

CARGO INSURANCE TERMS AND CONDITIONS C100/2015



Valid from 3.11.2015

This document forms a part of an insurance contract entered into with the Estonian branch of AB "Lietuvos draudimas" (hereinafter PZU*). In any issues not regulated hereunder, the parties to the insurance contract shall be governed by the Law of Obligations Act and other Estonian legislation.

1. Object of Insurance

- 1.1.** The object of insurance is the movable (Cargo) which is transported and/or the property interests of the policyholder indicated in the policy. The modes of transport (incl. postal cargo) may include: road transport, maritime transport (incl. inland waterway transport), rail transport and air transport.
 - 1.1.1. Transported Cargo may include goods or other movables owned by or in the possession of the policyholder (incl. packaging, labels, etc.), and exposition exhibits, work equipment, devices and samples in the use of the policyholder's staff for the transportation of which the policyholder is responsible and which are in the possession of or owned by the policyholder.
 - 1.1.2. Property interest may include any direct expenses relating to transportation of the cargo, direct expenses relating to delay of the cargo, loss of profit, expenses incurred in removing or disposing of the cargo, direct expenses relating to the policyholder's or the Insured's liability arising from the General Average Clause or described in other Institute Cargo Clauses (e.g. Both to Blame Collision Clause), or customs, excise or other such taxes for the payment of which the policyholder or the Insured is responsible and which are specially indicated in the insurance contract (separate indication thereof shall be the prerequisite for the respective insurance cover):
- 1.2.** The object of insurance shall not include:
 - 1.2.1. Items not transported, means of transportation carrying the cargo (incl. containers and other goods handling equipment, unless these are the object of carriage), information recorded on data media, people, contraband (incl. goods in unlawful possession and goods which carriage is prohibited by the legislation of the country of consignment, transit or destination);
 - 1.2.2. Unless specially agreed upon in the insurance contract, the objects of insurance shall not include any towed cargo (incl. carriage by barge), and money, bank and telephone cards and other means of payment, securities, excise duty stamps, postage stamps, lottery tickets, memory, video and audio cards, precious metals and products made therefrom, previous stones and pearls, artworks, antiquities, dead bodies, donor organs, live animals, plants, weapons, radioactive materials.
- 1.3.** The means of transportation carrying the cargo and the goods handling equipment must be suitable taking into consideration the nature, characteristics and route of the cargo and comply with the legislation and technical supervision requirements in force in the country of consignment, transit and destination of the cargo. Any vessel carrying the cargo must comply with the terms and conditions provided in the Institute Classification Clause and the ISM Code, the owners or the operators of the vessel must be issued the ISM Code Document of Compliance, unless otherwise agreed upon in the insurance contract.

2. Insured Event

- 2.1.** An insured event is any unexpected and unforeseeable event which causes property damage to the insured cargo and which results in the obligation of the insurer to perform the insurance contract, except for the events excluded in clause 2.4 or other sections of the insurance contract (events which are not the insured events and in the case of which the insurer shall have no obligation to indemnify for the damage).
- 2.2.** Any damage caused to the object of insurance shall be indemnified for according to the Institute Cargo Clauses:

- 2.2.1. in the case of an insurance contract entered into based on the all-risk (e.g. ICC A) principle, the policyholder does not have to refer to the reasons for the damage;
- 2.2.2. In the case of an insurance contract entered into with respect to the risks specified in the contract (e.g. ICC C), the policyholder must prove that the damage occurred due to realisation of the risk specified in the insurance contract (e.g. traffic accident, fire);
- 2.3.** In addition to the provisions of the Institute Cargo Clauses, the insurer shall also indemnify for the following damage:
 - 2.3.1. Reasonable and expedient expenses incurred in repairing or replacing any packaging and labels if the packaging or labels were damaged during the insured carriage;
 - 2.3.2. Reasonable and expedient expenses for prevention of any insured event and reduction of the damage to be indemnified for;
 - 2.3.3. Any damage provided for in the Special Conditions (e.g. work equipment, devices and samples of the staff of the policyholder; Exhibitions; Used, unpackaged or damaged goods; Storage, contingent insurable interest of the purchaser or seller of the Cargo).
- 2.4.** The following shall not be indemnified for on the basis of a cargo insurance contract:
 - 2.4.1. Loss or damage or expense caused by any inherent characteristics, errors or defects, normal leakage, reduction in volume or weight, wear and tear or rupture of the cargo;
 - 2.4.2. Loss, damage or expense caused by insufficiency or unsuitability of packing or preparation of the Cargo to withstand the ordinary incidents of the insured transit where such packing or preparation is carried out by the policyholder (incl. the staff of or persons who represent the policyholder) and the policyholder was unaware of such insufficient or unsuitable packaging before the beginning of carriage;
 - 2.4.3. Loss, damage or expense caused by delay, even though the delay be caused by a risk insured against, except for any events additionally agreed upon in the insurance contract;
 - 2.4.4. Loss, damage or expense caused by insolvency or financial default of the Carrier which may hinder the transportation of the cargo, unless the policyholder proves that reasonable measures were taken prior to the beginning of the carriage in order to ascertain the carrier's financial stability, incl. existence of liability insurance;
 - 2.4.5. Loss or damage or expense resulting from that the means of transportation or containers are unseaworthy or unfit for carriage or unsuitable, or the means of transportation or the owner or operator thereof does not have any valid certificates issued by a supervisory authority in the case the policyholder or the staff of the policyholder were or should have been aware thereof prior to the beginning of the carriage;
 - 2.4.6. Loss or damage or expense resulting from temperature, air humidity or any changes therein, except in the case indemnification for such damage is additionally agreed upon in the insurance contract and the cargo is carried by any means of transportation which allows to comply with the temperature mode;
 - 2.4.7. Loss or damage or expense resulting from war, revolution, coup d'état, state of emergency, mass disturbances, expropriation, confiscation, detention, preventive measures or any other similar events, except in the case indemnification for such damage is additionally agreed upon in the insurance contract;
 - 2.4.8. Loss or damage or expense resulting from derelict mines, torpedoes, bombs or other abandoned weapons, except in the case indemnification for such damage is additionally agreed upon in the insurance contract;
 - 2.4.9. Loss or damage or expense caused by strikers, locked-out workers, people participating in labour disruptions, revolts, except in the case indemnification for such damage is additionally agreed upon in the insurance contract;
 - 2.4.10. Loss or damage or expense resulting from terrorist acts or cau-

