

TRADE CREDIT INSURANCE TERMS AND CONDITIONS

No. 15K-2



**APPROVED by BTA Baltic Insurance Company AAS
Management Board Decision No. LVB1_0002/02-03-03-2018-72 of 12 June 2018
Effective as of 20 June 2018**

BTA Baltic Insurance Company AAS shall conclude trade credit insurance contracts in accordance with these Terms and Conditions and the General Insurance Terms and Conditions effective at the moment of insurance contract conclusion.

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1. TERMS USED

Policyholder – a legal entity, which has sold goods or rendered services to Buyers on credit and has entered into Insurance Contract on Trade Credit Insurance.

Insurance Contract - An agreement between BTA and the Policyholder according to which the Policyholder undertakes to pay the Insurance Premium in the manner, time and amount as specified in the Insurance Contract, as well as to meet other obligations under the Insurance Contract. In its turn, BTA undertakes, upon occurrence of an insured event, to pay out Insurance Indemnity in compliance with the contract terms. Insurance Contract consists of the following:

- Application for credit insurance;
- Trade Credit Insurance Terms and Conditions No.15K-2;
- Insurance policy, which is confirmation of the conclusion of the Insurance Contract and which contains the special provisions of the Insurance Contract;
- BTA Credit Limit Decisions;
- Credit turnover declarations;
- other documents.

Insured – a person, with respect to which all the following provisions are true: it has an interest to insure, Insurance Contract is concluded in its favour, it sustains losses in case of occurrence of an insured event, and insurance indemnity is payable to it.

Beneficiary – a legal entity, which is indicated in the insurance policy or in Credit Limit Decision and the recipient of any payable insurance Indemnity or its part in cases defined in the insurance contract or Credit Limit Decision.

BTA – BTA Baltic Insurance Company AAS, unified registration number: 40103840140, an insurer for the purposes of the Insurance Contract Law.

Waiting Period – a period wherein the Policyholder, through his own efforts, conducts debt recovery from the Buyer. The Waiting Period starts immediately after expiry of the Credit Period and lasts for the time period specified in the Credit Limit Decision.

Credit Limit Decision – a document issued by BTA, specifying special provisions for credit insurance of a particular Buyer.

Credit Limit – liability limit, specified in the Credit Limit Decision, of BTA for a particular Buyer's debt amount.

Annual Credit Turnover – A total sum of all Payment Documents that the Policyholder has issued to the Buyer for goods sold and services rendered during the Insurance Period on credit within the Credit Turnover declaration period.

Credit Period – a time period, during which the Buyer has to pay for the goods or services received on credit in accordance with a respective Payment Document. The credit period starts from the day of issuance of the respective Payment Document.

Payment Document – a document issued by the Policyholder, on the basis of which the Buyer pays for goods or services received on credit.

Deductible – a proportionate part of outstanding payment obligations of the Buyer that will not be indemnified by BTA. The minimum amount of the deductible shall be specified in the Insurance policy. The amount of the deductible may be increased in the amount and on cases specified in these Terms and Conditions.

Buyer – a legal entity, to whom the Policyholder has sold goods or rendered services on credit and regarding whom BTA has approved the Credit Limit.

2. INSURANCE OBJECT

2.1. The Insurance Object is a proprietary interest of the Insured not to incur losses due to the Buyer's failure to fulfil payment obligations for goods or services received on credit.

3. INSURANCE PROTECTION AND ITS EFFECTIVE PERIOD

3.1. Insurance Protection – BTA will pay Insurance Indemnity to the Insured, in accordance with the terms of the concluded Insurance Contract, covering the amounts not paid by the Buyer based on Payment Documents.

3.2. Debts not Covered by Insurance – the insurance does not cover the Buyer's debts ensuing from the Payment Documents issued to the Buyer in the following cases:

3.2.1. after cancellation or exceeding the Credit Limit defined for a certain Buyer, except for cases specified in these Terms and Conditions;

3.2.2. after expiry of the validity period of the Credit Limit defined for a particular Buyer, if any;

3.2.3. after occurrence of an insured event related to the particular Buyer;

3.2.4. after the particular Buyer has been late on any payment obligations by more than 30 (thirty) calendar days;

3.2.5. before the first day of the Insurance Period;

3.2.6. after the last day of the Insurance Period;

3.2.7. for goods sold or services rendered before the first day of the Insurance Period;

3.2.8. for goods sold or services rendered after the last day of the Insurance Period.

