

General Insurance Conditions



If

**for Insurance of a Credit for Investment
in Foreign Countries against the Risk
of Non Repayment of the Credit**

These General Insurance Conditions are effective from 4 September 2009.



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Registered in the Commercial Register

kept at the City Court in Prague,

Section B, inset 1619



■ Article I. Basic Provisions

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1. These General Insurance Conditions "If" (hereinafter the "Insurance Conditions") regulate terms and conditions of insurance of a credit extended for the investment against the risk of its non-repayment resulting from prevention of transfer of returns on the investment, expropriation, politically motivated violent damage, breach of contractual obligations and commercial risks (hereinafter the "insurance"). The Insurance Conditions form an inseparable part of the Insurance Contract.
 2. The Export Guarantee and Insurance Corporation provides insurance in accordance with the Act No. 58/1995 Coll., on Insuring and Financing 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 in the country of the final destination or its outright realization for projects with potential impacts on the environment. In case of a negative result of such environmental impact assessment, the Insurer has the right not to insure the credit for the investment.
 4. Shall a Borrower or a person acting for the Borrower or on behalf of the Borrower violate provisions of the special law¹ when negotiating the Contract on a credit for investment the Insurer is entitled to refuse insurance of the risk of the non-payment of the credit extended 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 the financial institution which extends a credit for the investment which is not an Investor and is in no way economically or personally linked with the Borrower, where one person participates directly or indirectly in management, control or in the authorized capital of other person. The participation in the authorized capital shall be understood as holding of shares or of an interest of at least 10 % of the authorized capital of the respective person.
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. A **Credit Contract** for Investment is a contract concluded by and between the Insured and the Borrower for purposes of providing financial means to the Borrower for the financing, particularly, of long-term financial requirements of the investment.
6. The **Borrower** is a Foreign Company with which the Insured concluded a credit contract for Investment or an Investor with whom the Insured concluded a Credit Contract for the Investment.
7. 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.
8. 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.

9. An **Investment** are financial means or other pecuniarily valued assets values or property rights spent by the Investor for purposes of establishment, acquisition or increase of the participation in the Foreign Company or for purposes of expansion of entrepreneurial activities of the Foreign Company for the period of at least 3 years; the investment has to be in compliance with law of the host country and shall comprise of, particularly, following forms:
 - a) movable and immovable assets as well as all property rights to them 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.
10. A **Credit for the Investment** is a credit for acquisition of the investment or a credit for operation of the Foreign Company extended by the Insured.
11. **Returns** are amounts originating from an investment and include, particularly but not exclusively, profits, interest, loan interest, capital gains, participations, dividends, licence or other fees.
12. A **host country** is the country on which territory the Foreign Company has a seat, 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.
13. **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.
14. **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.
15. **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 Investor.
16. **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 of the Foreign Company and of returns on the investment.
17. The **Self-Retention** is a portion of the Beneficiary on the loss covered by the insurance and expressed in percentage points.

