

BUSINESS INTERRUPTION INSURANCE TERMS AND CONDITIONS NO. SDP20

Approved by the meeting of the Board of Compensa Vienna Insurance Group ADB Latvijas filiāle on 30.06.2020
Effective from July 1, 2020

I. DEFINITIONS

I.1. INSURER – Compensa Vienna Insurance Group ADB Latvijas filiāle (represented by: Compensa Vienna Insurance Group ADB, Ukmergės gatvė 280, LT-06115, Vilnius, Republic of Lithuania).

I.2. POLICYHOLDER – the person who has concluded an insurance contract for their own benefit or for the benefit of another person.

I.3. INSURED – the person indicated in the Insurance Policy, for the benefit of whom the Insurance Contract has been concluded and who has insurable interest.

I.4. INSURANCE CONTRACT – the agreement concluded between the Insurer and the Policyholder, pursuant to which the Policyholder undertakes the obligation to pay the insurance premium according to the procedure, terms and amount stipulated by the contract, as well as to perform other obligations under the contract, and the Insurer undertakes the obligation to pay the insurance indemnity to the Third party in the case of an Insured event, as well as to fulfill other obligations specified in the contract. The Insurance contract shall consist of the insurance application, the Insurance policy, annexes to the Insurance policy, the insurance terms and conditions and any and all annexed, as well as all documents on amendments and supplements to the Insurance contract the Insurer and the Policyholder have agreed.

I.5. INSURANCE POLICY – a document confirming the conclusion of an Insurance contract and containing the individual provisions of the Insurance contract.

I.6. INSURANCE TERMS AND CONDITIONS – the part of the Insurance Contract specified in the Insurance Policy, which is the general terms and conditions approved by the Insurer applicable to the Insurance Contract.

I.7. INSURANCE PERIOD – the period of time specified in the Insurance Contract for which the Insurance Premium is paid and the insurance coverage is valid.

I.8. INSURANCE PREMIUM – a payment for insurance set out in the Insurance Contract.

I.9. SUM INSURED – the amount of money for which the Insurance object is insured.

I.10. INSURED RISK – a sudden and unforeseen event beyond the control of the Insured or the Policyholder, the occurrence of which is possible in the future.

I.11. INSURED EVENT – causally related event connected to the insured risk at the occurrence of which an Insurance indemnity is provided by the Insurance contract.

I.12. EXCESS – the part of losses that is not indemnified by the Insurer upon the occurrence of the Insured Event.

I.13. OBJECT OF INSURANCE – the property specified in the Insurance Policy, for the insurance of which the Insurance Contract is concluded

I.14. INSURANCE CLAIM – a written application submitted on behalf of the insured to the Insurer regarding the occurrence of the insured risk.

I.15. INDEMNITY LIMIT – the specific Insurance amount stipulated in the Insurance Contract in respect of a certain insured risk, indemnifiable losses or the Insurance Object. In case of determining the indemnity limit, the legal principle of underinsurance is not applied for determining the amount of insurance indemnity.

I.16. GROSS PROFIT – The amount by which the sum of the Turnover and the remaining stock and stock used in manufacturing at the end of the year exceeds the sum of the remaining stock and stock used in manufacturing at the start of the year and the uninsured fixed costs.

Gross profit of non-manufacturing or non-trading companies is Turnover less operating costs (fixed or variable) that the Policyholder would not incur if the business were to be suspended and that are independent of Turnover).

I.16.1. The amounts relating to the opening and closing stocks at the beginning and end of the business period are obtained in accordance with the Policyholder's accounting methods and in accordance with the depreciation rules.

I.16.2. The words and terms used in this definition have the same meaning as in the Policyholder's reports, accounts and other documents.

I.17. INDEMNITY PERIOD – is the period from the moment of loss, where the business is directly affected as a result of damage until the moment the business activity is result, but not exceeding the minimum Indemnity Period stipulated by the Insurance Contract.

