

General Insurance Conditions



I

for Insurance of Investment in Foreign Countries against the Risk of Prevention of the Transfer of Returns on the Investment, Expropriation and Politically Motivated Violent Damage

These General Insurance Conditions are effective from 4 September 2009.



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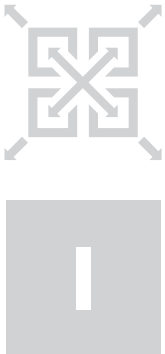
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kept at the City Court in Prague,

Section B, inset 1619





■ Article I. Basic Provisions

1. These General Insurance Conditions "I" (hereinafter the "Insurance Conditions") regulate terms and conditions of insurance of the investment in foreign countries against the risk of prevention of the transfers of returns on the investment, expropriation or politically motivated violent damage (hereinafter the "insurance"). The Insurance Conditions form an inseparable part of the Insurance Contract.
2. The insurance is provided by the Export Guarantee and Insurance Corporation in accordance with the Act No. 58/1995 Coll., on Insuring and Financing of Export with State Support and on Amendment to the Act No. 166/1993 Coll., on the Supreme Audit Office, as amended, as amended.
3. The Insurer reserves the right to request submission of an environmental impact assessment or its outright realization for projects with potential impacts on the environment. In case of a negative result of the environmental impact assessment, the Insurer has the right not to insure the investment.
4. Shall an Investor or a person acting for the Investor or on behalf of the Investor violate provisions of the special law¹ when negotiating the investment, the Insurer is entitled to refuse insurance of the investment in accordance with these Insurance Conditions.
5. Insurance according to these Insurance Conditions is concluded as an insurance against loss and damage.
6. Provisions of the § 15 paragraphs 3 to 5, § 22 paragraphs 2 and 3, and § 24 paragraph 2 of the Act No. 37/2004 Coll., on Insurance Contract and Amendments to related Acts (the Insurance Contract Act) shall not be applicable to the insurance according to these Insurance Conditions. The § 24 paragraph 1, letter a) of the Insurance Contract Act shall only be applicable to answering of written inquiries by the Policyholder, Insured or Beneficiary.

■ Article II. Definition of Terms

For the purposes of these Insurance Conditions and the Insurance Contract, it shall be understood that:

1. The **Insurer** is the Export Guarantee and Insurance Corporation.
2. The **Insured** is an Investor.
3. The **Policyholder** is a person, who has concluded an Insurance Contract with the Insurer.
4. The **Beneficiary** is a person, for whom the right for an indemnification payment has arisen from an insurance loss.
5. An **Investor** is a person realizing an Investment who is either a legal person with the seat on the territory of the Czech Republic who is an entrepreneur pursuant to the Commercial Code or a Foreign Company.
6. An **Investment** is any asset remitted to a foreign country on a contractual basis as a capital in connection with entrepreneurial activities of the Investor in foreign countries in compliance with law of the host country; it includes particularly following forms:
 - a) movable and immovable assets as well as all property rights like mortgages, sureties or guarantees,
 - b) shares, bonds, unsecured bonds of a company or any other forms of participations in companies,
 - c) financial means,
 - d) financial claims or claims for financial settlement arising from the investment contract,
 - e) the rights from the area of intellectual property including copyright law, trademark law, patents, industrial designs, technical procedures, know-how, trade secrets, business firms and goodwill connected with the investment,
 - f) the rights arising from an act or a contractual stipulation, from a licence or a permit issued in compliance with the law, including concessions for survey, extraction, cultivation or utilization of natural resources and such; any change in the form of invested assets shall have no impact on changing the investment nature of these assets.

7. **Investing** means one of the following forms of transfer of the assets to a foreign country:
 - a) property contribution executed by the Insured in the form of deliveries of goods to a foreign company,
 - b) a remittance of financial sums by which the Insured invests these sums into a foreign company,
 - c) transfer of intangible rights of the Insured to a foreign company,
 - d) provision of services by the Insured to a foreign company on the territory of the host country,
 - e) a financial loan extended to a foreign company in connection with investing under letters a) through d).
8. **Returns** are amounts originating from an investment and including, particularly but not exclusively, profits, interest, loan interest, capital gains, participations, dividends, licence or other fees.
9. A **host country** is the country to which territory is directed the investment to be covered by the insurance under these Insurance Conditions, inclusive of coastal waters and any sea or undersea areas over which the host country exercises its sovereign rights and has jurisdiction in compliance with international law,
10. **Prevention of conversion** means making impossible for an Investor to convert payments designated for the transfer from the host country as e.g. profits or other remittances from a local currency to any free convertible currency.
11. **Impossibility of a transfer of payments** means making impossible for an Investor to execute the transfer of payments in free convertible currencies to the Czech Republic as a consequence of measures of the government or of the appropriate authorities in the host or in a third country.
12. **Expropriation** means a loss of ability to dispose of an investment, particularly to further own, dispose of and operate an investment or to claim returns arising from an investment as a consequence of the dispossession, nationalization or confiscation in the host country carried out without an adequate compensation to the Insured.
13. **Politically motivated acts of violence** mean war, hostile attacks of national or foreign armed forces, civil war, revolution, rebellion, uprising and civil unrest, politically motivated terrorist attacks and sabotages resulting in a loss of assets and returns on the insured investment.
14. An **insured period** is the time for which the insurance cover in the predetermined insured value is accepted by the Insurer; its length shall be determined by the Insurance Contract and it can make a maximum of 365 days.
15. A **Foreign Company** is a legal person with the registered seat abroad who is controlled by a legal person having its registered seat on the territory of the Czech Republic and who is an entrepreneur pursuant to the Commercial Code, and who participates – directly or indirectly – in the basic capital of the Company by more than 50 %, or who controls the majority of voting rights related to the participation in the basic capital of the Company, or who can appoint a majority of members of the Board of Directors, Supervisory Board or other similar managing body of the Company.
16. The **Self-Retention** is a portion of the Beneficiary on the loss covered by the insurance and expressed in percentage points.