3.3. Insurance protection on payment obligations of a particular Buyer – Insurance protection for payment obligations of a particular Buyer shall be only valid provided BTA has approved the Buyer's Credit Limit and duly informed the Policyholder (by "due informing" herein shall be considered delivery of information in the manner agreed upon by BTA and the Policyholder in the Insurance Contract). In this case, insurance protection shall take effect at 00:00 hrs. on the date specified in the BTA-issued Credit Limit Decision and shall be valid until expiry of the Insurance Contract, with the exception of the following cases:

3.3.1. the Credit Limit for the Buyer was approved by the Credit Limit Decision to a certain term;

3.3.2. BTA revokes the Credit Limit for the Buyer upon its own or the Policyholder's initiative.

4. EXCEPTIONS

4.1. Exceptions – a case shall not be considered an insured event and the insurance indemnity shall not be paid, if:

4.1.1. Forbidden goods or services – delivered goods that are not removed from the scope of private law or rendered services, provision of which is forbidden by the effective regulatory enactments;

4.1.2. Non-fulfilment of the Policyholder's obligations – the reason of non-fulfilment of the Buyer's obligations is non-fulfilment of obligations of the Policyholder, the Insured or the Beneficiary;

4.1.3. Non-closure of deal and agreement – agreement on provision of goods or rendering services has not been concluded or the deal has not taken place;

4.1.4. Unidentified Buyer – buyer can not be identified;

4.1.5. Dispute regarding receipt of goods or services – there is a dispute between the Buyer and the Policyholder regarding receipt of goods or services. In this case the provisions of Article 8.4 hereof shall apply;

4.1.6. Dispute regarding payment obligation – there is a dispute between the Buyer and the Policyholder regarding payment obligation. In this case the provisions of Article 8.4 hereof shall apply;

4.1.7. Insolvency of the Buyer – the Buyer has been declared insolvent according to the effective legal procedure or legal or out-of-court protection procedure has been declared with respect to the Buyer prior to delivery of goods or rendering of services;

- 4.1.8. Non-delivery of goods, services** – goods have not be delivered or services have not be received;
- 4.1.9. Natural disasters, war, etc.** – non-fulfilment of the Buyer’s obligations is caused by natural disasters, occupation by foreign forces;
- 4.1.10. Payment Document issuance date** – Payment Documents have been issued and submitted to the Buyer later than on the fifteenth day from the date when the goods were sold or services provided unless the respective deal has been assigned a longer term by the Value Added Tax Law;
- 4.1.11. Debt payment term** – the debt payment term determined in the Payment Document issued to the Buyer exceeds the Credit Period specified in the Credit Limit Decision;
- 4.1.12. Failure to take any measures to recover debt** – the Policyholder, during the Waiting Period, has not taken all the necessary measures to recover the debt from the Buyer regarding the delivered goods or provided services.
- Failure to declare the Buyer’s liabilities** – the Policyholder has failed to submit the credit turnover declaration for the particular Buyer;
- Failure to notify about an overdue payment past due more than 30 days** – the policyholder has failed to notify about an overdue payment past due more than 30 days for more than 2 (two) business days.

4.2. BTA shall not indemnify for:

- 4.2.1. Indirect losses** – indirect losses, loss of profit and non-derived income, any contractual or legal sanctions, including penalties, fines and delay charges, losses related to currency conversion, as well as expenses related to litigation;
- 4.2.2. Debts of companies having qualifying holdings** – debts of commercial enterprises wherein the Policyholder, the Insured or the Beneficiary has a direct or indirect controlling stake or wherein the Policyholder, the Insured or the Beneficiary can in any other way influence decision-making;
- 4.2.3. National and municipal debts** – debts of state-owned or municipal establishments.