I.18. TURNOVER – the amount of money which the Policyholder receives from the sold and dispatched goods or services provided, and which is the Policyholder's business result in the insured location.

I.19. GROSS PROFIT RATE – ratio of Gross Profit to Turnover in the reporting year immediately before the Insured Event.

I.20. TURNOVER OF REPORTING YEAR – Turnover of 12 months directly prior to the Insured Event.

I.21. STANDARD TURNOVER – Turnover in the 12 months prior to the Insured Event, corresponding to the Indemnity Period for which such calculation has been made to get the actual idea of the business trends and changes or any special circumstances affecting the business before or after the insured event in the corresponding period in the previous year that would have



affected the business if the Insured Event had not occurred. In this way, the appropriate calculations reflect as closely as possible the results that would have been practically achievable in the respective period if the Insured Event had not occurred.

2. INSURANCE COVERAGE

If, as a result of the Insured Event, the Policyholder is unable or partially unable to perform the business activity specified in the policy at the Insured location and it is due to the fact that the property (buildings, equipment, stocks, goods and other property or parts thereof) required to perform the business activity of the Policyholder have been materially damaged or lost and such damage or loss is insured under valid Compensa Commercial Property Insurance Terms and Conditions, the Insurance Company shall compensate to the Policyholder, in accordance with the aforementioned terms and conditions, the losses incurred as a result of business interruption, without exceeding any individual item specified and insured by the policy, provided that the business interruption has been caused by one and the same Insured Event.

3. GROUNDS FOR INSURANCE

3.1. Business interruption insurance is limited to the Loss of Gross Profit caused as a result of:

3.1.1. reduction of Turnover;

3.1.2. increase of labor costs, and the amount of indemnity in these cases shall be as follows:

- a) in case of decrease of Turnover: the amount obtained by applying the Gross Profit Rate to the amount by which the Turnover has decreased in the Indemnity Period compared to the Standard Turnover;
- b) in case of increase in labor costs: additional expenses (subject to the uninsured fixed cost condition) which are inevitably incurred solely to avoid a decrease in Turnover or to reduce a decrease in Turnover during the Indemnity Period as a result of losses in the absence of such expenses, but not exceeding the amount of the Gross Profit Rate ratio to the amount by which the Turnover would decrease, less any amount saved during the Indemnity Period in regard to such business expenses that are covered from the Gross Profit and which could decrease or cease as a result of the loss.

3.1.3. if the Sum Insured for these items is less than the amount obtained by applying the Gross Profit Rate to the Turnover of the Reporting year (or to the Turnover of such proportionally longer period if the maximum Indemnity Period exceeds 12 months), the amount of the indemnity payable shall be reduced proportionally.

3.1.4. Insurance pursuant to Paragraph 3.1 shall include all costs actually necessary to be borne by the Policyholder for the work of professional accountants or auditors, so that they, by performing detailed descriptions and calculations in the Policyholder's accounting documents or preparing other evidence, information or proof that the insurance company may request in accordance with the provisions of Paragraph 17.3, could confirm that such descriptions, calculations or evidence correspond to the Policyholder's accounting records or other official records or documents used for the performance of economic activity, provided that the amount payable under this condition does not exceed the Sum Insured or other insured Insurer's liability limit .

3.1.5. If, at the choice of the Policyholder, any fixed costs related to the economic activity are not insured (they are deducted from the Gross Profit as defined here), then, to calculate the indemnity payable in the case of increased cost of labor, only the proportion of the ratio of uninsured fixed costs to Gross Profit shall be taken into consideration.

4. INFORMATION ABOUT THE INSURED OBJECT AND INSURED RISK

4.1. Before concluding the insurance contract, the Policyholder or the Insured is obliged to provide all the information necessary for the assessment of the insurable risks. The Insurer processes the received information to assess the insurable risk and prepare an insurance offer or Insurance Contract.

4.2. The Policyholder or the Insured is responsible for the accuracy and completeness of the provided information. Any falsification, incorrect statement or omission may lead to termination of the insurance contract and refusal to pay the insurance indemnity.