■ Article III. Basic Conditions for Insurance of Investment

1. The investment meeting the following criteria may be insured:
 - a) it is a new investment or an investment the Investor has acquired into possession or a property share in an already existing foreign company with an objective to expand or modernize its tangible fixed assets, or it is an investment representing an additional capital supporting business expansion of the foreign company as a source covering its needs of long-term (investment) character,

¹ § 160 and subsequent ones of the Act No. 140/1961 Coll., the Criminal Code



- b)** the investment must represent a long-term obligation of the Investor for the period of at least 3 years,
- c)** profits of the Investor shall depend solely on performance of the foreign company and on returns on the investment,
- d)** an investment must be established in compliance with the law of the host country and the Investor has obtained necessary permits of administrative authorities of the host country.

- 2.** Excluded from insurance are those investments into foreign companies or projects which contain:
- a)** manufacture of arms,
 - b)** risky or highly speculative projects,
 - c)** production of narcotics and psychotropic substances.

■ Article IV. Environmental Impact of the Investment

- 1.** The Insurer reserves the right to request from the Investor a presentation of an environmental impact assessment of the investment in the country of its final destination if it is a project with a potential environmental impact (hereinafter the “environmental impact assessment”). In case of a negative result of the environmental impact assessment, the Insurer has the right not to insure the investment.
- 2.** The Investor is obligated to present the environmental impact assessment before the conclusion of the Insurance Promise Contract or not later than at the conclusion of the Insurance Contract.
- 3.** An environmental impact assessment determining, among others, obligatory limits which have to be respected, is:
 - a)** an assessment presented in Czech and English, prepared by a person authorised according to legal regulations in the country of the final destination of the investment on condition the environmental impact of the investment complies with international rules; the certificate of authorization of such person has to be enclosed to the assessment,
 - b)** an assessment presented in English, recognized by an international financial institution in the event the investment is financed by this institution,
 - c)** an assessment presented in English recognized by a foreign credit insurance company in the event the investment is a part of a project in insurance of which this foreign credit insurance company participates, or
 - d)** an assessment presented in Czech and English, prepared by an expert executor contained in a list of expert executors of environmental assessments recognized by the Insurer.
- 4.** In the event the environmental impact assessment prepared in accordance with instructions of the Insured proves the negative impact of the investment on the environment, the Insurer has the right to refuse conclusion of the Insurance Contract even in case the Insurance Promise Contract has already been concluded.
- 5.** The Insurer has the right to request from the Investor submission of monitoring reports on compliance with conclusions of the environmental impact assessment.
- 6.** The Insured is obligated:
 - a)** to arrange for preparation of the environmental impact assessment,
 - b)** to publish results of the assessment or its summary in such way that this document is available to the public at least 30 days before commencement of the insurance,
 - c)** to observe limits specified in the environmental impact assessment during realization of the investment or to ensure observation of such limits by a foreign company,
 - d)** to request from the executor of the environmental impact assessment an evaluation of impact of changes on the environment in the event there have been significant changes in the investment or such changes should take place,
 - e)** to submit to the Insurer monitoring reports on compliance with the environmental impact assessment, if specified so in the Insurance Contract.

- 7.** The Insurer has the right to reduce the indemnification accordingly if the insurance loss has occurred for reasons of failure to comply with conditions contained in the environmental impact assessment.