sed by people whose actions are based on political, ideological, ethnic or religious considerations, except in the case indemnification for such damage is additionally agreed upon in the insurance contract;

- 2.4.11. Loss or damage or expense resulting from the use of nuclear energy for any purpose or loss of control thereof, radioactive radiation and radioactive pollution;
- 2.4.12. Loss or damage or expense resulting from electrical, electronic and/or mechanical derangement of the subject-matter insured provided there is evidence of impact to the container or packing or carrying conveyance during the insured voyage;
- 2.4.13. Loss or damage or expense caused outside the insurance territory or the insurance period indicated in the policy;
- 2.4.14. Financial claims not arising from direct property damage (cancellation of a contract, fines, interest, default interest, loss of market share, non-property damage, damage resulting from the prohibition on carriage of the cargo to the country of transit or destination, etc.);
- 2.4.15. Loss or damage or expense resulting from any circumstances which were or should have been known to the policyholder prior to the beginning of the insured carriage;
- 2.4.16. Loss or damage or expense which has to be or should be indemnified for on the basis of compulsory (incl. motor third party liability insurance) or mandatory insurance;
- 2.4.17. Loss or damage or expense resulting from any deficiency in the cargo, unless it is proved that the packaging or seals of the goods were damaged or the means of transportation were broken into, except in the case indemnification for such damage is additionally agreed upon in the insurance contract.
- 2.4.18. Loss or damage or expense caused by vermin;
- 2.4.19. Environmental damage and damage caused to the environment and the expenses incurred in the elimination thereof;
- 2.4.20. Mutual claims of persons covered under the same insurance contract.

3. Release of PZU from Obligation to Comply with Insurance Contract

PZU shall be released, partly or fully, from the obligation to comply with the insurance contract if:

- 3.1. The policyholder has intentionally or due to gross negligence violated at least one of the obligations provided for in the insurance contract and such violation of an obligation has affected the occurrence or amount of damage or determination of the extent of PZU's obligation;
- 3.2. The policyholder failed to comply with the obligation to inform about any changes in material risk circumstances;
- 3.3. The policyholder knowingly provided PZU with false information about the circumstances or the amount of the damage;
- 3.4. The damage was caused due to the policyholder's intention or gross negligence;
- 3.5. The policyholder has committed or aided a crime in connection with the insured carriage;
- 3.6. The cause of the insured event is the act of the policyholder or a person considered equal thereto in a state of intoxication, under the influence of drugs or other psychotropic substances. If the person who transported/possessed the object of insurance refuses from ascertaining the intoxication immediately after causing the damage, it shall be deemed that the person was under the influence of alcohol, narcotics or psychotropic substances at the time of occurrence of the damage. The same applies in the case the above-mentioned substances were consumed after the occurrence of the damage but before the arrival of the police or before the ascertaining of intoxication was suggested.
- 3.7. The damage is indemnified for by any third person.

4. Insurance Territory and Insurance Period

- 4.1. The insurance contract shall be effective in the territory indicated in the policy (cargo route, list of countries or regions).
- 4.2. The insurance period shall commence and end during the period and on the terms and conditions agreed upon in the insurance contract:
 - 4.2.1. In the case of an open cover cargo insurance contract, the insurance cover shall apply to the cargoes which carriage commences (beginning of loading of the cargo on the means of transportation) within the period provided for in the insurance

contract;

- 4.2.2. In the case of single cargo insurance, the insurance period shall commence on the date indicated in the policy and end based on the terms and conditions provided for in the insurance terms and conditions and the Institute Clauses.
- 4.3. The insurance cover shall commence from the moment when the loading of the cargo begins (it is lifted up in the storage facility) to the means of transportation for starting of the carriage in the point of departure of the route, unless otherwise indicated in the policy (e.g. in the case of the DAF delivery term).
- 4.4. The insurance cover is effective throughout the ordinary route, incl. usual transshipments and interim storages.
- 4.5. The insurance cover shall end as of the moment when the cargo is unloaded at the consignee's warehouse or other point of destination of the route of the Cargo but not later than:
 - 4.5.1. 60 days after the unloading of the cargo from a vessel to the port territory or from an airplane to the airport territory;
 - 4.5.2. after the loading to any next means of transportation if the point of destination is described in the policy in the case of the FOB or similar delivery terms.
- 4.6. If additionally agreed upon in the insurance contract, the insurance cover may also extend to storage before or after loading.
- 4.7. If the insurance cover also contains war and strikes risks cover in accordance with the Institute War and Strike Clauses, the war risks cover shall end 7 days and the strike risks clause cover 48 hours after the moment when PZU submits the respective notice to the policyholder. If no notice is submitted, the insurance cover shall terminate pursuant to the provisions of clause 4.5.