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

■ Article III. Basic Conditions for Insurance of a Credit for the Investment

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1. The credit for the investment meeting the following criteria may be insured:
 - a) the investment must represent a long-term obligation of the Investor for the period longer than 3 years,
 - b) profits of the Investor from the investment shall depend solely on performance of the Foreign Company and on returns on the investment,
 - c) the investment must be established in compliance with the law of the host country and the Investor and the Foreign Company have obtained necessary permits for a proper operation of entrepreneurial activities from administrative authorities of the host country,
 - d) the Investor has concluded with the Insurer the 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 for the part of the investment which is financed from sources other than the credit for the investment.
 2. Excluded from insurance are those investments into foreign companies or projects, which are related to:
 - a) manufacture of arms,
 - b) risky or highly speculative projects, the right to judge whether the project is risky or highly speculative lies with the Insurer,
 - c) production of narcotics and psychotropic substances.
 3. Such credit for the investment may be insured which:
 - a) is long-term, i.e. the period from its first drawdown to its final repayment exceeds the duration of 3 years with the exception of credits with a purpose mentioned under letter b) item iii., or iv. of this paragraph of the Insurance Conditions,
 - b) shall be utilized particularly to long-term financial needs of the Foreign Company and/or of the Investor in connection with the investment; the purpose of the credit for the investment may be exclusively:
 - i. an acquisition of an investment by the Investor,
 - ii. an acquisition of long-term tangible, intangible or financial assets by the foreign company,
 - iii. expansion of stocks of the foreign company, or
 - iv. operational financing of the Foreign Company for purposes agreed in advance and possible to control provided return of the extended capital is ensured. The specific purpose of the credit for the investment, or a combination of above-mentioned purposes shall be stipulated in the Insurance Contract.
 4. The insurance of the credit for the investment is conditioned by a partial financing of the investment from own financial resources of the Investor. Where character of activities of the Foreign Company requires also investment of the working capital, the Investor is obligated to participate with his own resources also in the financing of the working capital of the Foreign Company. The Insured shall be obligated to assess the minimum required share of the financing of the investment, and/or operation with own resources and its amount shall be determined for the respective Foreign Company by agreement of the Insured with the Insurer.
 5. The Insured shall assess adequacy of control of the Foreign Company by the Investor in accordance with the Art. II, item 8 and the final decision regarding the acceptability of the respective share shall belong to the Insurer.
 6. Provided the Borrower is the Foreign Company and parties in the insurance have not agreed in the Insurance Contract other way of security, the insurance of the credit for the investment is conditioned by the guarantee of the Investor to repay to the Insured the credit for the investment in case the Foreign Company should not repay the credit for reasons other than political and other non-commercial risks mentioned under Article X., par. 2 of the Insurance Conditions.

■ 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 credit for the investment.
2. The Investor is obligated to present the environmental impact assessment before the conclusion of the Insurance Promise Contract, or at the conclusion of the Insurance Contract at the latest.
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 authorized according to legal regulations in the country of the final destination of the investment confirming that the environmental impact of the investment complies with international rules; the certificate of authorization of such person has to be enclosed to the assessment, or
 - b) an assessment presented in English, recognized by an international financial institution in the event the investment is financed by this institution, or
 - 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 exceeding the degree mentioned in international rules and norms, the Insurer has the right to refuse conclusion of the Insurance Contract even in case the Insurance Promise Contract has already been concluded, or the Insurer has the right to request from the Investor such change in parameters of the investment project which would eliminate the identified negative impact.
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 Investor 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 the investment,
 - 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 so requested in accordance with the par. 5.
7. The Insurer has the right of recourse against the Investor 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 are receivables of the Insured from the Borrower from the extended credit for the investment, for the payment of the principal, credit



interest for each interest period and fees following from the credit contract for the investment, and specified in the insurance contract (hereinafter “insured receivables”). In case the Borrower is obligated under the credit contract for the investment to repay the extended financial means in instalments, each of these instalments shall be understood as a separate insured receivable for purposes of the insurance.

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 credit for investment has been extended in case of indemnification (see Article XI., paragraph 12).
3. Under the conditions of and in the extent stipulated in the insurance contract, the subject of insurance shall also be expenses of the Insured related to the financing of the insured receivables during the waiting period (refinancing expenses).
4. The maximum insurance value as stated in the insurance contract shall be determined in connection with the amount of the principal, interest and fees from the insured credit for the investment.
5. The maximum insurance value shall be reduced by amounts of the indemnification the Insured had received as the indemnification pursuant to these Insurance Conditions.