■ Article V. Subject of Insurance

- 1.** The subject of insurance is the investment of the Insured.
- 2.** The insurance additionally covers the exchange rate risk of movement of the exchange rate of the Czech crown against the currency in which the investment mentioned in the par. 1 has been extended in case of indemnification (see Art. XII. Par. 11 of the Insurance Conditions).
- 3.** The maximum insurance value, amount of which is specified in the Insurance Contract, is determined in one of following ways:
 - a)** by an estimation of the maximum amount of financial funds to be transferred for the duration of insurance for the purposes of impossibility of conversion of the local currency of the host country into a free convertible currency and of the risk of the transfer according to the Article XI., letter a) of these Insurance Conditions. This estimation shall be made by the Insured at the beginning of each insured period and the Insurer shall approve it,
 - b)** by an estimation of the maximum amount of financial funds to be transferred in this insured period for the purposes of insurance of impossibility of conversion of the local currency of the host country into a free convertible currency and of the risk of the transfer according to the Article XI., par. 2 letter a) of these Insurance Conditions. This estimation shall be made by the Insured at the beginning of each insured period and it shall be approved by the Insurer,
 - c)** according to the value of the investment in Czech Crowns (CZK) kept on the accounting books of the Insured as a receivable from the foreign company or as a participation in the profits of the foreign company and arising from the concluded business contract between the Investor and the foreign company for the purposes of insurance against the risk of expropriation and the politically motivated acts of violence in accordance with the Article XI., par. 2 letters b) and c) of these Insurance Conditions,
 - d)** according to the amount of financial losses and other damages caused by a unilateral measure of the host country, its regional self-governing unit or by subjects controlled or administered by them, which provably caused losses to a foreign company for the purposes of insurance against the risk of breach of contractual obligations according to the Article XI., par. 2 letter d); a specification of the financial losses and of other damages shall be specified in the Insurance Contract.
- 4.** If the current insurance premium was negotiated in the Insurance Contract, the Insured has the right to request the maximum insurance value to be reduced at any time. This reduction shall come into effect at the beginning of the insured period following the insured period in which the reduction was requested by the Insured.
- 5.** If the current insurance premium was negotiated in the Insurance Contract, the Insured has the right to ask for an adequate increase in the maximum insurance value. This increase shall come into effect at the beginning of the insured period following the insured period in which the increase was requested, provided no adverse facts have occurred which are related to obligations of the Insured.
- 6.** With regard to wear and tear and obsolescence of the investment, it is possible to agree in an Insurance Contract a number of insured periods after expiry of which the insurance value will be automatically decreased to 90, 80, 70, 60 and 50% of the initial book value of the investment every year while respecting possible changes of this value pursuant to the paragraphs 3 or 4 of this Article.
- 7.** The maximum insurance value shall be reduced by amounts of the indemnification the Insured had received as the indemnification pursuant to these Insurance Conditions.



8. If the current insurance premium was negotiated in the Insurance Contract, all increases and reductions in the insurance value shall be made in the form of insurance decisions of the Insurer on the basis of a request from the Insured whereas the Insurer is entitled to refuse the increase in the insurance value in case there has been an unacceptable increase in the risk of an occurrence of an insurance loss in the host country.

■ Article VI. Commencement Date of the Investment

Commencement date of the investment shall be agreed in the Insurance Contract; as such date it is considered:

- a) the date when the goods were transported to the place of destination on the territory of the host country in the event of a property contribution (pursuant to the Article II., par. 7 letter a),
- b) the date on which the Insured gave the order to transfer the financial means in the event it is a provision of financial means (pursuant to the Article II., par. 7 letter b or letter e),
- c) the date on which the contract between the Insured and the foreign company has come in force in the event it is a transfer of intangible rights (pursuant to the Article II., par. 7 letter c),
- d) the date of the expiry of the period agreed for the provision of the services and the Insured acquired property rights to the investment created on a basis of the provision of the services in the event it is the provision of services (pursuant to the Article II., par. 7 letter d).

■ Insurance Contract, Insurance Promise Contract and Insurance Premium

■ Article VII. Insurance Promise Contract

1. The Insurer undertakes in the Insurance Promise Contract to conclude an Insurance Contract upon fulfilment of agreed terms and conditions and in the time agreed, and to arrange for reservation of the necessary insurance capacity.
2. The applicant for insurance is obligated to pay a fee for the reservation of insurance, which is determined in the Insurance Promise Contract.
3. The Insurer is not obligated to conclude an Insurance Contract if, according to the Insurer's opinion, a substantial change has occurred in the conditions and circumstances, which have increased the level of the insurance risk against the level the Insurer had assumed when concluding the Insurance Promise Contract especially if a substantial worsening in the risk classification of the country related to the investment has occurred.
4. During the validity period of the Insurance Promise Contract, the applicant is bound to adhere to obligations resulting from these Insurance Conditions in a similar way as the Insured.
5. Rights and obligations of contracting parties resulting from the Insurance Promise Contract are governed by provisions of the Commercial Code, especially by the provisions on an agreement on a future contract.

■ Article VIII. Insurance Contract

1. The Insurance Contract shall define, beside the usual essentials, primarily determination, type and volume of the investment and its time flow, the amount of the insurance premium and of the Self-Retention, whether the insurance premium is current or lump sum one, the length of the insured period, or alternatively the period of insurance and the way of keeping accounts of the investment in the books of the Insured.
2. The Self-Retention amounts to 10%, unless specified otherwise in the Insurance Contract. Other insurance may not be arranged for the cover of the risk resulting from the specified Self-Retention.
3. Mutual financial obligations between the Insurer and the Policyholder and/or the Insured are payable in Czech

Crowns unless specified otherwise in the Insurance Contract. For the conversion from the other currency for the purposes of determination of the amount of the insurance premium, the exchange rate specified in the Insurance Contract shall be used; otherwise the Czech National Bank's exchange rate, which is valid on the day of signing the Insurance Contract, shall be applied.