4.3. The Policyholder and the Insured are obliged to notify the Insurer about other valid Insurance Contracts that apply to the same Insurance Object.

4.4. If the Insurer becomes aware of the circumstances increasing the probability of occurrence of the risk only after the occurrence of the insured risk, the insurance indemnity shall be refused or reduced in accordance with the applicable legal norms. Nothing in these Terms and Conditions shall be construed as a revocable condition of the Insurer's right to refuse or reduce the insurance indemnity.

5. CHANGES IN THE INFORMATION SUBMITTED

5.1. The Policyholder or the Insured is obliged to immediately, as soon as possible, notify the Insurer in writing of all circumstances that may increase the probability of occurrence of the insured risk or the amount of possible losses, as well as notify of any changes in the information provided before concluding the Insurance Contract.

5.2. Upon receipt of additional information, the Insurer evaluates the increase of the Insured Risk, and if the Insured Risk has increased, an additional Insurance Premium is calculated and applied or the provisions of the Insurance Contract are amended.

5.3. Before concluding the Insurance Contract, during the term of the Insurance Contract or after the end of the Insurance Period, the Insurer has the right to inspect the Insured Object to make sure that there have been no changes in the initial information about the risk. However, this condition does not release the Policyholder and the Insured from the performance of any obligation provided for in the Insurance Contract, nor does it change the performance of the obligations provided for.

6. MUTUAL OBLIGATIONS OF THE POLICYHOLDER AND THE INSURED

6.1. The Policyholder is obliged to inform the Insured that the Insured is insured in accordance with a certain Insurance Contract, the conditions of which the Policyholder has agreed with the Insurer, and the Insured is bound by these conditions, must observe and fulfill them, as well as explain to the Insured what consequences occur in case the Insured fails to perform and/or improperly performs any of the provisions of the Insurance Contract.



7. OBLIGATIONS OF THE POLICYHOLDER AND THE INSURED

7.1. When concluding the Insurance Contract, the Policyholder and the Insured undertake to observe and fulfill all the requirements provided for in these Regulations, as well as to observe and fulfill additional requirements set by the Insurer in writing during the term of the Insurance Contract.

7.2. It is the duty of the Policyholder and the Insured to do everything possible to prevent accidents. It is the duty of the Policyholder and the Insured to immediately eliminate any noticed error or defect or to take additional safety measures without delay, as the case may be.

7.3. Both before the conclusion of the Insurance Contract and during the entire term of the Insurance Contract, the Policyholder and the Insured are obliged to provide to the Insurer complete and accurate information related to the Insurance provided in the Insurance Contract, including information on the Insured Object and information necessary to assess the probability of occurrence of the Insured risk, information on all changes and circumstances that have occurred during the term of the Insurance Contract and may affect the occurrence of the Insured risk, as well as the information related to the possible Insured Event.

7.4. Persons who are authorized to perform the monitoring or administration of the insured objects or in whose use the insured object has been transferred shall be deemed comparable to a Policyholder. Any actions by these persons shall be deemed comparable to the actions of the Policyholder in terms of consequences.

7.5. The Policyholder and the Insured are obliged to comply with the legal acts in force in the Republic of Latvia and the additional security requirements set by the Insurer below during the entire term of the Insurance Contract.

8. CONSEQUENCES OF THE FAILURE TO PERFORM THE DUTIES OF THE POLICYHOLDER OR THE INSURED

8.1. If the malicious intent (Section 1641 of the Civil Law) or gross negligence (Section 1645 of the Civil Law) of the Policyholder or the Insured has caused the Insurer being misled about the condition of the Insured Object or the circumstances in order to assess the probability of the occurrence of the insured risk and the amount of possible losses, the Insurance Contract shall be deemed void from the moment of conclusion. Insurer of insurance premiums paid.

8.2. The action or inaction of the eligible users of the Insurance Objects is comparable to the action or inaction of the Insured himself, in making a decision on refusal to pay the Insurance Indemnity or a decision to reduce it.

