetition. The language before him did not.²¹

Regions Bank

Starr is not alone in insisting that an automatic-extension provision actually express repetition. Less than a year earlier, a nonprecedential Illinois appellate order reached a similar conclusion in *People ex rel. Department of Natural Resources v. Regions Bank*. The letter of credit there provided that it would “automatically extend for an additional term of One (1) year” unless the issuer gave timely notice that it did not wish to extend the instrument “for an additional period.”²²

The court held that the provision authorized only a single one-year extension. It focused particularly on the singular formulation—“an additional term”—and observed that the drafters could have used the plural “additional terms” but did not. The letter of credit therefore expired in 1987 and was no longer in force when the beneficiary attempted to draw in 2016.

Taken together, the cases reveal a useful drafting continuum. Language providing for an automatic extension for one year, or even “an additional term” of one year, may establish only one extension. *Starr* demonstrates that adding

¹⁸ *Starr Indemnity & Liability Co. v. Midwest Mortgage Assocs. Corp.*, 2026 U.S. Dist. LEXIS 10891 *5 (S.D.N.Y. Jan. 21, 2026).

¹⁹ No. 1:11-cv-235 (W.D. Mich. Dec. 1, 2011).

²⁰ *Id.* at *1-4.

²¹ *Starr*, 2026 U.S. Dist. LEXIS 10891 at *5.

²² 2025 IL App (4th) 230085-U, ¶¶ 1-2, 18 (Mar. 27, 2025) (unpublished order under Illinois Supreme Court Rule 23).

a reference to “any future expiration date” may still be insufficient. By contrast, provisions referring to “additional one year periods,” renewal on a “month to month basis,” or “successive one year periods” expressly supply the iterative concept that the more vulnerable formulations leave to implication. The drafting question is therefore not simply whether an extension is automatic. It is whether the language makes clear that the automatic-extension mechanism resets and operates again after each extension.

The drafting lesson is therefore straightforward: *If repeated renewal is intended, say that renewal repeats.* “Automatically extended for one year” and “automatically renewed for successive additional one-year periods” may sound functionally similar across a conference table. *Starr* demonstrates that a court may find them legally quite different.

EVERGREEN DOES NOT MEAN PERPETUAL

The dispute also implicated a separate issue under Article 5 of the Uniform Commercial Code: the difference between an evergreen letter of credit and a perpetual one.

New York U.C.C. § 5-106 addresses the duration of letters of credit. If an instrument contains no stated expiration date or other provision determining its duration, it expires one year after its stated date of issuance—or, if no issuance date is stated, one year after issuance.²³ Article 5 treats the absence of an expiration date and an express statement of perpetuity separately. A letter of credit that “states that it is perpetual” expires after five years.²⁴

Midwest argued in the alternative that even if its primary interpretation failed, the letter of credit could not have survived indefinitely because of the five-year limitation applicable to perpetual instruments. Starr responded that an evergreen instrument is not the same thing as a perpetual one. Judge Rakoff did not need to decide the issue because he concluded that the instrument was neither evergreen nor perpetual. Its own language caused it to expire in 2019.

The distinction nevertheless warrants attention. An evergreen letter of credit can theoretically continue for many years, but it does so through a series of discrete renewal periods. It has an expiration date. It simply contains a mechanism that establishes another term if the specified nonrenewal event does not occur. A perpetual letter of credit is conceptually different. Section 5-106(d) expressly addresses a letter of credit that *states* that it is perpetual. The statute does not say that any instrument capable of continuing indefinitely through successive renewals is deemed perpetual.

²³ N.Y. U.C.C. § 5-106(c).

²⁴ *Id.* § 5-106(d).

That textual distinction was central to *Golden West*. SunTrust argued that because successive automatic renewals could permit the credit to continue indefinitely, the instrument was effectively “perpetual” and therefore subject to § 5-106(d)’s five-year limit. The Ninth Circuit rejected the argument. Potentially indefinite duration was not enough; the statute applies to a letter of credit that actually “states that it is perpetual.”²⁵

Michigan Commerce Bank reached the same conclusion. It reasoned that treating every potentially indefinite evergreen arrangement as perpetual would effectively extend § 5-106(d) beyond the category the statutory language identifies.²⁶

The distinction is commercially sensible. An instrument that continues through successive one-year terms, but allows termination through a defined nonrenewal procedure, is not functionally identical to an unconditional promise to remain outstanding forever. For drafting purposes, therefore, “evergreen,” “indefinite,” and “perpetual” should not be used interchangeably.