4. The insurance premium, the fee for the provision of the Insurance Promise Contract, as well as other financial obligations towards the Insurer are to be paid on the basis of an invoice issued by the Insurer, unless specified otherwise in the Insurance Contract.
5. In case of a different modification in the Insurance Contract, the wording of the Insurance Contract shall always prevail over the wording of the Insurance Conditions.
6. The commencement of an investment shall be agreed in the Insurance Contract in the reference with its starting date pursuant to the Article VI., and its duration and the way of expiry of the insurance pursuant to the material character of the investment.

■ Article IX. Insurance Premium

1. When calculating the insurance premium, the Insurer shall take into account the scope of political risks covered by the insurance as they were stipulated in the Insurance Contract on a basis of a request of the Insured, provided the Insurer has accepted this scope of cover.
2. Calculation of the current insurance premium is based on an insurance premium rate having the form of a percentage from the maximum insurance value, i.e. from the total value of the investment insured in the respective insured period. The maximum insurance value determines the Insurer on a basis of a request from the Insured before the beginning of each insured period. Unless the Insured submits a new request including the determination of the new maximum insurance value within 10 working days before the beginning of the new insured period, the Insurer shall usually determine the maximum insurance value in the same amount as one reached in the preceding insured period.
3. Calculation of the lump sum insurance premium is based on an insurance premium rate having the form of a percentage from the insurance value determined in the Insurance Contract. The negotiated amount of the lump sum insurance premium already includes in itself possible increase or reduction of the insurance risk and is unchangeable for the whole duration of insurance. The insurance risk in this connection is understood as classification of countries according to the degree of export credit risk and/or inclusion of countries into individual risk categories determined by the Insurer.
4. Parties to insurance shall negotiate that it is either the current insurance premium payable in advance for the entire insurance period or the lump sum insurance premium payable in advance for the entire period of insurance. The Policyholder is obligated to pay it in the time limit stated on the invoice issued by the Insurer. The insurance premium is considered to be paid on the day when it is credited to the account of the Insurer. If the insurance premium had not been paid within 2 months since its due date, the insurance is not discontinued until its expiry and the Insurer has the right to the insurance premium inclusive of the late interest and/or the conventional fine. Insurance expires when the insurance premium has not been paid even in an additional period of 1 month since the delivery of the reminder.
5. If the current insurance premium was negotiated in the insurance contract and in case the Insurer is so requested at the end of an insured period, he shall recalculate the insurance premium according to the real insurance value in the relevant insured period in accordance with data from the financial reporting of the Investor. In case of an overpayment, the insurance premium of the immediately following insured period is reduced by this amount.

■ Article X. Duration of Insurance

1. Insurance shall commence on the day of the beginning of the investment (Article VI.) but not earlier than on the day of the conclusion of the Insurance Contract and of the payment of the insurance premium or alternatively by the payment of the premium for the first insured period provided the current insurance premium was negotiated in the Insurance Contract. The Insurance Contract may specify additional conditions precedent for the inception of insurance.
2. Beside cases which are specified in the generally binding legal regulations, in the Insurance Contract or in other provisions of the Insurance Conditions, insurance also expires on the day the Insured had transferred the rights arising from the insured investment to a third person without a prior written consent of the Insurer, or in case the insurance loss has occurred it expires by the decision of the Insurer on the indemnification.

■ Insurance Loss, Indemnification

■ Article XI. Insurance Loss

1. An insurance loss is a full or partial loss of value of the investment, a partial or full non-execution of a transfer of dividends, returns, profits after the payment of all taxes and fees from the insured investment not even in the waiting period, caused directly and exclusively by one or more circumstances representing political or other non-commercial risks stated in the paragraph 2 of this Article (insured peril). The lost profit of the Insured is not the subject matter of the insurance.
2. Causes representing political and other non-commercial risks, i.e. the risks not arising from the economic or financial situation of a foreign company but from political and economic events and measures in the host country or in a third country, which have character of force majeure in relation to the investment, are:
 - a) Impossibility of the conversion of returns — Insurance against the risk of impossibility of the conversion of returns on the investment denominated in a currency of the host country into a free convertible currency and impossibility of the transfer of remittances to the Czech Republic covers risks of new restrictions both of the host country and third countries which prevent the conversion and transfer of financial means from the insured investment. These restriction may take form of a new bigger regulatory limitation of the exchange of the currency of the host country to foreign countries or impossibility to fulfil the requirement for the conversion into a free convertible currency as a result of introduction of foreign exchange regulations by the authorities of the host country. For the purposes of this paragraph, the transfer of the financial means is understood as the transfer of profits or capital gains, the repatriation of an original investment or proceeds from the sale of the investment, transfer of instalments of the principal and of the interest, of fees for a provided technical assistance and further similar remittances related to the insured investment; the loss of the Insured resulting from devaluation of the local currency is excluded from the insurance,
 - b) Expropriation — Insurance against the risk of expropriation covers the risk of nationalization, confiscation or dispossession of a foreign company without a proper compensation. The expropriation covers also the expropriation caused by government acts which had deprived the Investor of basic rights connected with the investment for an uninterrupted period of at least 6 months; financial impacts arising from non-discriminatory regulating and fiscal (tax) measures of the authorities of the host country and impacts of administrative measures (primarily in the fiscal area) activated by actions of the Investor or by a foreign company are excluded from the insurance. The extent of the indemnification shall be