Insurance Contract, Insurance Promise Contract and Insurance Premium

■ Article VI. 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 provision of the insurance promise, 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 had 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 VII. Insurance Contract

1. The Insurance Contract shall define, beside the usual essentials, primarily determination, type and volume of the credit for the investment and its time flow, the amount of the insurance premium and of the Self-Retention, the length of the insured period.
2. The Self-Retention amounts to:
 - a) 2.5 %, in case of risks under Article X., par. 2, of the Insurance Conditions (political risks),
 - b) 5 % in case of risks under Article X., par. 3, of the Insurance Conditions (commercial risks), 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 starting point of the credit for the investment shall be agreed in the Insurance Contract in a link-up with the date of its extending and the insured period in accordance with the time flow of the credit for the investment.
7. Beside the Insurer and Policyholder, the Investor shall also sign the insurance contract as a party to insurance.

■ Article VIII. Insurance Premium

1. When calculating the insurance premium, the Insurer shall take into account the scope of political risks covered by insurance as they were stipulated in the Insurance Contract. The Insurer shall also take into account assessment of character and risk of the Borrower, of the investment project and evaluation of the risk level of the host country.
2. Calculation of the insurance premium shall be 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 principal of the credit for the investment.
3. Unless specified otherwise in the Insurance Contract, the Policyholder is obligated to pay the agreed insurance premium in one lump sum in time determined by the Insurance Contract.
4. The agreed amount of the insurance premium contains also possible increase or decrease of the insurance premium and is unchangeable during the whole duration of insurance.

■ Article IX. Duration of Insurance

1. Insurance shall commence on the day of the payment of the insurance premium unless specified otherwise in the Insurance Contract but not earlier than on the day of the conclusion of 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:
 - a) by repayment of the credit for the investment by the Borrower or by the Guarantor,
 - b) on the day the Insured had transferred the rights arising from the insured credit for the investment to a third person without a prior written consent of the Insurer,
 - c) by the decision of the Insurer on the indemnification for the last insured receivable.

Insurance Loss, Indemnification

■ Article X. Insurance Loss

1. An insurance loss is a full or partial non-repayment of the insured receivable by the Borrower or by the Guarantor and/or the non-repayment of the insured receivable from the security concluded in the Insurance Contract in accordance with the Article III., par. 6 of the Insurance Conditions, on its due day and not even during the waiting period, caused by the 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 investment, caused directly and exclusively by one or more circumstances representing political risks stated in the paragraph 2 of this Article (insured peril). The insurance loss is also the partial or full non-repayment of the insured receivable by the Borrower or by the Guarantor, as well as non-settlement of the insured receivable from the security concluded in the insurance contract under Article III., par. 6 of the Insurance Conditions on its due date and not even during the waiting period caused directly and exclusively by one or more circumstances representing commercial risks stated in the paragraph 3 of this Article (insured peril).

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 investment; these restriction may take form of:

- i.** a new stricter regulatory limitation of the exchange of the currency of the host country to foreign countries,
- ii.** introduction of foreign exchange regulations by the authorities of the host country;
- iii.** individual measures of state authorities restricting conversion and/or transfer in case of the individual payment designated for the transfer to the Czech Republic ensuing from the existing foreign exchange regime of the host country or a third 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 extended technical assistance and other similar remittances related to the investment; the loss of the Investor and/or the Insured resulting from devaluation of the local currency is excluded from the insurance of the political risks,

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 also covers 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,