5. SUM INSURED AND CREDIT LIMITS

- 5.1. Maximum amount of insurance indemnity** – the total amount of insurance indemnities under an Insurance Contract may not exceed the sum insured specified in the Insurance Contract.
- 5.2. Buyer’s Credit Limit** – BTA sets a Credit Limit for each Buyer, which is specified in the Credit Limit Decision.
- 5.3. Changes in the Credit Limit** – BTA is entitled to unilaterally cancel, reduce, restrict or change the Credit Limit in any other way at any moment. Changes to the Credit Limit take effect from the date specified in a respective BTA Credit Limit Decision, or as specified in these Terms and Conditions, provided that the Policyholder has been notified thereof by BTA.
 - 5.3.1.** The Policyholder is entitled to request BTA to increase or reduce the Credit Limit granted to the Buyer.
 - 5.3.2.** In case of an increase of BTA Credit Limit, the new Credit Limit Decision shall have a retroactive force of 5 (five) days, on the provision that the respective Buyer has no outstanding payments past 30 days due at the effective date of the new Credit Limit Decision.
 - 5.3.3.** In case of a reduction of Credit Limit, the reduced Credit Limit shall take effect on the next day after its adoption.
 - 5.3.4.** When the Credit Limit for the Buyer is not valid due to the reason specified in Article 3.2.4 herein, then the previously granted Credit Limit shall not be automatically restored after this Buyer has settled its payment obligations.
- 5.4. Credit Limit for successively concluded Insurance Contracts** – With respect to successively, without interruption, concluded contracts, or with extended insurance period, the previously granted Credit Limits shall remain in effect until to the moment when BTA has notified the Policyholder of other Credit Limits.

6. INSURANCE PREMIUM AND ITS PAYMENT PROCEDURE

- 6.1. Submission of Credit Turnover Declaration** – The Policyholder shall submit to BTA a completed Credit Turnover declaration no later than within 20 (twenty) business days after expiry of the Insurance Period or in the case of early termination of the Insurance Contract, indicating the actual annual Credit Turnover of the Buyers.
- 6.2. Adjustment of the Insurance Premium if the planned turnover has been exceeded** – If the actual annual Credit turnover of Buyers exceeds the amount specified in the Insurance Contract, then BTA calculates an additional Insurance Premium by multiplying the part of the actual Credit turnover in excess of the turnover specified in the Insurance Contract by the Insurance Premium rate specified in

the Insurance Contract. The Policyholder shall pay to BTA the additional Insurance Premium no later than within 10 (ten) business days after receiving a respective invoice from BTA.

6.3. Adjustment of the Insurance Premium if the planned turnover is not reached – If the actual total Credit Turnover with Buyers within the Insurance Period has been less than the amount specified in the Insurance Contract and no Insurance Indemnity has been paid out during the Insurance Period, and if the Policyholder and BTA conclude a new consecutive Insurance Contract between them taking effect no later than on the day immediately following the expiry date of the previous Insurance Contract, or the Insurance Contract is extended for the next insurance period, then BTA will calculate the respective part of the Insurance Premium and refund it to the Policyholder. In any case, the refundable Insurance Premium shall not exceed 20% (twenty per cent) of the Insurance Premium specified in the previous Insurance Contract.

6.3.1. If BTA has received a notification of a potential insurance event within the respective Insurance period, the decision regarding the refundable part of the Insurance Premium shall be made after handling the potential insured event.

6.4. Repayment of the Insurance Premium share upon early termination of the Insurance Contract – Upon early termination of the Insurance Contract, BTA will repay the Policyholder a part of the Insurance Premium for each full calendar month remaining till expiry of the Insurance Contract, withholding the expenses related to conclusion of the Insurance Contract at the rate of 15% (fifteen per cent) of the Insurance Premium specified in the Insurance Contract, provided that BTA has not paid out any Insurance Indemnity under the Insurance Contract. If BTA has already paid out the Insurance Indemnity, then the aforementioned share of the Insurance Premium shall not be repaid to the Policyholder. If, prior to early termination of the Insurance Contract, BTA receives a notification of a potential insurance event, the question of the refundable part of the Insurance Premium shall be postponed till settlement of the potential insured event.

7. RIGHTS AND OBLIGATIONS OF THE POLICYHOLDER AND THE INSURED

7.1. The Policyholder will be obliged to comply with the recommendations provided by BTA regarding debt recovery procedures. A failure by the Policyholder to comply with the recommendations provided by BTA regarding debt recovery procedures and protection of rights may be considered as failure to conduct all the necessary activities to recover the debt from the Buyer, resulting in consequences described in Article 7.5 herein.