determined on the basis of a book value of the investment kept on the books of the investor on the foreign company as of the day of the expropriation,

c) Politically motivated acts of violence — Insurance against the risk of politically motivated acts of violence covers the risk of losses of property and income from the insured investment resulting from politically motivated acts of violence; losses caused by employees of a foreign company shall be excluded from the insurance,

d) Breach of contractual obligations — Insurance against breach of contractual obligations by the host country, its regional self-governing units or by subjects controlled or administered by them, which concern purchases of inputs of the foreign company (e.g. energy, raw materials) or sales of outputs (production of a foreign company), provided this measure has a discriminatory character towards the foreign company and the foreign company is a beneficiary from these obligations, and provided this breach has caused non-fulfilment of its obligations or prevented operation of the investment for a period of at least 6 calendar months, or it has caused a loss from its operations for a duration of at least one accounting period. Insurance also covers the risk of application of unilateral discriminatory measures by the host country leading to losses from operations of the investment for a duration of at least one accounting period.

3. The Policyholder may specify in the application for the insurance which types of risks pursuant to the par. 2, or their combination he wants to conclude the insurance against. The Insurer decides on the insurance of the risk pursuant to the par. 2, letter d) on the basis of an assessment of the insured investment, or on the basis of a legal opinion on a contractual security among individual subjects participating in the investment.

4. Risks excluded from the insurance:

a) economic or financial situation of the foreign company,
b) confiscation, provided it is an act which is a consequence of a criminal offence,

c) expropriation, provided it is an act accompanied by a full financial compensation in a free convertible currency granted by the government or by any public institution of the host country,

d) nationalization, provided it is an act accompanied by a full financial compensation in a free convertible currency granted by the government or by any public institution of the host country,

e) conduct of the investor which is contrary to the laws of the host country,

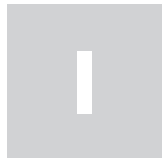
f) payment of the late interest,

g) decisions and/or measures of the Czech Republic.

5. The insurance loss occurs after expiry of a waiting period in duration of six months from the day the Insurer has received a Notification of a Threat of an Insurance Loss on a form of the Insurer, inclusive of specified annexes and documents, provided one of the circumstances according to the par. 2 has evidently occurred. During this time, the Insured is obligated to take every effective measure to avert the threat of an insurance loss.

■ Article XII. Indemnification

1. The obligation of the Insurer to indemnify arises upon an occurrence of the insurance loss.
2. The Insurer shall not indemnify in case the amount of the loss does not exceed 1% of the value of the investment but at least the amount of two hundred thousand Czech Crowns, unless specified otherwise in the Insurance Contract.
3. The obligation of the Insurer to indemnify shall not arise in case the Insured delivers to the Insurer the Notification of a Threat of an Insurance Loss with a delay of more than six months after the occurrence of one of the circumstances stated in the Article XI., par. 2 of these Insurance Conditions.
4. Upon obtaining the Notification of a Threat of an Insurance Loss, the Insurer is obligated to initiate, without unnecessary



delay, an investigation necessary for a confirmation of the Insured's claim and for determining the extent of the Insurer's obligation to indemnify. The Insurer concludes the investigation, if possible or unless the parties do not agree otherwise, within one month from the date the insurance loss had occurred. The Insurer shall mention results of the investigation in the Decision on Indemnification.

5. For the purposes of the investigation of the insurance loss and determination of the amount of the loss, the Insured is obligated to submit to the Insurer appropriate documentation, records, and other evidence requested by the Insurer for an assessment, decisive for the origination and the amount of the claim for the payment of an indemnification, especially the origination of the insurance loss and reasons for it, justification of the claim, amounts of individual claims of the Insured, and documentation of the payment of the insurance premium. Furthermore, the Insured is obligated to present a valid Insurance Contract or Insurance Certificate (Insurance Policy) together with all other documents and information, which the Insurer may request.
6. The Insurer reserves the right to verify the truthfulness and accuracy of submitted documents, and of all data and information provided by the Insured, which the Insurer considers significant or necessary for the purposes of the investigation.
7. A Notification of a Threat of an Insurance Loss has to contain all necessary information. The Insured is obligated to enable the Insurer the inspection and copying of all documents necessary for the acceptance of the insurance loss and for the calculation of the amount of a loss.
8. The loss mentioned in a Notice of a Threat of an Insurance Loss shall represent:
 - a) in the event of risks insured pursuant to the Article XI. par. 2 letter a), an amount of financial means remitted by the foreign company to the investor for collection but the amount may not be higher than the amount corresponding to the maximum insurance value stated in the Insurance Contract reduced by any reimbursements, reparations or compensations received by the Insured, which decrease the material damage (decrease of material damage may come about, e.g. by the fact that the Insured has saved expenses as a result of an occurrence of a loss because no obligation to pay taxes on dividends, commission fees and such) has arisen,
 - b) in the event of risks insured pursuant to the Article XI. par. 2 letters b), c) or d), an amount not higher than the last insurance value,
 - c) non-refundable costs of administrative procedures, arbitration, consultancies and such, connected with the investment, which have been made with a preliminary written consent of the Insurer, or on the basis of his instructions. The above-mentioned costs shall be considered as a loss also in the event when steps leading to their occurrence resulted in restoration of the rights of the Insured to the investment or in obtaining payments, instalments, etc., provided these costs exceed the amount of CZK 10,000.
9. For the purposes of determination of the amount of a claimed damage, the basis for the calculation of an indemnification is established as an outstanding amount on the day of the Decision on Indemnification reduced by any payments received by the Insured as a settlement or as a cover of losses from the claimed damage before the day of the Decision on Indemnification.
10. The indemnification shall be determined as the amount of the effective loss assessed pursuant to the paragraph 8 of this Article reduced by the amount of the agreed Self-Retention of the Beneficiary. In case the effective loss exceeds the maximum insurance value, the indemnification is fixed at the maximum insurance value reduced by the amount of the Self-Retention.
11. The indemnification shall be paid out in the Czech currency. Regarding the Art. V. par. 2, the exchange rate of the Czech National Bank valid on the day of the issuance of the