5. Sum Insured, Insurable Value and Limit of Indemnity

- 5.1. The sum insured is the largest amount paid per insured event.
- 5.2. In addition to the value of the object of insurance, the sum insured may include (in the case the respective agreement is indicated in the insurance policy): direct expenses relating to transportation of the cargo (freight charges); direct expenses relating to delay of delivery of the cargo (not more than in the amount of the freight charges, provided that damage resulting from the delay of delivery of the cargo are certified); expenses relating to removal or disposal of the cargo (up to 10% of the value of the cargo and direct carriage-related expenses); and any profit expected (up to 10% of the value of the cargo and direct carriage-related expenses).
- 5.3. The insurable value is the market value of the object of insurance in the beginning of the insurance period in the point of departure of the cargo route. The market value shall be determined in accordance with the seller's invoices and other sales contract documents. If the insured cargo is not the object of any sales contract, the insurable value is the market value of the cargo in the point of departure of the cargo at the beginning of the carriage.
- 5.4. The sum insured in an open cover cargo insurance contract is the maximum limit of the agreed insurance indemnity per one cargo. The sum insured may be determined with regard to both the cargo unit (for example the goods in a container), the means of transportation as well as the storage facility. It is the maximum amount to be disbursed per one insured event, and the terms and conditions of under-insurance shall be applicable.

6. Deductible

- 6.1. The deductible is a part of damage in the case of each insured event determined in the insurance contract. The amount of the deductible shall always be covered by the policyholder and PZU shall not indemnify for it.
- 6.2. Several damage caused at the same time and place and by the same reasons shall be deemed a single insured event. If more than one cargo insured by the same insurance contract is damaged as a result of one insured event, only the highest deductible applicable to the damaged cargoes shall be taken into consideration.

7. Insured Risk and Increase in Probability Thereof

- 7.1. Insured risk is any threat of unexpected and unforeseeable damage to the object of insurance against which insurance is provided, except for the events excluded in clause 2.4.

- 7.2.** Increase in the probability of any insured risk shall denote any circumstances which increase the probability of an insured event or the amount of damage caused. Such circumstances include in particular any information which PZU requests from the policyholder before entering into the insurance contract (for example the composition, route, value, packaging, carrier or forwarding agent, means of transportation, carriage period, transshipments and interim storages, security measures, etc. of the insured cargo). Any material circumstances affecting an insured risk shall also include failure to comply with a special condition, additional condition relating to the insured risk, safety measure or agreement provided for in the insurance contract.
- 7.3.** If the probability of any insured risk increases, the policyholder must immediately notify PZU thereof, unless the increase in the probability of the insured risk is caused by a commonly known factor which does not affect the insured risk of only this policyholder.
- 7.4.** After entry into the insurance contract, the policyholder may not increase any insured risk or permit persons for whom the policyholder is responsible to do so without the consent of PZU.
- 7.5.** If the policyholder breaches the notification obligation or the obligation to avoid any increase in the probability of an insured risk, PZU shall be released from the obligation to perform the insurance contract, provided that the increase in the insured risk affected the occurrence of the insured event.
- 7.6.** During the insurance period, PZU shall be entitled to inspect the cargoes insured and in the case of an increase in the probability of an insured risk, PZU shall be entitled to request that the policyholder take additional security measures and/or increase insurance premiums. The above shall not exclude the right of PZU to cancel the insurance contract.