9. AUTO RENEWAL OF THE SUM INSURED

9.1. If the insurance company has not sent a written notice to the Policyholder, the liability of the insurance company shall not be reduced by the amount of any paid loss, if the Policyholder undertakes to pay an additional premium for automatic renewal of the Sum Insured.

10. ALTERNATE TRADE

10.1. If goods or services are sold outside the insured location for the purpose of conducting business during the Indemnity Period, and if it is done by the Policyholder, the income from these goods or services will be added to the Turnover during the Indemnity Period.

11. ACCOUNTING

11.1. Any records and data of the Policyholder's accounting or other record-keeping documentation, which the insurance company is entitled to request in accordance with the applicable commercial property Insurance Provisions, Paragraph 7.2 of the Insurance Terms and Conditions, in order to investigate and justify the claims being brought, shall be performed by professional accountants only, working for the Policyholder at the time. The report submitted by them will serve as the final testimony of all data and records contained in this report.

12. REMAINING STOCKS

In determining any loss, calculations must be taken into account and an objective payment made if the decrease in Turnover as a result of the loss is reduced on the basis of the possibility of maintaining the Turnover for some time using the remaining stocks or finished products.

13. RENEWAL

Prior to the renewal of each policy, the Policyholder will submit to the insurance company the determined Gross Profit estimate for the full financial year closest to the insurance year.

14. ADJUSTMENT OF THE PREMIUM

14.1. Annual premiums in respect of the insured item No. 1. are approximate and based on the determined Gross profit for the financial year that best corresponds to the insured period.

14.2. Not later than 6 months (or in another period previously agreed by the Insurer and the Policyholder) before the end of each insurance period the Policyholder submits to the insurance company a declaration certified by the Policyholder's auditor on the Gross Profit for the financial year closest to the Insurance Period (or such proportionally longer period if the maximum Indemnity Period exceeds 12 months).

14.3. If an insured event has occurred giving rise to a claim for compensation of lost Gross Profit, the insurance company shall make the changes in the above declaration to adjust the premium payments to the amount by which the Gross Profit has decreased during the financial year as a result of the damage (or such proportionally longer period if the maximum Indemnity Period exceeds 12 months).

14.4. If the amount in the declaration (which is determined as above and is increased proportionally to a longer period if the maximum Indemnity Period exceeds 12 months):

14.4.1. is less than the determined Gross Profit for the respective Insurance Period, the insurance company will, in accordance with the submitted declaration, proportionally reimburse the premium difference between the determined Gross Profit, but not exceeding 25% of such premium.

14.4.2. is higher than the determined Gross Profit for the respective Insurance Period, the Policyholder will, according to the calculation, pay a proportional supplement to the premium paid for the determined Gross Profit.

15. CONCLUSION AND VALIDITY OF THE INSURANCE CONTRACT

15.1. The Insurance Contract is concluded on the basis of information provided by the Policyholder or the Insured, and the fact of concluding the Insurance Contract may not be interpreted as the Insurer's consent or acceptance of this information.



15.2. The Insurer may prepare an insurance offer before concluding the Insurance Contract. If the Policyholder pays the Insurance premium indicated in the insurance offer to the Insurer's bank account, the Insurance Contract shall not be deemed concluded, unless otherwise specified in the insurance offer. The Insurer has the right to return such erroneously made payment to the Policyholder within 30 (thirty) days.

15.3. The Insurance Contract shall enter into force if the payment of the Insurance Premium or the first installment of the Insurance Premium has been made in the amount and at the time specified in the Insurance Contract or the invoice attached thereto, unless otherwise provided in the Insurance Contract.

15.4. If the Insurance Contract or the invoice attached thereto stipulates that the Insurance Premium or the first part thereof is paid after the Insurance Contract enters into force, then after the Insurance Premium or the first installment is paid in the amount and within the term specified in the Insurance Contract, the Insurance Contract is valid from the date of entry into force indicated.