Decision on Indemnification shall be applied for the conversion from a foreign currency. related to the period of the occurrence of the insurance loss.

12. The indemnification is payable within fifteen days from the date of the issuance of the Decision on Indemnification.

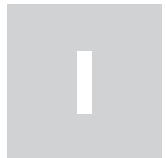
■ Article XIII. Exclusions from Insurance, Refusal and Reduction of the Indemnification

1. The obligation of the Insurer to indemnify shall not arise (exclusions from insurance):
 - a) if the rights resulting from the insured investment have been transferred without a prior written consent of the Insurer,
 - b) in case of a dispute concerning justification of the Insured's receivable between the Insured and the person responsible for the loss, until an enforceable decision solving the dispute is made to the benefit of the Insured; the Insurer shall decide on the payment of an advance on the indemnification or on the payment of the indemnification within 30 days of the request of the Insured in case the dispute had been considered unjustified by the Insurer,
 - c) Shall an Insured or a person acting for the Insured or on behalf of the Insured violate norms and rules of international law binding for the Czech Republic².
2. The Insurer has the right to refuse the indemnification:
 - a) in case the Beneficiary has knowingly stated untruthful or grossly distorted information relating to the scope of the insurance loss or has withheld essential data concerning this loss when making a claim for the indemnification,
 - b) in all other cases specified in the Insurance Contract Act.
3. The Insurer has the right to reduce the indemnification in an appropriate extent if the insurance loss has been caused, directly or indirectly:
 - a) by the Insured or a person acting for the Insured or on behalf of the Insured, especially by violation of conditions of contracts related to the investment or by violation of the relevant legal regulations of the host country or in the country through which the transfer has been (or should have been) executed, especially with regard to securing formalities and licences for investing, import and transportation of the goods through a third country, transfer or conversion of payments,
 - b) by application of any provision of the contracts related to the investment, which restrict the rights of the Insured or possibility of their implementation and enforcement,
 - c) by accepting of such terms and conditions of the investment which differ substantially from international or local conventions and practices and represent restriction of the rights of the Insured in case of an insurance loss,
 - d) by any act of the Insured or a person acting for the Insured or on behalf of the Insured which inhibits, delays or limits the repayment of the receivable,
 - e) if the Insured has violated the obligations towards the Insurer as specified in the Insurance Contract, Insurance Conditions, and in respective provisions of the generally binding regulation related to the insurance, and this violation had a significant influence on an occurrence of an insurance loss, its course or on an increase of its consequences, or on the ascertainment or determination of an amount of the indemnification,
 - f) in other cases specified in the Insurance Contract Act.

■ Article XIV. Cession of Rights

1. Concurrently with the partial or full payment of the indemnification, the Insurer is entitled to request the Insured to transfer, cede or otherwise surrender financial claims related to the insurance loss for which the Insurer paid the indemnification, in a way effective towards the Borrower. Upon the Insurer's request, the Insured

² For example the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Communication of the Ministry of Foreign Affairs No. 25/2000, Collection of International Agreements)



is obligated to transfer, cede, or otherwise convey at the same time, all rights connected with these claims, especially the rights from guarantees or other forms of security. The Borrower is a legal person to whom an occurrence of an insurance loss can be ascribed.

2. Notwithstanding the cession of claims, the Insured is always obligated to enable the Insurer to recover the fulfilment from the insured investment. For this purpose, the Insured is obligated to submit to the Insurer all documents related to the investment, and to provide the Insurer with the necessary co-operation without unnecessary delay.
3. For reasons of expediency of the recovery of the receivables which have arisen from an insurance loss or for simplification of the legal procedures against the Borrower, the Insurer may authorise the Insured or a person appointed by the Insured with the recovery of the receivables from the Borrower or as the case may be, from persons guaranteeing the receivable or pertinent financial claims. The Insurer shall undertake to reimburse the Insured for purposefully spent expenses of recovery of the insured receivable on the basis of their proper accounting and evidencing on Insured's part.
4. Payments made by the Borrower or by a third person as settlements of the receivable from an insurance loss after the Insurer had paid out the indemnification shall belong to the Insurer and the Insured is obligated to inform the Insurer on such payments without delay and to cede these payments to the Insurer within five days upon their receipt.
5. By paying the indemnification and provided there was no preceding cession of the receivable which has arisen from an indemnification on a contractual basis, the Insurer acquires the right to yields from securities, collaterals, insurance contracts etc., or to sums paid in foreign countries and related to the insured investment.
6. When rights of the Insured have not been transferred to the Insurer by a contract on cession of receivables in accordance with the Art. 1 for a reason of purposefulness of recovery of the receivable, the Insurer and the Insured shall conclude a contract on arrangement of rights and obligations where reciprocal rights and obligations in recovery of receivables shall be regulated.