8. Policyholder's Obligations

- 8.1.** Persons equivalent to the policyholder include the staff of the policyholder and the legal owners or possessors of the cargo. If it is agreed upon in the insurance contract that the insurance cover shall also extend to the subsidiaries, branches and agencies of the policyholder, these shall also be equivalent to the policyholder. The contractual obligations of the policyholder shall also apply to the persons equivalent to the policyholder.
- 8.2.** Persons whose services the policyholder uses in order to organise or perform the carriage (i.e. forwarding agents or carriers) shall not be equivalent to the policyholder, unless the policyholder itself is a forwarding agent or a carrier.
- 8.3.** The policyholder is obliged to:
- 8.3.1.** Comply with the current legislation of the countries of departure, destination and transit of the cargo, the safety measures and special conditions indicated in the insurance contract for safe transportation of the insured cargo;
- 8.3.2.** Preserve all the documents relating to the carriage and evidencing the value thereof (e.g. sale offers, sales contracts, delivery notes, etc.) and present these at the request of PZU.
- 8.3.3.** Inform PZU of the accurate insurable value;
- 8.3.4.** Explain the obligations arising from the insurance contract to any persons equivalent to the policyholder and to the persons who organise or perform the carriage;
- 8.3.5.** Provide the forwarding agent or carrier with precise instructions in a format which can be reproduced in writing for compliance with the safety measures arising from the nature of the cargo, incl. for preservation of the required temperature or humidity;
- 8.3.6.** Allow any representative of PZU to examine the documents essential for entry into the insurance contract and inspect the cargo to be insured as appropriate prior to the carriage or at any other time;
- 8.3.7.** Provide complete and accurate information for the assessment of the insured risks and, upon entry into the insurance contract, disclose all the circumstances known to them which affect the decision of PZU on entry into the insurance contract or on entry into the insurance contract on the agreed terms and conditions;
- 8.3.8.** Inform PZU immediately of any increase in the probability of any insured risk (e.g. if changes appear in comparison with the provisions of the insurance contract, if such circumstances become known which increase the probability of any insured event or the amount of possible damage);
- 8.3.9.** Do everything within their power to prevent the insured event and minimise the damage, avoid any increase in the probability of any insured risks and not permit the persons equivalent to the policyholder to increase any insured risks;
- 8.3.10.** Immediately inform of multiple insurance.
- 8.4.** Upon transfer of the cargo to the carrier (if the policyholder is the consignor) or receipt thereof from the carrier (if the policyholder is the consignee), the policyholder must inspect the external condition of the cargo and the packaging thereof, the number of items and, in the case of any defects or damage, make a corresponding notation on the delivery note. The condition of the seals of the container or any other goods compartments and the correspondence of their numbers to the delivery notes of the cargo also have to be checked. In the case of any observations, the respective entry shall be made in the delivery note or other document of receipt of the goods.
- 8.5.** The policyholder and any persons equivalent to the policyholder are required to abide by the safety and other goods handling requirements arising from the legislation applicable in the countries of departure, destination and transit and from the insurance contract.
- 8.6.** If the driver of the means of transportation carrying the cargo leaves the means of transportation unattended, the windows, doors and hatches of the means of transportation have to be locked, the anti-theft equipment switched on (incl. the alarm system, immobiliser, etc.), the delivery documents of the insured cargo and all the keys have to be taken along.
- 8.7.** The driver of the means of transportation must ensure reasonable and elementary conditions for preservation of the insured cargo during any rest periods.
- 8.7.1.** Rest periods are the time when the driver of the means of transportation rests or is required to rest according to the legislation regulating the working and rest time (incl. breaks for eating).
- 8.7.2.** According to these Terms and Conditions, at least one of the following preservation conditions are considered as reasonable and elementary:
- Physical guarding or guarding ensured by a security company in the territory where the insured cargo is kept;
 - Closed, locked and carefully secured doors, windows, hatches, functioning alarm systems of the means of transportation switched on for the rest time if the driver is forced to leave the means of transportation temporarily unattended;
 - The driver of the means of transportation is staying in the immediate vicinity of the insured cargo (incl. in the driver's cab) so that the driver has an overview of what is going on with the cargo and the driver can intervene in the case of any danger, e.g. notify the police or the rescue board;
- 8.8.** In the case the occurrence of damage can be presumed, the carrier and other persons whose services the policyholder uses in order to organise and perform the carriage shall immediately be informed thereof pursuant to the provisions of the contract of carriage and legislation applicable to the carriage. PZU and/or the loss adjuster appointed by PZU and indicated in the insurance policy shall also be immediately informed.
- 8.9.** Upon the occurrence of an insured event, the policyholder is obliged to:
- 8.9.1.** Immediately take measures to salvage the insured cargo, prevent any increase in damage and minimise the damage;
- 8.9.2.** Immediately notify the following persons of the event:
- The police, if theft, stealing of a vehicle, robbery, vandalism or other unlawful acts of or by any third persons are suspected;
 - The local rescue board in the event of a fire or explosion of explosives;
 - In other cases the competent authorities or persons;
- 8.9.3.** In the case of any visible damage to or deficiency in the cargo, record the damage (respective notations on the delivery note) immediately after receipt of the goods, in the case of any latent damage or deficiency, notify the carrier according to the provisions of the contract of carriage. The discovery of any damage to the cargo shall not entitle the policyholder to refuse to accept the cargo.
- 8.9.4.** File a written damage notice with the carrier in compliance with the terms and conditions provided for in the contract of carriage and the legislation governing it.
- 8.9.5.** Inform PZU either personally or through their representative of the insured event as soon as possible after becoming aware of it. If the exact time of the insured event cannot be determined, the time when the policyholder or any person equivalent to the policyholder should have learnt about the insured event shall be deemed the time of the insured event;
- 8.9.6.** If possible, keep the site of the insured event untouched until