7.2. Obligations after the insurance protection comes into effect – The Policyholder, after the insurance protection taking effect, shall be obliged to comply with the duties described in the General Insurance Terms and Conditions and the ones listed below:

7.2.1. to request BTA for Credit Limits that would sufficiently cover the potential debt amounts for each and all Buyers. If the debt amount of a particular Buyer exceeds the Credit Limit determined for such Buyer, then the Policyholder shall approach BTA to increase a respective Credit Limit;

7.2.2. to immediately provide BTA with any requested information on fulfilment of payment obligations ensuing from the Payment Documents of a particular Buyer;

7.2.3. no later than within 15 (fifteen) business days, notify BTA about any case, when the Buyer has been late on any Payment Document for more than 30 (thirty) calendar days. The notification shall list all the outstanding invoices, including ones not yet due;

7.2.4. immediately or as soon as possible, to notify BTA of any dispute arising or existing between the Policyholder, the Insured or the Buyer;

7.2.5. immediately or as soon as possible to notify BTA if the Policyholder gets to know any information giving a reason to think that a Buyer is or will not be able to fulfil his obligations.

7.3. Upon occurrence of a potential Insured Event – The Policyholder shall be obliged to comply with the duties described in the General Insurance Terms and Conditions and the ones listed below:

7.3.1. immediately, as soon as possible, to notify BTA of occurrence of a potential insured event and provide BTA with all information and documents acknowledging the non-fulfilment of a Buyer's payment obligations and the amount thereof;

7.3.2. to notify BTA of other effective insurance contracts entered into by the Policyholder in relation to the Insurance Object;

7.3.3. upon occurrence of the insured event and upon receipt from BTA of a respective claim, no later than within 20 (twenty) business days, to transfer to BTA the subrogation rights and related rights ensuing therefrom, including rights for guarantees, bonds, mortgage, insurance policies and other forms guaranteeing fulfilment of obligations, in the amount of the payable Insurance Indemnity, as well as to submit all documents acknowledging such claims.

7.4. Obligations of the Insured and the Beneficiary – The Insured and the Beneficiary are under obligation to notify BTA of non-fulfilment of the Buyer's payment obligations and submit documents acknowledging nonfulfillment of the Buyer's payment obligations and the amount thereof, if such information or documents are in possession of the Insured or the Beneficiary.

7.5. Consequences of non-fulfilment of obligations – If the Policyholder, through malicious intent or gross negligence, has failed to fulfil any of the obligations referred to in Articles 7.2 and 7.3 and sub-articles thereof, or if the Insured or the Beneficiary, through malicious intent or gross negligence, failed to fulfil any of the obligations referred to in Article 7.4, then BTA is entitled to reject payment of the Insurance Indemnity. BTA can reduce the Insurance Indemnity by 25% (twenty-five per cent), if the Policyholder or the Insured fails to fulfil any of the obligations referred to in this section.

8. INSURANCE INDEMNITY

8.1. Insured event – An Insured event shall be considered to have occurred, depending on what comes first, when:

8.1.1. the Buyer, after expiry of the Waiting Period, has not fulfilled the payment obligations in accordance with the Payment Documents;

8.1.2. The Buyer has failed to fulfil the payment obligations in accordance with the Payment Documents before a Buyer has been declared insolvent or an out-of-court protection process has been declared.

8.2. Amount of the insurance indemnity – Insurance Indemnity is defined as the difference between the amount due to the Policyholder from the Buyer in accordance with the Payment Document and the actual amount received by the Policyholder, less the Value Added Tax (VAT) and other taxes and less the deductible. Moreover, the VAT and other taxes according to a payment document shall be refunded only when the Policyholder is able to submit supporting documents that they are not, neither will be in the future, refunded by the state. The insurance indemnity payable for a single case of nonfulfillment by the Buyer of payment obligations shall not exceed the Credit Limit specified for such Buyer in the Credit Limit Decision. BTA is entitled to withhold the outstanding share of the Insurance Premium from the calculated Insurance Indemnity.

8.2.1. Size of Deductible – The size of deductible specified in the insurance policy shall be increased in the following cases and amount:

8.2.1.1. When the Policyholder has been late with the Credit declaration submission term (Article 6.1 herein) by more than 10 business days – by 5 percentage points;

8.2.1.2. The Policyholder has requested and the Insurer has approved a shortened Waiting Period for a Buyer:

- for 60 calendar days – by 20 percentage points;

- for 30 calendar days – by 10 percentage points.

The total amount of payment liabilities of a Buyer, for which the Policyholder has requested a shortened Waiting Period, may not exceed EUR 10,000.00 at the moment of request.

The increase in the size of deductible defined in Article 8.2.1 shall be added up.