Rights and Obligations of Contracting Parties

■ Article XV. Rights and Obligations of the Insured

1. The Insured has the right to:
 - a) indemnification resulting from the occurrence of an insurance loss provided the Insured is simultaneously a Beneficiary,
 - b) request the Insurer to perform the proper investigation necessary to determine the extent of the Insurer's obligation to provide the indemnification, to state the results of investigation in the Decision on Indemnification and to inform the Insured on its contents,
 - c) the payment of the indemnification within the time limit of fifteen days from the date of the Decision on Indemnification.
2. The Insured is obligated to:
 - a) proceed in relation to the investment with a proper care and caution while taking into account international business conventions and practices, to attend to the investment and risks attached to it with a professional care, skill and foresight and with such efficiency as if it were not insured,
 - b) comply with terms and conditions of contracts related to the investment and with respective legal regulation valid in the host country or in the country through which the payment is to be (or should have been) executed,
 - c) refrain from application of any provision of the contracts related to the investment which restrict the rights of the Insured or possibility of their implementation and enforcement,
 - d) provide the Insurer with an exact and true information on own economic situation, financial and legal status,
 - e) inform the Insurer without delay upon an occurrence of circumstances known to the Insured which might lead to an origination of an insurance loss or to an increase in its extent, or which may affect obligations of the Insurer resulting from the Insurance Contract,
 - f) inform the Insurer without delay on an agreement on a concurrent insurance with another Insurer against the same or similar risk,
 - g) participate in the insured risk in the extent of the agreed Self-Retention and not to conclude another insurance for the Self-Retention, to mention in the application for the insurance all facts known to him which could have influence on assessment of the risk, inclusive of information on all other concluded property insurance for this investment,
 - h) take individually, or by agreement with the Insurer, all reasonable steps aimed at preventing the occurrence of an insurance loss or the increase in its extent, especially to demand his claims properly and in time, and to enforce consistently repayment of the due receivables; the Insured is liable for reduced recoverability or legal enforceability of the receivables caused by their late presentation to court or to other relevant authority,
 - i) co-ordinate with the Insurer any steps taken in order to prevent a threat of an insurance loss to occur or to reduce its consequences, and to take all necessary steps against third persons with a prior consent of the Insurer only; in case the Insurer does not inform the Insured on his opinion to the proposed procedure within 10 working days since receiving the request of the Insured, or if he does not agree with the Insured any other deadline for the giving his opinion, it is considered as if the Insurer gave his consent to the proposed procedure,
 - j) conclude, simultaneously with the indemnification payment and on suggestion of the Insurer, a contract on cession of receivables which the Insurer indemnified, or to conclude, in compliance with the Article XIV., a contract on arrangement of rights and obligations,
 - k) enable the Insurer assertion of claims, especially the claims for the compensation of damages, which belong to the Insured,
 - l) return to the Insurer the already paid-out indemnification if the Insured prevented the Insurer to carry out the rights ceded to him, or their cession was refused by the Insurer, or the Insured has not enabled the Insurer to carry them out properly, or if the Insured has complicated the recovery of the insured investment for which the Insurer had paid the indemnification,
 - m) return to the Insurer the already paid-out indemnification if it had been provided on the basis of an incomplete or untruthful information, or without the rightful title for the payment of the indemnification, or if such claim later ceased to exist or if it had come out that facts mentioned in the Article XIII., had occurred,
 - n) fulfil fully and in due time all obligations towards the foreign company,
 - o) ascertain that he has received all necessary licences and that the foreign company ensured all essential licences and permits already before commencement of the investment,
 - p) enable the Insurer a sufficient inspection of documents in order to precise and/or add to necessary data serving to needs of the Insurer,
 - q) inform the Insurer without delay when discovering that:
 - he has not received within 60 days the means remitted for the transfer,
 - other unusual circumstances have arisen or there is danger of an occurrence of a loss,
 - he has learnt new, substantial information on the foreign company,
 - circumstances have occurred or measures have been taken in any country which could have a negative influence on the interests of the Insured and on the pertinent investment,
 - other circumstances have occurred which could lead to an occurrence of an insurance loss or to an increase



in its extent or which may influence obligations of the Insurer arising from the Insurance Contract,

r) the Insured is obligated to provide necessary assistance so the Insurer can obtain information also from third persons or to study their documents in compliance with above-mentioned conditions,

s) to defend own rights in an expedient way and endeavour in solving the negative situation and, if necessary, by the form of legal action at respective court or in other proceedings; the Investor is obligated to prove this fact.