- further notice from PZU;
- 8.9.7. If the insured event occurred through the fault of any third persons (including carriers and forwarding agents), the policyholder is required to ensure that their claims against the person who caused the damage are secured and that they are able to assign their right of claim to PZU so that the latter can file a recourse action;
- 8.9.8. Follow PZU's instructions.
- 8.10. The policyholder must allow the person appointed by PZU to inspect the damaged cargo in its post-insured event condition. The policyholder may not start the transfer of the insured and damaged cargo or dispose of the destroyed cargo without the consent of PZU.
- 8.11. The policyholder is required to provide PZU with complete information necessary to determine PZU's contractual obligations, incl. with all the delivery documents of the cargo, documents on the reasons for and amount of the damage caused and correspondence with the transportation company.
- 8.12. Documents to be submitted to PZU when learning about the damage (the following list is not exhaustive and all of the documents listed may not exist with regard to each cargo or in each event):
- 8.12.1. Claim notice with a short description of the insured event;
- 8.12.2. Calculation of the amount of damage;
- 8.12.3. Delivery notes of the cargo and other carriage documents (bill of lading, air waybill and road carriage waybill) or other documents accompanying the contract of carriage;
- 8.12.4. Invoices for goods, commercial invoices, sales contracts and other documents evidencing the value and delivery terms of the cargo;
- 8.12.5. Packing lists, cargo manifests;
- 8.12.6. Instrument of receipt and inspection of the cargo;
- 8.12.7. Copy of the claim/notice to the carrier/forwarding agent or other person dealing with the carriage;
- 8.12.8. Statement by the police;
- 8.12.9. Documents certifying the expenses;
- 8.12.10. Customs statements regarding the destruction of/damage to the seals, etc.;
- 8.12.11. Correspondence between the parties having to do with the damage;
- 8.12.12. Insurance certificate unless it was submitted to PZU earlier when declaring the cargoes;
- 8.12.13. All other documents or information relating to the given carriage or insured event.
- 8.13. The policyholder is obliged to immediately inform PZU of the recovery of any stolen or robbed cargo or of becoming aware of the location thereof in writing or in a format which can be reproduced in writing.
- 8.14. If any third person indemnifies for the damage, the policyholder must immediately inform PZU thereof.
- 8.15. Upon expiry of the insurance period (unless otherwise agreed upon in the insurance contract), the policyholder shall provide the information on the actual volume and value of the cargoes covered under the insurance contract.
- 8.16. The above list of the policyholder's obligations is not exhaustive. Other obligations may arise from other provisions of these Terms and Conditions and other documents relating to the insurance contract.

9. PZU's Obligations

PZU is obliged to:

- 9.1. Introduce to the policyholder or the representative of the policyholder the documents relating to the insurance contract before entry into the insurance contract. The documents are deemed introduced if the texts thereof are made available on paper or on PZU's website; upon questions, PZU shall explain the terms and conditions;
- 9.2. Keep confidential the information they have learnt in connection with the insurance contract;
- 9.3. Register the damage notice and introduce to the policyholder or the representative of the policyholder the claims handling and indemnification procedures;
- 9.4. After the receipt of a damage notice from the policyholder, immediately start handling the claim and ascertain the amount of damages to be indemnified for;
- 9.5. Inform the policyholder as soon as possible of the documents necessary for ascertainment of the reason for and amount of

- damages caused as the result of the insured event;
- 9.6. Make a decision on indemnification or non-indemnification within at least 10 working days as of the receipt of all the required documents and ascertainment of the amount and circumstances of the damage.

10. Insurance Indemnity and Types of Indemnification

- 10.1. The insurance indemnity is the amount of money paid in compensation for the property damage caused as the result of an insured event and of necessary and reasonable additional expenses agreed upon in the insurance contract and incurred in eliminating the consequences of the insured event.
- 10.2. Indemnification can be monetary indemnification or indemnification for the expenses incurred in restoring or reacquiring the cargo or replacing it with an equivalent one. PZU shall determine the type of indemnification. If the currencies of the sum insured and the indemnity are different, the indemnity shall be calculated on the basis of the daily exchange rate of Eesti Pank [Bank of Estonia] on the day of the damage, or in the case the day of the damage is unknown, on the day of learning of the damage.

11. Indemnification Procedure

- 11.1. In the case of an insured event, PZU shall indemnify for the insured cargo or the value of any part thereof which is damaged, destroyed or lost as the result of the insured event and for other necessary and reasonable additional expenses agreed upon in the insurance contract. The amount of the insurance indemnity shall be calculated on the basis of the insurable value of the cargo damaged, destroyed or lost as the result of the insured event according to the invoices of goods or other documents specified in clause 5.3.
- 11.2. The necessary and reasonable additional expenses include:
- 11.2.1. Reasonable expenses incurred in preventing or minimising damage in the case of an insured event, even if the desired result is not achieved;
- 11.2.2. Expenses incurred due to night work or overtime, work on public holidays, expenses related to express deliveries (incl. air carriages);
- 11.2.3. Travel and accommodation costs of the representatives of the manufacturer, importer or distributor repairing the insured cargo;
- 11.2.4. Expenses incurred in salvaging the insured cargo;
- 11.2.5. Expenses incurred in transporting the damaged cargo from the accident site to the storage facility.
- 11.3. If the restoration of the insured cargo is technically or economically not justified, the insured cargo shall be deemed in total loss.
- 11.4. Upon total loss of the insured cargo, the value of the insured cargo (up to the sum insured), less the residual value of the cargo and deductible, shall be indemnified for.
- 11.5. In the case of under-insurance, PZU shall indemnify for the damage in proportion to the quotient of the sum insured and the insurable value. If the sum insured does not differ from the insurable value more than 10%, under-insurance shall not apply.
- 11.6. Upon over-insurance, PZU shall indemnify for the damage up to the sum insured, unless otherwise agreed upon in the insurance contract.
- 11.7. PZU shall be entitled to use the services of third persons when handling insurance claims.
- 11.8. PZU shall be entitled to set off their obligation assumed under the insurance contract against the insurance premiums payable under the insurance contract, but not yet paid until the end of the insurance period.
- 11.9. If the policyholder or a beneficiary recovers the item stolen or robbed after indemnification, it must be transferred to PZU or the insurance indemnity shall be refunded.
- 11.10. The value added tax or other taxes refundable to the policyholder under the Value Added Tax Act or other legislation and the damage to be compensated for by the state, local government or a legal person in public law under the law or an administrative ruling shall not be indemnified for.
- 11.11. The cargo shall be deemed lost if no information has been received of the cargo and/or the means of transportation used to carry the cargo within 30 days in the case of domestic carriages or within 60 days in the case of international carriages as of the