15.5. The date of payment shall be the date when the Insurance Premium or a part thereof is received in the bank account of the Insurer or the insurance distributor who is authorized to collect Insurance Premiums on behalf of the Insurer.

15.6. If, contrary to what is specified in the Insurance Contract or the invoice, the Insurance Premium or the first part thereof is not paid within the specified term and amount, then it is considered that the Insurance Contract has not entered into force from the day of its conclusion. A separate notice that the Insurance Contract has not entered into force shall not be sent to the Policyholder and the Insured.

15.7. Payment of the insurance premium or the first installment thereof after the payment term indicated in the invoice does not oblige the Insurer to assume any obligations. The Insurer has the right to return the paid Insurance Premium or the payment of the first installment thereof to the Policyholder within 15 (fifteen) days.

15.8. When concluding the Insurance Contract using a means of distance communication, the same procedure for the entry into force of the Insurance Contract as when concluding the contract in person applies. The right of withdrawal does not apply to the Insurance contract.

16. TERMINATION OF THE INSURANCE CONTRACT

16.1. The Insurer or the Policyholder has the right to terminate the Insurance Contract unilaterally in the cases specified in the Insurance Contract Law before the end of the Insurance Period, i.e., after the occurrence of the Insured Event, by sending a written notice to the other contracting party. The Insurance Contract shall be terminated on the 15th (fifteenth) day after sending the written notice.

16.2. The Policyholder is obliged to pay the Insurer the Insurance Premium or a part thereof for the period when the Insurance Contract was in force.

16.3. If the Insurance Indemnity has been paid during the Insurance Period and the Policyholder terminates the Insurance Contract before the expiry of the Insurance Contract or has not made the current payment of the Insurance Premium, then the Insurer has the right to issue an invoice for the remaining part of the Insurance Premium. The Policyholder is obliged to pay the invoice issued by the Insurer on time and in full.

16.4. If, based on the written application of the Policyholder, the Insurance Contract is terminated before the end of the Insurance Period, the Insurer shall reimburse the unused Insurance Premium for the remaining period according to the statutory calculation, deducting from it the Insurance Indemnity paid during the Insurance Contract period, as well as deducting from the balance 15 (fifteen) percent, which are the Insured's presumed expenses in connection with the administration of the Insurance Contract. If the balance of the premium is used to cover other Insurance premium payments to the Insurer, then no deductions are made from the premium in connection with the administration of the Insurance Contract.

16.5. If the current Insurance Premium payment has not been paid within the specified term and amount, the Insurer shall send a written notice to the Policyholder or the Insured regarding the untimely or incomplete current payment of the Insurance Premium with an invitation to pay the remaining part of the Insurance Premium.

16.6. If the Policyholder fails to pay the Insurance Premium within the term and in the amount specified in the notice of current payments, the Insurance Contract shall be terminated without refunding the Insurance Premium for the period when the insurance was valid. A separate notice stating that the Insurance Contract is terminated and the remaining part of the premium is not reimbursed shall not be sent to the Policyholder and the Insured.

16.7. Notwithstanding any other provision of the Insurance Contract, the Insurer shall not be deemed to provide insurance coverage or make any payments or provide any services or benefits to any Insured and any other person to the extent that such cover, payment, service, benefit and/or any transaction or activity of the Insured violates the applicable sanctions, i.e., any and all trade, financial embargo or economic sanctions, laws or regulations directly applicable to the Insurer. The applicable sanctions are as follows: (I) local sanctions; (II) the European Union (EU); (III) the United Nations (UN); (IV) United States (USA) and/or (V) all other sanctions applicable to the Insurer.

17. INFORMATION ON THE PERSONAL DATA PROCESSING

17.1. The Insurer processes the received information in accordance with the regulatory enactments in force in the Republic of Latvia, including in accordance with the Data Regulation No. 2016/679.