THE LIMITS OF THE INDEPENDENCE PRINCIPLE

The independence principle lies at the heart of modern letter-of-credit law. Article 5 of the Uniform Commercial Code expressly provides that the issuer’s rights and obligations to the beneficiary are independent of the “existence, performance, or nonperformance” of the underlying transaction between the applicant and beneficiary.²⁷ That independence is a principal reason standby letters of credit function so effectively as credit support: a dispute over the underlying obligation ordinarily does not prevent payment upon a complying presentation.²⁸ But independence does not mean immortality.

The issuer’s independent undertaking nevertheless remains governed by the terms of the instrument. Article 5 makes a letter of credit enforceable “according to its terms,” and those terms necessarily include its duration. A beneficiary therefore must make a complying presentation while the letter of credit remains available. The independence principle cannot revive an undertaking that has already expired. That proposition sounds obvious. Operationally, however, *Starr* demonstrates how easily it can become obscured. Once an institution categorizes a letter of credit internally as “evergreen,” the expiration

²⁵ *Golden West Refining Co. v. SunTrust Bank*, 538 F.3d 1233 (9th Cir. 2008).

²⁶ *Michigan Commerce Bank v. TDY Industries, Inc.*, No. 1:11-cv-235 (W.D. Mich. Dec. 1, 2011).

²⁷ N.Y. U.C.C. § 5-103(d).

²⁸ *Banco Nacional de México, S.A. v. Société Générale*, 34 A.D.3d 124, 820 N.Y.S.2d 588 (1st Dept. 2006).

issue may disappear from ordinary monitoring. The document is assumed to take care of itself. That is exactly the assumption financial institutions should reconsider.²⁹

THE COLLATERAL ADMINISTRATION PROBLEM

Transactional lawyers will naturally focus on the drafting problem in *Starr*. Credit and risk professionals should focus equally on what happened after issuance.

Recall the chronology. Starr received the letter of credit in 2017. Starr itself concluded at the time that the instrument was unacceptable because Midwest was not an NAIC-approved bank. Starr advised that replacement or affirmation by an approved institution was necessary. That never happened. Approximately eight years later, Starr nevertheless attempted to draw on the instrument. The opinion does not explain the internal collateral-management history during those intervening years, and one should not speculate about it. But the undisputed chronology poses an obvious question for every institution holding letters of credit as collateral: What would our system have done with this instrument?

A sound collateral-management process should not treat “evergreen” as synonymous with “no further review required.” In fact, the better approach may be the reverse. Because an evergreen letter of credit is intended to remain in place for an extended period, its continued effectiveness warrants systematic monitoring.

At a minimum, the collateral record should identify the original expiration date, the precise renewal terms, the deadline for any nonrenewal notice, the method by which such notice may be given, and the persons responsible for responding if notice is received. It should also distinguish between the *contractual expiration date* and the *internal review date*. If an issuer must give sixty days’ notice of nonrenewal, the beneficiary’s first internal reminder should not arrive on day 59. The institution needs enough advance time to verify continued effectiveness, identify any notice, communicate with the applicant, and obtain substitute collateral if necessary.

An evergreen clause should reduce transactional friction. It should not eliminate collateral controls. The consequence of getting this wrong is not merely that a particular draw may be dishonored. Expiration can change the beneficiary’s credit position altogether. A beneficiary that believed it had the independent credit of an issuing bank supporting the underlying obligation

²⁹ See N.Y. U.C.C. § 5-106(a).

may discover that it is left instead with whatever rights it has against the applicant. That is a materially different credit risk—and precisely the risk the letter of credit may have been obtained to avoid.

THE ISSUER'S SIDE OF THE EQUATION

Starr also presents the issue from the issuer's side. The distinction is not absolute: banks may be issuers in some standby transactions and beneficiaries in others, including where standbys support credit facilities or counter-issuance arrangements. Issuers should care about precise evergreen drafting for the opposite reason. Ambiguous renewal provisions can produce disputes over obligations that the issuer believed had terminated years earlier. That risk is not merely technical. The credit decision an issuer makes when it issues a letter of credit may look quite different years later. A continuing letter-of-credit obligation is also a continuing extension of credit to the applicant. If *Starr's* interpretation had prevailed, Midwest would have remained exposed on an instrument issued in 2017 through 2025, notwithstanding its position that the letter of credit had long since expired. In the meantime, the applicant's credit profile—and the issuer's willingness to assume that credit risk—could have changed materially. Construing an ambiguous renewal provision to continue indefinitely can therefore extend the issuer's credit exposure well beyond the period the issuer believed it had undertaken.