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; the 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. Causes representing commercial risks are:
- a)** insolvency of the Borrower, especially declaration of insolvency or refusal of the petition for declaration of insolvency for the lack of assets of the Borrower, or other circumstances, which are established by the law of the host country as having the same or similar legal consequences as insolvency (financial insolvency),
 - b)** refusal of payment of the insured receivable by the Borrower without any legal reason (protracted default) but in those cases only when this financial insolvency or protracted default have not been caused by any reason mentioned under par. 2.
4. The Insurance Contract shall always cover risks under par. 3 letters a) and b). 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.
5. The Insurer decides on insurance of the risk pursuant to the par. 2, letters a) through c) on the basis of an analysis of political risks and pursuant to the par. 2, letter d) on the basis of an analysis of the investment project or, as the case may be, on the basis of a legal opinion on a contractual security among individual subjects participating in the investment. The insurance risk according to par. 3 shall be assessed by the Insurer on the basis of an analysis of the investment project including evaluation of the return and feasibility of attaining the planned results of the investment and economic situation of the Investor. The final extent of the risk cover, determined on the basis of its acceptance by the Insurer, shall be stated in the insurance contract.
6. Risks excluded from the insurance:
- a)** Expropriation, nationalization or confiscation, 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. When the Investor does not fulfil his obligation pursuant to the Article XV., par. 1, letter 1 of the Insurance Conditions, and when this had as a result the insurance loss, this circumstance shall be evaluated by the Insurer as the protracted default in accordance with the Article X., par. 3, letter b) of the Insurance Conditions,
 - b)** Decisions or measures of the Czech Republic.
7. The insurance loss occurs after expiry of the 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 or 3 has evidently occurred. During this period, the Insured is obligated to take every effective measure to avert the threat of an insurance loss.

■ Article XI. 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 the value of three 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 X., par. 2 and 3 of these Insurance Conditions.

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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 purposes of the investigation of the insurance loss and of 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, which are 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. The 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 an insurance loss and for the calculation of an amount of a loss.
 8. The loss mentioned in the Notification of a Threat of an Insurance Loss shall represent:
 - a) the unpaid insured receivable of the Insured from the credit for the investment up to the maximum insurance value,
 - b) non-refundable expenses of administrative procedures, arbitrations, consultancy services, and such, incurred with a preliminary written consent of the Insurer, or based on his instructions. The above-mentioned expenses 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 resulted in obtaining payments, instalments and such, provided these expenses exceed the amount of CZK10,000.
 9. For the purposes of determination of the amount of a claimed damage, the basis for the calculation of an indemnification shall be established as an outstanding amount of the insured credit for the investment as of the date of the Decision on Indemnification, increased by refinancing costs mentioned under Article V., par. 3 in the extent stipulated in the Insurance Contract and 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 determined pursuant to paragraphs 8 and 9 of this Article and reduced by the amount of the agreed Self-Retention of the Beneficiary. In case the effective loss is higher than the maximum insurance value, the indemnification shall be set at the maximum insurance value reduced by the amount of the Self-Retention.
 11. Unless agreed otherwise between the Insured and the Insurer, the Insurer, when determining the amount and date of the indemnification payment, follows from the original due date of individual insured receivables. In the event, the Insured makes insured receivables payable prematurely on the basis of respective provisions of the Credit Contract as a result of default of the Borrower (acceleration of the credit), or these receivables become prematurely repayable for any other reason, these changes

are not effective in relation to the Insurer and the Insurer shall not take them into account when determining the amount and date of the indemnification payment.

12. The indemnification shall be paid out in the Czech currency. Regarding Article V., par. 2, the exchange rate of the Czech National Bank valid on the day of the Decision on Indemnification shall be applied for the calculation from the foreign currency.
13. The indemnification is payable within fifteen days from the date of the issuance of the Decision on Indemnification.

■ Article XII. 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 credit for the investment have been transferred without a prior written consent of the Insurer,
 - b) in case of a dispute between the Insured and the Borrower over breach of the credit contract for the investment or over justification of the insured receivable, 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 data 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 non-repayment of the insured receivable has been caused, directly or indirectly:
 - a) by any action of the Insured or persons acting for the Insured or on behalf of the Insured, which prevents, delays or restricts the settlement of the insured receivable,
 - b) by application of any provision of the Credit Contract for the Investment or related documentation, which restrict the rights of the Insured or possibility of their implementation and enforcement,
 - c) by any following agreement between the Insured and the Borrower made after the date of the conclusion of the Credit Contract for the Investment, which prevents, delays or restricts the settlement of the insured receivable,
 - d) 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 regulations 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,
 - e) in other cases specified in the Insurance Contract Act.