8.3. Decision on payment of insurance indemnity – A decision regarding payment or rejection of the insurance indemnity shall be taken by BTA no later than within 20 (twenty) business days after the receipt of all the required documents acknowledging non-fulfilment of the Buyer's payment obligations and the amount thereof. BTA shall notify the Insured in writing of the adopted decision within 10 (ten) calendar days after such decision was taken.

8.4. Disputes – should any dispute arise between the Buyer, the Policyholder or the Insured about a Buyer's debt, payment procedure, or receipt of goods/services, then the decision regarding payment or rejection of the insurance indemnity shall be made after receipt of an effective court judgement.

8.5. Insurance indemnity disbursement term – BTA shall pay the Insurance Indemnity within 14 (fourteen) days after the decision on payment of the insurance indemnity was made, provided that the Policyholder has fulfilled the obligation referred to in Article 7.3.3 hereof.

8.6. Disputes after insurance indemnity disbursement – In case a dispute arises between the Buyer and the Policyholder, after insurance indemnity disbursement, regarding existence of the Buyer's debt, to include when the Buyer's debt is not recognized through the Buyer's insolvency or legal or out-of-court protection proceedings, then the Insured is under obligation to repay to BTA a received Insurance Indemnity no later than within 20 (twenty) business days after receipt of a respective written request from BTA.

8.7. Repayment of insurance indemnity – If, after receipt of the Insurance Indemnity, the Insured or the Beneficiary has received from the Buyer or any other person any amounts representing execution of the failed payment obligations of the Buyer, including a refund of the Value Added Tax or any other taxes, then the Insured or the Beneficiary (depending on which the insurance indemnity has been disbursed to) shall be under obligation to repay such sums to BTA, no later than within 10 (ten) working

days, until the moment when the total repaid amount reaches the amount of the Insurance Indemnity paid out by BTA.

Insurance Indemnity shall be paid to the Beneficiary in the case when the Policyholder is at the same time the Insured. In the case when the Policyholder is not at the same time the Insured, then the Insurance Indemnity shall be paid to the Insured, or, upon a consent from the Insured – to the Beneficiary.

9. OTHER PROVISIONS

- 9.1. Confidential information** – The Parties undertake not to disclose confidential information obtained in relation to the Insurance Contract, neither in respect of the other party, nor in respect of third parties, and not to use it to the detriment of the other party. Such information can only be disclosed in the cases prescribed by the effective regulatory enactments, or upon an ad hoc written agreement between the parties.
- 9.2. Payment currency** – Settlement between parties shall be done and specified in the Insurance Contract in the euro (EUR) currency. In case the Payment Document requires another payment currency, then, when paying out the Insurance Indemnity, the currency shall be converted in accordance with the official currency exchange rate of the Bank of Latvia as of the date BTA had made the decision to pay the Insurance Indemnity.
- 9.3. Cession of rights to claim** – Parties to the Insurance Contract, except for BTA, shall not have rights to cede to third parties any of their rights to claim ensuing from the Insurance Contract, including those already existing or probable ones.
- 9.4. Dispute settlement procedure** – All disputes arising between BTA and the Policyholder, the Insured or the Beneficiary under the Insurance Contract (including the insurance policy and the Insurance Terms and Conditions) shall be settled by means of negotiation. In case an agreement between parties is not reached, then any dispute, disagreement or claim brought by BTA, the Policyholder, the Insured or the Beneficiary under the Insurance Contract (including the policy and the Insurance Terms and Conditions), relating to the Insurance Contract or to its violation, termination or invalidity, shall be finally settled by the International Court of Arbitration for Commercial Transactions (registration number: 40003764669) in accordance with its Regulation, in Riga, in a written procedure in the Latvian language, in the person of 1 (one) Arbitrator appointed by the Praesidium of the Arbitration Court and applying the effective regulatory enactments of the Republic of Latvia.
- 9.5. Parties to the insurance contract** – parties to the Insurance Contract shall be considered not only BTA and the Policyholder, but also the Insured and the Beneficiary, on whose behalf and in whose favour the Policyholder has concluded the Insurance Contract; and consequently all terms and conditions of the respective Insurance Contract shall be binding to the Insured and the Beneficiary, including Arbitration clause, and the Insured (recipient of the insurance indemnity) shall not be considered a third party for the purpose of Section 5 of the Latvian Arbitration Courts Law.
- 9.6. Applicability of the Terms and Conditions** – These Terms and Conditions are applicable to Insurance contracts, which are concluded starting with 20 June 2018, unless the Parties have agreed otherwise in the Insurance contract.