A bank intending to issue a one-year standby with only one automatic extension should make that limitation explicit. Conversely, if successive automatic renewals are intended, the instrument should say so clearly and should specify the issuer's right and procedure to stop renewal.

The distinction matters to more than litigation exposure. An institution needs to know which contingent liabilities remain outstanding. A letter of credit thought to have expired but later asserted to have automatically renewed can create problems for credit administration, reserves, customer relationships, and records retention. The safest language is language that leaves neither side needing a judicial opinion to determine whether another renewal occurred.

DO NOT LET THE LABEL DO THE LEGAL WORK

One practical problem with standardized financial documentation is that shorthand eventually replaces analysis. "Evergreen" is useful shorthand. But it is not operative language.

A document can be described in an email, closing checklist, credit approval, collateral schedule, or loan system as an "evergreen LOC" without actually containing a legally sufficient evergreen mechanism. Conversely, a document need not necessarily use the word "evergreen" to create successive automatic renewals. The instrument itself controls. That means a proper review should not

ask only: Is the letter of credit evergreen? It *should* ask: What language causes the credit to remain outstanding after each expiration date? That formulation forces the reviewer to identify the operative mechanism rather than the label.

Starr demonstrates the difference. The instrument contained a mechanism that unquestionably produced an automatic extension. The problem was that, as construed by the court, nothing in the language caused that mechanism to repeat indefinitely.

A PRACTICAL REVIEW PROTOCOL

The decision suggests several questions that banks, other beneficiaries, and their counsel should incorporate into their review of standby letters of credit.

First, does the instrument expressly contemplate successive renewals? Terms such as “successive,” “additional one-year periods,” “each anniversary,” or comparable language can remove the uncertainty that proved dispositive in *Starr*. The particular formulation will depend on the transaction and governing rules, but repetition should be expressed rather than inferred.

Second, what creates the next expiration date? This is perhaps the most useful question to emerge from *Starr*. If the answer is merely that the existing provision refers to a “future expiration date,” determine how that future date actually comes into existence.

Third, is the nonrenewal provision integrated with the renewal mechanism? A provision requiring notice that an instrument “will not be renewed” may strongly suggest that renewal was contemplated. *Starr* nevertheless demonstrates that a nonrenewal clause should not be relied upon as a substitute for operative language creating successive renewals.

Fourth, are the issuer and form independently acceptable? The letter of credit in *Starr* had a separate problem from inception: *Starr* had concluded that Midwest was not an acceptable issuer under the parties’ underlying agreement. Issuer eligibility, form requirements, amount, draw conditions, expiration, governing rules, and renewal mechanics are separate diligence questions.

Fifth, what law and incorporated rules govern the instrument? A standby may incorporate ISP98 or another set of letter-of-credit rules in addition to applicable Article 5 law. When incorporated, those rules are part of the interpretive framework and should be reviewed together with the instrument’s own expiration, extension, and nonrenewal language.³⁰ The distinction is illustrated by ISP98 Model Form 2, which provides that the expiration date is

³⁰ See, e.g., *BasicNet S.p.A. v. CFP Servs. Ltd.*, 127 A.D.3d 157, 166-67 (1st Dept. 2015) (discussing ISP98 rules incorporated into standby letters of credit which requires a standby letter

automatically extended for “successive one year periods” unless the issuer gives notice before the “then current expiration date,” while also specifying an outside date beyond which automatic extension will not occur. Those concepts address the ambiguity exposed in *Starr*: the extension is expressly successive, the operative expiration date changes with each extension, and the renewal mechanism has an identified endpoint.³¹

An outside expiration date can provide useful certainty, but it is not costless from the beneficiary’s perspective. The outside date should be coordinated with the duration of the underlying obligation and any period during which a draw may still be necessary. Otherwise, a provision intended to eliminate uncertainty about the issuer’s exposure may create a different collateral gap for the beneficiary.

Sixth, who monitors the letter of credit after closing? The file should identify responsibility. A lawyer negotiating a perfect evergreen provision does little good if a subsequent nonrenewal notice reaches an unattended address or no one follows the collateral after the transaction closes.

Finally, has someone actually read the instrument recently? For outstanding letters of credit, periodic verification is inexpensive compared with discovering at the time of a draw that the beneficiary and issuer have spent years operating under different understandings.