17.2. Pursuant to Article 13 of the Data Regulation No. 2016/679, the Insurer, before concluding the insurance contract, shall notify the data subject (the Policyholder) that:

17.2.1. the data controller is the Latvian branch of Compensa Vienna Insurance Group ADB;

17.2.2. the contact information of the data controller is – info@compensa.lv, (+371) 67558888;

17.2.3. the contact information of the data protection specialist is – DPO@compensa.lv;

17.2.4. the data is processed in order to conclude the Insurance Contract, monitor its performance during the term of the insurance contract and pay the insurance indemnity; the legal basis for data processing – the agreement concluded between the parties;

17.2.5. the data are also processed for other purposes if the data subject has given his or her consent; the legal basis for data processing – the consent of the data subject;



17.2.6. the data subject has the right, at any time, to revoke the given consent to the processing of personal data in writing;

17.2.7. the legitimate interest of the data processing controller – to receive feedback from the data subject after the conclusion of the Insurance Contract or the payment of the insurance indemnity;

17.2.8. categories of recipients of personal data – in relevant cases specified by the law – state and local government institutions; medical institutions, more information can be found on the Insurer's website www.compensa.lv/privacy-policy;

17.2.9. in certain cases, personal data may be transferred outside the EEA – legal basis – saving the health or life of a person (data subject);

17.2.10. the term of storage of personal data – depending on the specifics of the insurance product, the terms of storage specified in the Insurance Terms and Conditions and special laws;

17.2.11. the data subject has the right to request information regarding the processing of the data subject's personal data by the Insurer;

17.2.12. the data subject has the right to submit a complaint regarding the data controller to the State Data Inspectorate www.dvi.gov.lv, info@dvi.gov.lv;

17.2.13. the data subject is obliged to provide personal data in order to enter into the Insurance Contract in order to pay the insurance indemnity; in case the data requested by the Insurer are not provided or are provided incompletely, the Insurer has no right to pay the insurance indemnity (in accordance with Section 31 of the Insurance Contract Law); this condition also applies to personal data of a special category (health data);

17.3. The Policyholder is obliged to inform the Insured person(-s), not later than within one month, that the personal data of the insured persons (data subjects) are transferred to the Insurer – for what purposes, to what extent they will be processed; what consequences may occur if the insured have provided inaccurate or incorrect personal data;

17.4. The Policyholder is obliged to inform the Insured person(-s), not later than within one month, that the personal data of the insured persons (data subjects) will be used for communication with the data subjects in case of data safety breach and indemnity settlement.

18. OTHER PROVISIONS

18.1. The parties will apply the regulatory enactments in force in the Republic of Latvia, including the norms specified in the Insurance Contract Law, to regulate the contractual relations arising from the Insurance Contract.

18.2. If the parties fail to resolve the dispute through negotiations, then a written complaint must be submitted to the Insurer for consideration, legal address: Vienības gatve 87H, Rīga, LV-1004; e-mail address: atlidzibas@compensa.lv.

18.3. A person has the right to submit a complaint to the Ombudsman of the Latvian Insurers' Association in accordance with its Regulations. See the approved procedure (rules) of the Latvian Insurers Association here: www.laa.lv.

18.4. When paying the insurance indemnity, the Insurer has the right of claim against the person who is responsible for the losses caused in the amount of the paid insurance indemnity (subrogation rights). The Insurer may not exercise the right of subrogation against the Insured's children, parents or spouse. Exceptions are those Insured Events caused by negligence, malicious intent or gross negligence.

18.5. If the Policyholder or the Insured waives their claim against a third party or waives the rights giving rise to such claim, the Insurer shall be released from its contractual obligations to the extent that it could have claimed the covered insurance indemnity on the basis of this claim or these rights.

18.6. The Insurer shall not disclose to third parties any information about the Policyholder and the Insured, except in the cases provided for under the laws and regulations of the Republic of Latvia.

18.7. During the Insurance contract period, the Insurer shall communicate with the Insured and the Policyholder in Latvian and shall respond to the requests of the Insured and the Policyholder that are expressed in Latvian language.