- 3.** The Insured may not, without a prior written consent of the Insurer:
 - a)** change terms and conditions of the investment,
 - b)** cede the rights from the insured investment to a third person, establish the right of lien to the investment or to encumber this investment in any other way.
- 4.** In case of a cession of rights arising from the investment with a prior written consent of the Insurer, the Cedant becomes the Insured and the Cessionary becomes the Policyholder in the sense of the Insurance Contract Act after the execution of the cession. The insurance shall become void when there is no prior written consent of the Insurer.

■ Article XVI. Rights and Obligations of the Insurer

- 1.** The Insurer is obligated to:
 - a)** perform a proper investigation necessary to determine the extent of the Insurer's obligation to provide the indemnification,
 - b)** state the results of the investigation in the Decision on Indemnification and to inform the Insured on its contents,
 - c)** pay the indemnification within the time limit of fifteen days from the date of the Decision on Indemnification,
 - d)** preserve the documents entrusted and provided to the Insurer with due care.
- 2.** The Insurer has the particular right to:
 - a)** request payment of the insurance premium for the whole period of validity of the insurance,
 - b)** request from the Insured submission of all contracts and documentation related to the insured investment; in doing so, the Insurer does not become responsible for the content and form of these contracts and documents,
 - c)** increase the insurance premium rate and the Self-Retention in case that the contracts and documents given under letter b) concluded or issued by the Insured had been modified without a prior consent of the Insurer,
 - d)** verify the truthfulness and exactness of the submitted documents and of all data and information given by the Insured, while respecting the generally binding regulation on the banking and business secrecy,
 - e)** request from the Insured the proper enforcement of the claims against third persons,
 - f)** agree with the Insured subsequent steps in recovery and collection of the receivable independently from acquiring the unpaid receivable and after payment of the indemnification,
 - g)** claim from the Insured the repayment of the paid-out indemnification or compensation of damages in case that the indemnification has been provided on the basis of untruthful information, or without the rightful title for payment of the indemnification, or if such a claim later ceased to exist or if it had come out that facts mentioned in the Article XIII., had occurred.

Final and Closing Provisions

■ Article XVII. Audit and Expert Examination

- 1.** Any declaration of the Insured, together with an acceptance of obligations and duties set on the Insured by the insurance

contract allow the Insurer to request an audit or an expert examination of the Insured's books by an authorized expert at any time.

- 2.** This audit or expert examination, together with checks carried out in compliance with the Article XV., shall be made by a representative of the Insurer or by an auditor selected from the list of auditors and authorized experts by agreement with the Insured.

■ Article XVIII. Excess Premium

The Insurer shall use the excess premium for granting insurance preference e.g. in the form of reducing the insurance premium rates after a long-lasting claim-free period in the insurance.

■ Article XIX. Final Provisions

- 1.** Relations unregulated by the Insurance Contract or by the Insurance Conditions, are governed by the appropriate provisions of the Insurance Contract Act and of the Civil Code.
- 2.** Wordings of the Insurance Conditions and of the Insurance Contract in the Czech language are decisive.
- 3.** The Insurer is entitled to terminate the Insurance Contract if:
 - a)** the Insured has been withdrawn the authorization for entrepreneurial activities, a court has decided on insolvency of the Insured or on refusal of petition for insolvency proceedings for the lack of assets of the Insured,
 - b)** it is so stated in the Insurance Contract,
 - c)** it is so stated in the Insurance Contract Act, Civil Code or in other legal regulations.
- 4.** The notice of termination must be in writing. If the current insurance premium has been negotiated, it has to be delivered to the other party 4 weeks before the end of the period of insurance. If the lump sum insurance premium has been negotiated, the notice period lasts 6 weeks and starts to run on the day of delivery to the other party.
- 5.** If any provision of the Insurance Conditions or the Insurance Contract becomes at least partially inefficient or non-applicable as a result of a change in legal regulations, this does not make the remaining provisions invalid or void.
- 6.** Information provided in any form by the contracting parties to each other, which is related to the conclusion of the Insurance Contract and to the fulfilment of obligations resulting from it, is confidential. The party, which has received such information may not provide it to a third person without consent of the other party, nor may use such information for a purpose different from the one for which it has been provided unless stipulated otherwise by law (e.g. the Act on Insurance, etc.).
- 7.** Unless agreed otherwise by the contracting parties in the Insurance Contract, any possible disputes arising between them from legal relations established by this Insurance Contract or related to it (including issues of validity or invalidity of the Insurance Contract), which cannot be resolved by an amicable settlement with exclusion of jurisdiction of ordinary courts in a reasonable time, shall be finally decided in arbitration proceedings at the Arbitration Court at the Economic Chamber of the Czech Republic and the Agrarian Chamber of the Czech Republic in accordance with its Order by 3 arbitrators appointed pursuant to this Order. Parties undertake to meet all obligations imposed on them in the arbitration decision within the time prescribed therein.
- 8.** Insurance under these Insurance Conditions shall be governed by the rule of law of the Czech Republic.