EXISTING FORMS DESERVE ANOTHER LOOK

The practical response to *Starr* should not be limited to revising forms. Indeed, the market response suggests that institutions are already looking backward as well as forward. Industry participants have reported renewed scrutiny of evergreen provisions following *Starr* and *Regions Bank*, including review of outstanding instruments and efforts to standardize auto-extension language. Industry groups have likewise encouraged banks to examine whether existing forms clearly reflect the intended commercial result.³²

Banks and other institutions that routinely rely on standby letters of credit should consider reviewing existing instruments that have been coded or characterized as evergreen. That does not mean *Starr* renders other language

of credit to either contain an expiry date or to permit the issuer to terminate upon reasonable prior notice).

³¹ Institute of International Banking Law & Practice, ISP98 Form 2—Model Standby Letter of Credit Providing for Extension (providing for automatic extension for “successive one year periods” unless notice is given before the “then current expiration date,” subject to an outside expiration date).

³² Atkins, *supra*.

ineffective; its holding is necessarily language-specific. The narrower question is whether existing instruments actually say what the institution's systems assume they say.

A targeted review can begin with older letters of credit having significant outstanding amounts, instruments approaching renewal dates, collateral securing higher-risk obligations, and forms containing language similar to that construed in *Starr*.

The review may reveal nothing problematic. But discovering an issue while replacement collateral can still be requested is considerably preferable to discovering it when a draw is necessary. The same exercise makes sense for issuer forms. If a bank's standard template is intended to produce successive automatic renewals, the form should be tested against the textual distinction drawn in *Starr*. If it is intended to provide only one automatic extension, that should be equally unmistakable.

Where an outstanding instrument contains potentially vulnerable renewal language, the appropriate response may be more than heightened monitoring. Depending on the circumstances, the beneficiary should consider seeking an amendment or replacement instrument expressly providing for successive renewals or obtaining written confirmation from the issuer of the operative expiration date before relying further on the instrument.

WHEN BOILERPLATE OUTLIVES THE DEAL

There is a tendency in transactional practice to regard boilerplate as the least interesting portion of a document. Often, it is the portion with the longest life.

Deal-specific economic terms receive intense attention because their importance is immediately apparent. Standard provisions migrate from transaction to transaction precisely because they are familiar. Over time, lawyers and business personnel may stop asking what the language actually accomplishes and begin relying on what the provision is called.

Letters of credit are particularly unforgiving of that habit. Their utility depends heavily upon documentary precision. The issuer's undertaking is independent because it is documentary; the same characteristic makes the words chosen to define that undertaking especially important.

Starr is therefore a useful reminder of a broader principle of financial documentation: familiarity with a provision is not the same as certainty about its effect.

The provision before Judge Rakoff looked enough like an evergreen clause that sophisticated parties litigated its meaning through summary judgment. But when the court compared the language with genuine successive-renewal

provisions, the missing concept became apparent. The instrument said what happened at an expiration date. It did not adequately say that the same thing would happen again at the next one.

CONCLUSION

The difference between an evergreen letter of credit and a letter of credit that merely receives one automatic extension may be only a handful of words. In *Starr Indemnity & Liability Co. v. Midwest Mortgage Associates Corp.*, those words determined whether a beneficiary possessed enforceable collateral or an instrument that had expired approximately six years before it was presented for payment. Judge Rakoff concluded that the letter of credit provided for one automatic extension, not successive automatic renewals. Because it expired in 2019, Midwest properly refused Starr's 2025 draw, and summary judgment was entered in Midwest's favor.³³

The lesson should not be overstated. *Starr* does not undermine evergreen letters of credit, nor does it establish a universal formula that must appear in every automatic-renewal provision. What it does is expose the risk of allowing a familiar label to substitute for careful examination of the operative language.

For issuers, the lesson is precision: say whether an extension occurs once or continues for successive periods, and specify how the renewal cycle ends. Beneficiaries should be equally exacting. Familiar terms such as "automatically extended," "future expiration date," and "non-renewal" are no substitute for identifying the contractual mechanism that actually creates the next term. And for the finance or collateral-administration department, a letter of credit should not disappear from the calendar simply because someone has coded it as "evergreen."

The best time to determine whether a letter of credit will still be there when it is needed is not when the beneficiary submits the draw.

³³ Starr, 2026 U.S. Dist. LEXIS 10891 at *4-6.