expected date of arrival in the destination. Upon any loss covered by the Institute War and Strike Clauses, the respective term shall be six months as of the expected date of arrival of the cargo.

11.12. After the disbursement of the indemnification, the right of claim of the policyholder or beneficiary against the person responsible for the damage shall be fully transferred to PZU. At PZU's request, the policyholder is obliged to enter into a written agreement on the assignment of the right of ownership to the cargo and assignment of the claim.

11.13. The goods bearing the registered trademarks, labels or other markings of the policyholder or the company, which sold the goods to the policyholder, shall remain in the possession and ownership of the policyholder after the insured event. The policyholder shall be entitled to destroy or reprocess such goods. PZU shall be entitled to the revenue gained from the realisation of the goods in any manner if PZU has indemnified for the damage caused to such goods.

11.14. PZU shall indemnify any reasonable and unavoidable expenses incurred in removing the remains of the cargo from the place where the damage was caused and the expenses incurred in removing the cargo from the means of air or maritime transport, except for expenses relating to pollution or other environmental damage or related to causing damage to the environment. The indemnity payable under this clause shall not exceed 20% of the insurable value of the goods.

11.15. If the damaged part of the cargo can be replaced, the expenses incurred in replacing this part (including transportation costs) shall be indemnified for provided that the expenses do not exceed the insurable value of the cargo.

12. Refund of Insurance Indemnity

The policyholder is required to immediately refund the insurance indemnity to PZU if any circumstances excluding indemnification have become evident after indemnification or if the damage has been indemnified for by any third person.

13. Processing of Customer Complaints

13.1. If the policyholder or any other person concerned is not satisfied with the activities of the insurer, such person is entitled to submit a complaint to PZU.

13.2. The complaints are processed according to the procedure of PZU for processing of customer complaints and principles thereof are published on the website of PZU.

13.3. Dissatisfaction of customers stated either in writing or in a format which can be reproduced in writing shall be registered as a complaint.

13.4. PZU shall register customers' complaints as soon as possible but not later than within one working day as of the receipt of the complaint. The customer shall be informed of registration of the complaint and the deadline for replying to it.

13.5. Complaints shall be responded to as soon as possible but not later than within 7 working days as of the communicating of the complaint. PZU may extend the deadline for responding to the complaint with good reason by informing the customer of the new deadline and the reasons for delay in responding immediately when the need for extension of the deadline arises.

14. Settlement of Disagreements

14.1. The Policyholder is entitled to refer any disagreements with PZU for resolution to the insurance conciliation body at the Estonian Insurance Association Undertakings conciliation body. Referral to the insurance conciliation body and settlement of any dispute thereby shall comply with the procedure of the insurance conciliation body (see the homepage of the Estonian Insurance Association at www.eksl.ee).

14.2. Any disputes under the Insurance Contract, incl. such disputes which the insurance conciliation body failed to resolve, shall be referred to a court of law.

15. Procedure for Delivery of Notices

15.1. Any notices communicated upon performance of the insurance contract have to be delivered in a format which can be reproduced in writing or by phone calling the PZU telephone number indicated in the insurance policy.

16. Miscellaneous

16.1. PZU shall be entitled to record any telephone calls related to the performance of insurance contracts.

17. Terms and Definitions

17.1. General Average procedure – the rules referred to in the Institute Cargo Clauses and described in international legal practice (Marine Insurance Act) regarding the interests of the owners of cargoes and vessels as to the salvage costs thereof.

17.2. ISM Code International Safety Management Code – rules regarding requirements for vessels and their owners and operators.

17.3. Goods handling equipment – pallets, frames, boxes, lifting and supporting structures, cables, belts and other means for fastening goods, partitions for separating goods, containers, temperature or humidity regulators, and other equipment used for safe loading of goods, fastening of goods in the means of transportation or for securing the cargo in any other manner for safe carriage thereof.

17.4. Insurable interest – the policyholder must be the person interested in the insured cargo. A person interested in the cargo is the owner or legal possessor of the cargo, seller, purchaser of the cargo, trader of the cargo, consignor, consignee of the cargo, the provider of the carriage services or any other person who has proprietary interest in the insured cargo.

