

# BUSINESS INTERRUPTION INSURANCE

## TERMS AND CONDITIONS No. EE59-1



APPROVED by "BTA Insurance Company" SE Board Decision No.LV1\_0002/02-03-03-2015-22 of 17.02.2015.

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(UNOFFICIAL TRANSLATION FROM ESTONIAN)<sup>1</sup>

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### 1. APPLICATION OF INSURANCE TERMS AND CONDITIONS

- Property damage**
- 1.1. These conditions apply to insurance against business interruption losses caused by a property damage event to a company or a sole proprietor.
  - 1.2. Property damage is damage to be compensated for as a qualified insured event specified in the insurance contract as a property damage event.
  - 1.3. Business interruption losses pursuant to the insurance contract means economic damage arising from the interruption of manufacturing or service operation during business processes, caused by the occurrence of an insured event specified in the insurance contract.
- General terms**
- 1.4. These conditions apply pursuant to BTA General's terms and conditions for insurance contracts and other insurance terms and conditions stated in the insurance contract.
  - 1.5. The rights and obligations set out in these insurance terms and conditions apply in addition to the rights and obligations set out in other parts of the insurance contract.

### 2. OBJECT OF INSURANCE

- Object of insurance**
- 2.1. The object of insurance is named on the insurance contract:
    - 2.1.1. operating profit, which will be loosed after property insured event;
    - 2.1.2. permanent costs or expenses, which will remain unchanged in the insured event, regardless of the changes in the size of products or service;
    - 2.1.3. additional costs which directly restrict the damage and help restore business operations;
    - 2.1.4. other agreed and indicated objects of insurance in the insurance contract.
- Operating profit and fixed costs**
- 2.2. The insured object and sum covered under the operating profit and fixed costs insurance shall be the company's operating profit and fixed costs. Fixed costs are compensated for if paying these costs in future is legally or economically justified.
- Additional costs**
- 2.3. Additional costs insurance provides for securing upon agreement the necessary additional expenditure for the company could finish more quickly the period of business interruption.
- Cannot be considered as objects of insurance**
- 2.4. The following cannot be considered as objects of insurance:
    - 2.4.1. the cost of procuring raw materials, semi-finished products, equipment and goods;
    - 2.4.2. taxes, including VAT, excise duty, customs duty, income tax, etc;
    - 2.4.3. revenues and expenses that are not directly related to the business activities of the insured (e.g., income from interest, property or stock exchange

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- transactions);
- 2.4.4.** financial income and extraordinary income;
- 2.4.5.** costs of transporting products and/or services;
- 2.4.6.** expenses caused by unforeseen delays arising from requirements set by state and local authorities;
- 2.4.7.** insurance premiums, licence and copyright fees, etc. that are dependent on turnover;
- 2.4.8.** sales turnover, cost of goods sold and variable costs;
- 2.4.9.** costs associated with the liquidation of the company.

### 3. LIABILITY PERIOD

- Liability period** **3.1.** The liability period is the period of time specified in the insurance contract during which the insurer is obliged to compensate the policyholder for business interruption losses incurred. The length of the liability period shall be stated in the insurance contract.
- Start and end of Liability period** **3.2.** The liability period starts from the date of property insured event, stated in the insurance contract, occurs and ends when the property damage is recovered or the sales revenue of the company has reached its pre-event level.
- 3.3.** If the business interruption period turns out to be longer than the liability period, the insurer shall pay compensation for the business interruption loss for the full extent of the liability period stated in the insurance contract.

### 4. CALCULATION PERIOD

- 4.1.** The calculation period is the period of time used as a basis for determining the insured value and the calculation of insurance indemnity.
- 4.2.** The calculation period is the period immediately preceding the date that an insured event occurs.

### 5. INSURED EVENT

- Insured event** **5.1.** The property insurance event that the business interruption loss is insured for is stated in the business interruption insurance contract.
- 5.2.** An insured event in relation to a respective insurance product shall be handled upon the terms and conditions that apply to the insurance product. The aforementioned insurance terms and conditions are referred to in the insurance policy.
- 5.3.** An event where no property insurance event has occurred is not considered as an event insured under business interruption insurance.