■ Article XIII. 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 is obligated to transfer, cede, or otherwise convey at the same time, all rights connected with these claims,

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)

especially the rights from guarantees or other forms of security.

2. Notwithstanding the cession of claims, the Insured is always obligated to enable the Insurer to recover the settlement of the insured credit for the investment. For this purpose, the Insured is obligated to submit to the Insurer all documents related to the credit for 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 insured receivables which have arisen from an insurance loss or for simplification of the legal procedures against the Borrower, the Insurer may authorize the Insured or a person appointed by the Insured with the recovery of the insured receivables from the Borrower or as the case may be, from persons guaranteeing the insured 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 insured 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 had 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 investment.
6. Provided the rights of the Insured have not been transferred to the Insurer by a contract on cession of an insured receivable in accordance with the par. 1 for a reason of purposefulness of recovery of the receivable, the Insured and the Insurer shall conclude a contract on arrangement of rights and obligations regulating reciprocal rights and obligations in recovery of the insured receivable.

Rights and Obligations of Contracting Parties

■ Article XIV. Rights and Obligations of the Insured

1. The Insured has the right to:
 - a) the 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) inform the Insurer without delay on an agreement on a concurrent insurance with another Insurer against the same or similar risk,
 - b) 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,
 - c) when applying for the insurance, to submit to the Insurer following analyses prepared by the Insured:
 - an analysis of the investment project including the evaluation of the return and feasibility of attaining the planned results of the investment project and
 - evaluation of economic situation of the Investor;the Insured may perform this duty via third person, however the Insured is responsible for such analysis as if it were prepared by the Insured himself,
 - d) condition drawing of the credit for the investment by submission by the Borrower of purposefulness of the drawdown of the respective part of the credit, to keep documented records of the purposefulness of the drawing of the credit and to take all necessary measures for eliminating of the possibility that the Borrower would draw the credit for other purpose than was stipulated,
 - e) 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 insured receivable;
 - f) the Insured is liable for reduced recoverability or legal enforceability of the insured receivables caused by their late presentation to court or to other relevant authority,
 - g) 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;
 - h) 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,
 - i) conclude, simultaneously with the indemnification payment and on suggestion of the Insurer, a contract on cession of receivables which the Insurer has indemnified, or to conclude, in compliance with the Article XIII., a contract on arrangement of rights and obligations,
 - j) enable the Insurer assertion of claims, especially the claims for the compensation of damages, which belong to the Insured,
 - k) 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 receivables for which the Insurer had paid the indemnification,
 - l) 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 XII. had occurred,
 - m) enable the Insurer a sufficient inspection of documents in order to precise and/or add to necessary data serving to needs of the Insurer,
 - n) inform the Insurer without delay when discovering that
 - other unusual circumstances have arisen or there is danger of an occurrence of a loss,
 - he has learnt new, substantial information on the Investor or the investment,
 - 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 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,
 - o) provide necessary assistance so the Insurer can obtain information also from third persons or to study their documents in compliance with above-mentioned conditions,
 - p) 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 Insured is obligated to prove this fact,
 - q) to register duly and in a timely manner the insured receivables into insolvency proceedings in case of the insolvency proceedings (and/or similar proceedings which are established by the law of the country of the foreign company; the Insured has the right to request from the Insurer consultations regarding steps necessary for the proper registration of the insured receivable.



3. The Insured may not cede the rights arising from the insured credit for the investment to a third person without a prior written consent of the Insurer.
4. In case of a cession of rights arising from the credit for 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 of the ceded insured receivables shall become void without a prior written consent of the Insurer.



