

BUSINESS INTERRUPTION INSURANCE CONDITIONS

KT.0470.09

Unofficial translation based on the KT.0470.09 conditions in Estonian

These conditions shall be applied with respect to insurance contracts entered into in ERGO Kindlustuse AS where it has been subscribed for business interruption insurance. The conditions of business interruption insurance are applied only along with the conditions of corporate property insurance. In matters not regulated by the business interruption insurance conditions the parties to the insurance contract shall follow the corporate property insurance conditions.

§ 1. Object of insurance

(1) The object of insurance is the following relating to the business activities specified in the insurance contract:

- 1) operating profit foregone due to an insured event;
- 2) fixed costs, i.e. costs which remain unchanged regardless of changes in the quantity of the products (goods, services) as a result of the insured event;
- 3) other profits and costs specifically agreed on in the insurance contract;

(2) The operating profit is calculated by subtracting the following from the sales revenue:

- 1) cost of the products sold;
- 2) fixed costs;
- 3) variable costs, i.e. costs which are directly related to changes in the quantity of the products.

(3) The following is not an object of insurance:

- 1) cost of procurement of goods;
- 2) transportation costs arising from the sale of products;
- 3) costs based on turnover;
- 4) profit and expenses not directly related to the insured business activity (e.g. interest expenses, real estate transactions, etc.);
- 5) penalties, sanctions and claims for compensation arising from failure to perform or unsatisfactory performance of contractual obligations.

§ 2. Not subject to insurance

No insurance contract shall be entered into if the entry into an insurance contract is applied for by:

- 1) a company making an operating loss;
- 2) a company whose property (incl. buildings, equipment, material stocks and/or stocks of goods) directly used in the business activities has not been insured in ERGO Kindlustuse AS or has been knowingly underinsured;
- 3) a company whose accounts do not comply with the requirements specified in § 8.

§ 3. Insured event

(1) An insured event means an insured business interruption arising from an insured event specified in the corporate property insurance contract made by and between the policyholder and ERGO Kindlustuse AS (e.g. fire, storm).

(2) The following shall not be indemnified:

- 1) losses caused in connection with the destruction, damage or loss of cash, securities, documents, plans, drawings, punched cards, magnetic tapes or other data media, accounting documents or other written notes whatsoever;
- 2) losses arising from a decision or activity of an official or unforeseeable delay of a permit or inspection procedure;
- 3) losses caused by the fact that the period of liability has, at the request of officials, been used for making such improvements, expansions or amendments which are not indemnified under the insurance contract;
- 4) losses caused by failure to perform or unsatisfactory performance of the contractual obligations by the parties to the contract;
- 5) losses arising from the absence or insufficiency of electricity, water, gas or heat supply, unless the losses arise from an insured event;
- 6) losses to be indemnified by a third party or under another insurance contract.

§ 4. Liability period

The liability period means a time interval agreed on in the insurance contract during which losses calculated are to be indemnified. The liability period commences upon occurrence of an insured event and lasts until the loss occurred due to an insured event of corporate property insurance has been indemnified and the damaged property can be used again or until the sales revenue from the insured business activities has reached the level preceding the insured event.

§ 5. Calculation period

(1) The calculation period means a period on the basis of the economic indicators of which the insurance indemnity is calculated.

(2) If the business interruption is shorter than the liability period, the calculation period shall terminate when the sales revenue has reached the level preceding the insured event.

(3) If the business interruption is longer than the liability period, the liability period shall be the calculation period.

§ 6. Insurable value

The insurable value means the total amount of the monetary values of the objects of insurance of the liability period specified in the insurance contract.

§ 7. Excess

(1) Excess means the amount agreed on in the insurance contract, which is to be borne by the policyholder in the case of each insured event or the period for which no indemnity is paid.

(2) Time excess commences on the date of occurrence of the insured event.

§ 8. Requirements for the insurer's accounting

(1) The insurer is obligated to organise accounting in accordance with the legislation of the Republic of Estonia.

(2) Two copies shall be made of the reports of inventory checks, balance sheets and income statements of the last three years and for the purpose of prevention of concurrent destruction of the copies they shall be preserved separately in secure conditions.

(3) If the terms and conditions specified in clauses 1 and 2 of this section have not been fulfilled, the insurer shall have no indemnification obligation in the case of an insured event insofar as it is impossible to identify the insurer's performance obligation or the scope thereof.

§ 9. Principles of indemnification

(1) The business activity specified in the insurance contract has been insured to such an extent and in such place of insurance as agreed at the moment of entry into the insurance contract. The policyholder shall notify the insurer of the business activity described in the insurance contract or the circumstances having significant impact on its insurable value. Such circumstances may include procurement of production machinery and equipment, construction of new buildings, expansion of production, etc.

(2) If it becomes evident that the business activity described in the insurance contract is not continued, the amount of losses shall be calculated to the extent of the period which, according to an expert assessment, would have passed for the purpose of restarting the same business activity during a period not exceeding the liability period. In such an event only the operating profit shall be indemnified.

(3) The extent of underinsurance is determined by the ratio of the sum insured and the insurable value. In the case of underinsurance the portion of the losses equalling the ratio of the sum insured and the insurable value shall be indemnified.

(4) If on the basis of the terms and conditions of the corporate property insurance the insurance indemnity has been reduced or if indemnification has been refused, the policyholder shall have the right to reduce the business interruption insurance indemnity or refuse indemnification.

(5) The prices of the materials, substances and services used in the business activities shall be determined on the basis of the effective market prices. The same applies to settlements between different departments of the same company and different companies of the same group.