17.5. Insurance certificate – a certificate issued by or to the policyholder and evidencing the existence of an insurance contract. The cargo indicated in the certificate shall be covered in accordance with the terms and conditions of the insurance contract. The certificate is meant to be presented to the purchaser of the cargo, consignee of the goods or the company financing the sales and purchase transaction of the cargo. The certificate shall be freely assignable pursuant to the transfer of the ownership of the cargo described in the terms and conditions of the sales contract.

17.6. Institute Classification Clause – a special condition setting out the requirements and restrictions for vessels carrying the cargo.

17.7. Constructive total loss – a situation where the costs of the restoration of the cargo, its carriage to the destination and salvaging thereof exceed the insurable value of thereof.

17.8. Minimum insurance premium – minimum premium payable for the insurance period which shall not be reduced even if the actual volume of cargoes falls below the estimated volume of cargoes.

17.9. Open cover cargo insurance contract – a cargo insurance contract which covers several carriages with the agreed characteristics.

17.10. Burglary – theft of the cargo from its storage facility or means of transportation by way of breaking into the facility or means of transportation by removing the barriers (locks, fences, trailer tarpaulins, etc.).

17.11. Packaging – cardboard boxes, wrapping or frame made of film, paper, plastic or any other material which is prescribed by the manufacturer for the carriage or realisation of the goods. Containers and other goods handling equipment are not deemed to be packaging.

17.12. Estimated volume of cargoes – a prognosis of the values of cargoes within the insurance period presented by the policyholder to PZU which shall form the basis for the risk assessment and calculation of the insurance premium by PZU.

17.13. Beneficiary – a person who is entitled to receive the insurance indemnity, i.e. the policyholder or a third person to whom the policyholder has assigned the right pursuant to the cargo sales or financing contract or any other lawful transfer transaction. The person providing carriage services or any other person providing goods handling services shall not be beneficiaries.

17.14. Delivery terms – Incoterms, the international rules which stipulate the obligations of the purchaser and seller under the sales contract and the transfer of the risk of accidental loss or destruction of cargo upon delivery thereof.

17.15. Actual volume of cargoes – the actual value of cargoes declared by the policyholder to PZU in the insurance period which may form a basis for recalculation of the insurance premium.

17.16. Contract of carriage – a contract concluded by the consignor or consignee of the cargo for the carriage thereof via the agreed route. For the purposes of these Terms and Conditions, a contract of carriage shall also mean the contract entered into in

order to organise the carriage, or any other goods handling contract entered into in connection with the carriage of the insured cargo.

- 17.17.** Legislation applicable to contracts of carriage – national or international provisions, conventions or rules (e.g. the Law of Obligations Act, Convention on the Contract for the International Carriage of Goods by Road, the Hague-Visby Rules, etc.), which provide for the carrier's liability and other legal relationships between the parties to a contract of carriage.
- 17.18.** Institute Cargo Clauses – International Underwriters Association's Institute Cargo Clauses, the international terms and conditions of cargo insurance and the Institute Cargo Clauses indicated in the insurance policy.
- 17.19.** Provider of carriage services – a person organising or performing the carriage of the insured cargo or a person participating in the carriage, i.e. a forwarding agent, carrier, stevedore, terminal or warehouse operator and similar other companies which have been issued a respective activity licence and which activities comply with the international and national legislation.
- 17.20.** Insurance of single cargo – a cargo insurance contract covering the carriage of a single cargo on the terms and conditions of the insurance contract.

Special terms and conditions of Cargo Insurance

Used or Damaged Cargoes or Cargoes without Packages C210/2015

Effective as of 03 November 2015

If PZU and the policyholder have entered into a respective separate agreement, the insurance shall also cover any goods which have been used, are not in their original packages or are damaged.

All the terms and conditions of the insurance contract shall apply to the cargoes specified in these Special Terms and Conditions, except for any losses or damage resulting from the following (i.e. damage not subject to indemnification):

- rust, oxidation, corrosion, discoloration;
- scratches, bruising, denting, chipping etc.;
- twisting, bending and distortion,

except in the case the damage resulted from the means of transportation getting into a marine casualty or traffic accident or upon loading and unloading of the insured cargo.

Tools, Equipment and Samples of Policyholder's staff C220/2015

Effective as of 03 November 2015

If PZU and the policyholder have entered into a respective separate agreement, the cargo insurance shall also cover the tools, equipment and samples of the policyholder's staff which belong to the policyholder or are in the policyholder's possession and for the carriage of which the policyholder is responsible. The specified cargoes shall be covered pursuant to the terms and conditions of cargo insurance, except for any damage resulting from the demonstration, use or testing of such equipment (i.e. damage not subject to indemnification).

For the purposes of these Special Terms and Conditions, the following high-tech equipment and their components shall not be covered:

- laptop, tablet and pocket computers, mobile phones, digital diaries, digital cameras or other portable data and audio media;
- navigation equipment;
- digital game consoles;
- plasma and LCD screens;
- hard disks, CDs and DVDs;
- components of high-tech equipment, such as chips, processors, memory, audio or video cards or other components used in hi-tech equipment.