### 6. SUM INSURED AND INSURED VALUE

- Sum insured** **6.1.** The sum insured is the maximum payable amount for each insured event. If the insurance indemnity is paid out, the sum insured will not be reduced. In determining the sum insured, the expected change in turnover must be considered.
- Insured value** **6.2.** The insured value is the operating profit and fixed costs during the liability period as stated in the insurance contract. Projected changes in turnover shall also be taken into account.
- 6.3.** The policyholder is obliged to inform the insurer of the correct insurance value.

### 7. DEDUCTIBLE

- 7.1.** The deductible is predetermined either as a timed deductible (a waiting period), and/or an agreed monetary sum.
- Time deductible** **7.2.** At the beginning of the liability period, the deductible is applied in the form of a waiting period. Business interruption losses incurred during that period will not be compensated for by the insurer.
- Monetary deductible** **7.3.** If the insurance contract provides for a monetary deductible, it shall be deducted from the compensation for the damage.

### 8. EXCLUSIONS

- Property insurance** **8.1.** The insurer is not obliged to compensate for the damage if the business

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<b>event</b>	interruption loss is caused by any reason other than the property insurance event, as stated in the insurance contract.
<b>General terms</b>	<p><b>8.2.</b> In addition to the exclusions listed in the general BTA insurance policy terms and conditions, the exclusions listed below shall apply:</p> <p><b>8.2.1.</b> claims arising from the policyholder's failure to comply with contractual obligations;</p> <p><b>8.2.2.</b> claims arising from the policyholder's breach of financial liabilities;</p> <p><b>8.2.3.</b> claims arising from the failure of business partners to comply with contractual obligations;</p> <p><b>8.2.4.</b> expenses caused by unforeseen delays arising from requirements set by state and local authorities.</p>
<b>State and local authorities</b>	

## 9. POLICYHOLDER LIABILITIES AND ACCOUNTING

<b>According to legislation</b>	<p><b>9.1.</b> The policyholder is obliged to manage the accounting in accordance with the legislation of the Republic of Estonia, the Accounting Act and generally accepted accounting principles and to ensure the maintenance of accounting records.</p> <p><b>9.2.</b> The policyholder is obliged to maintain annual reports for the last three years and accounting source documents, make backup copies of the documents, keep the backup copies separately from the originals and securely (fireproof) to avoid their simultaneous destruction.</p>
<b>Effect on insured risk</b>	<p><b>9.3.</b> The policyholder is obliged to notify the insurer of any business factors described in the insurance contract that significantly affect and increase risk.</p> <p><b>9.4.</b> The policyholder is obliged to immediately notify the insurer of property damage that may cause a business interruption.</p>
<b>Investigation on damage</b>	<p><b>9.5.</b> When an insured event occurs, the policyholder is obliged to allow the insurer, its representatives and auditors (experts) to investigate the causes and extent of the damage and is obliged to provide the insurer with all relevant information upon request.</p> <p><b>9.6.</b> The policyholder is responsible for limiting labour costs during the liability period and implementing other appropriate measures.</p> <p><b>9.7.</b> The policyholder is obliged to immediately notify the insurer of factors significantly affecting business operations or the insured value stated in the insurance contract (such as business expansion or the acquisition of assets, the introduction of additional rooms or buildings, etc.).</p>

## 10. CALCULATION OF THE AMOUNT OF LOSS, OVERINSURANCE AND UNDERINSURANCE

<b>Amount of loss</b>	<p><b>10.1.</b> The amount of loss is calculated on the basis of the revenues and expenses that the policyholder would have had during the liability period if the insured event did not occur.</p> <p><b>10.2.</b> The liability of the insurer terminates at the end of the liability period or at the moment when the policyholder reaches a sales turnover of baseline levels before the insured event.</p>
<b>Underinsurance</b>	<p><b>10.3.</b> In the event of underinsurance the insurer will pay compensation for incurred losses in the proportion that corresponds to the ratio of the sum insured to the insurance value. The same ratio shall be applied to the compensation for additional costs. Underinsurance does not apply if the insured value does not exceed the amount of insurance cover by more than 10%.</p>
<b>Overinsurance</b>	<p><b>10.4.</b> In the event of overinsurance the insurer would only pay compensation up to the insurable value.</p> <p><b>10.5.</b> If the insurance indemnity of the property insurance event is reduced, the insurer has the right to reduce the business interruption allowance.</p>

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