Exhibitions C230/2015

Effective as of 03 November 2015

If it is agreed upon in the insurance contract that the insurance also extends to the exhibition period, the following terms and conditions shall apply:

- The cargo constituting the exhibit of an exhibition, incl. a tripod or other foundation of the exhibit, fastening and assembly mechanisms and other equipment directly related to the exhibition shall be covered if so indicated in the policy. The insurance cover shall extend to the carriage and loading of the exhibits and the accompanying equipment as well as the exhibition period;
- The sum insured shall, in addition to the insurable value of the exhibit and the accompanying equipment, also include expenses directly related to the exhibition, such as rent of the exhibition facility or territory, transportation and installation costs and rent of the equipment used in connection with the exhibition if such costs are indicated in the policy;
- The exhibition period covered shall be limited to 30 days, unless otherwise agreed upon in the insurance contract;
- If the exhibit is transferred during the exhibition period, the insurance shall terminate as of the moment the carriage of the exhibit from the place of exhibition starts (beginning of loading at the place of exhibition);
- All the fire safety rules must be complied with at the place of exhibition, incl. the place of exhibition must be equipped with basic fire extinguishing devices in accordance with the legislation applicable in the country of the exhibition;
- If the place of storage or exhibition is outdoors, the territory where the insured cargo is located must be surrounded with a fence and guarded by a security company.

All the terms and conditions of the insurance contract shall apply to the cargoes specified in these Special Terms and Conditions, except for any losses or damage resulting from the following (i.e. damage not subject to indemnification):

- indirect expenses, i.e. loss of market share, fines, loss of profit, etc.;
- exhibition, use or testing of the exhibit;
- return carriage of the exhibits if the exhibits are not packed in compliance with the standards applicable to the initial route and nature of the cargo;
- theft or loss of the cargo if the exhibits were left unguarded. When the exhibition facility or territory is closed to visitors, the guarding obligation is deemed performed if security workers are present or if it is guarded by a security company.

For the purposes of these Special Terms and Conditions, the following high-tech equipment or their components shall not be covered, unless it is additionally agreed upon in the insurance contract:

- laptop, tablet and pocket computers, mobile phones, digital diaries, digital cameras or other portable data and audio media;
- navigation equipment;
- digital game consoles;
- plasma and LCD screens;
- hard disks, CDs and DVDs;
- components of high-tech equipment, such as chips, processors, memory, audio or video cards or other components used in high-tech equipment.

Storage C240/2008

Effective as of 10 December 2008

If it is agreed upon in the insurance contract that interim storage of the cargo before and after its carriage or in a place outside the usual route of the cargo is also covered, the following Special Terms and Conditions shall be applicable to such storage. Unless otherwise agreed upon in the insurance contract, the storage period of up to 30 days shall be covered.

All the terms and conditions of the insurance contract apply during the period of storage of the insured cargoes in the places specified in the insurance contract, except for any damage resulting from the following (i.e. damage not subject to indemnification):

- unexplained loss or accounting deficit;
- processing or handling of the cargo or changes made to the cargo in any other manner;
- theft of the cargo from an open territory (if the territory is not surrounded with a fence and it is not under the control of a security company);
- Theft of the cargo from a building or a territory which is surrounded with a fence and is under the control of a security company shall only be indemnified if it constitutes burglary.

The building where the insured cargo is stored must be equipped with all basic fire extinguishing devices required by the legislation applicable in the respective country, and with fire and anti-theft alarm systems and

- the policyholder shall enter into a valid maintenance and security contract with a security company approved by PZU;
- the storage place shall not be left unguarded, unless there is a functioning alarm system connected with a security company and the system is switched on.

If the contract concluded between the policyholder and a security company expires or is amended, PZU has to be immediately informed thereof and PZU's instructions shall be followed.

The policyholder must comply with the user manuals of the fire extinguishing devices and alarms and adhere to their inspection or testing terms. PZU has to be informed of any replacement of or changes to the fire extinguishing devices and alarm systems. PZU shall be entitled to suspend the insurance cover for the replacement, change or repair period.

At PZU's request, the policyholder must allow PZU to inspect the storage facility and the fire extinguishing and alarm systems.

Contingent Insurable Interest of Purchaser or Seller of Cargo C250/2008

Effective as of 10 December 2008

If PZU and the policyholder have entered into a respective separate agreement, the following Special Terms and Conditions shall apply to the indemnification:

The insurance shall also cover those cargoes which are purchased or sold by the policyholder during the entire rout of the cargoes for the accidental loss or destruction of which or for the insurance of which the policyholder is not responsible under the delivery terms or other provisions of the sales contract during a part or the entire route of carriage of the goods.

All the terms and conditions of the insurance contract shall apply to the goods specified in these Special Terms and Conditions if the policyholder does not receive compensation for the goods from the seller or purchaser of the goods or their insurers, provided that:

- The existence of such additional condition shall not be disclosed to any other persons interested in the insured cargo;
- PZU has to be notified of all the insured events and increases in risks, or other obligations arising from the insurance terms and conditions with regard to the cargoes which may be affected by this special provision have to be performed;
- The policyholder must take all reasonable measures in order to receive compensation for the damaged cargo from the purchaser or seller of the goods under the sales contract or their insurers or other persons dealing with the carriage;
- Upon indemnification under these special terms and conditions, the policyholder's claims against the sellers or purchasers of the goods or against their insurers or transportation companies shall be assigned to PZU.

Application of these Special Terms and Conditions to the insurance contract shall not create open cover insurance.