■ Article XV. Obligations of the Investor

1. The Investor is obligated to:
 - a) proceed in relation to the investment with due 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,
 - 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 was (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) submit to the Insured and to the Insurer feasibility study of the investment project, liquidity plan, planned financial statements of the foreign company and of own company for the period of duration of the credit for the investment as well as other documentation requested by the Insurer for the analysis,
 - e) provide the Insurer with an exact and true information on own economic situation, financial and legal status,
 - f) in the event the Borrower is a foreign company, to give the Insurer the guarantee for the repayment of the credit for the investment to the foreign company and/or to give any suitable form of security negotiated in the Insurance Contract in accordance with the Article III., par. 6 of the Insurance Conditions ensuring the repayment of the credit,
 - g) inform the Insurer without delay upon any occurrence of circumstances known to the Investor 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,
 - h) fulfil fully and on their due dates all obligations toward the foreign company,
 - i) acquire all necessary licences and to ascertain that the foreign company had acquired all necessary licences and permits before the start of the investment,
 - j) take individually and by instructions of 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 insured receivable; the Investor is liable for reduced recoverability or legal enforceability of the insured receivables caused by their late presentation to court or to other relevant authority,
 - k) fulfil fully and on their due dates all obligations from the Credit Contract for the Investment toward the Insured,
 - l) in case the Investor becomes a receiver of a compensation according to the Article X., par. 6, letter a), he is obligated to deposit these financial means with the account kept with the Insured and to enable the Insured their blocking minimally in the amount of the unpaid part of the credit for the investment.
2. The Investor may not change terms and conditions of the investment, may not cede the rights from the investment to a third person, establish the right of lien to the investment or to encumber the investment in any other way without a prior written consent of the Insurer.
3. The Investor may not take any steps, which may result in a loss of value of the investment, in non-performance



of the transfer of dividends, returns, profits after payment of all taxes and fees from the investment and in financial insolvency of the Investor or of the foreign company.

■ Article XVI. Recourse Against the Investor

1. In case an insurance loss was caused by the Investor, by the Foreign Company or by persons acting for them or on their behalf, the right for the recourse against him is governed by relevant provisions of the generally binding legal regulations.
2. Upon payment of an indemnification to the Insured, the Insurer has the right to take recourse against the Investor for damages caused by the Investor or by a person to whom the Investor has ceded rights and obligations from the investment, resulting in obligation of the Insurer to indemnify the Insured and that up to the amount of the paid indemnification.
3. The recourse shall be applied, particularly in cases of:
 - a) financial insolvency and protracted default of the Borrower under Article X., par. 3, letters a) and b) of the Insurance Conditions,
 - b) exercising of the rights arising from the investment which differ substantially from international business conventions and restrict the rights of the Investor in case of an insurance loss resulting from political and other non-commercial risks,
 - c) violation of contractual terms and conditions related to the investment,
 - d) application of any provisions of contracts related to the investment which restrict rights of the Investor or possibility of their exercising and enforcement,
 - e) such violation of respective laws and regulations valid in the Czech Republic, in the host country or in third countries which prevents conversion and transfer of financial means from the investment (particularly non-securing formalities and licences necessary for the transfer or conversion of payments),
 - f) Investor's or foreign company's conduct contrary to the law of the host country, and/or acts punishable according to the law of the host country or acts contrary to the law of the host country;
 - g) non-compliance with terms and conditions stipulated in the environmental impact assessment of the export.
4. The right of the Insurer of the recourse against the Investor shall be governed by the recourse declaration of the Investor in the insurance contract and by respective provisions of generally binding regulations.

■ Article XVII. 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 and from the Investor submission of all contracts and documentation related to the 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 regulations on the banking and business secrecy,



- e) request from the Insured proper enforcement of the claims against third persons,
- f) agree with the Insured subsequent steps in recovery and collection of the insured receivable independently from acquisition of the unpaid insured 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 XII. had occurred.



Final and Closing Provisions

■ Article XVIII. Audit and Expert Examination

1. Any declaration of the Investor, together with an acceptance of obligations and duties set on the Investor by the insurance contract allow the Insurer to request an audit or an expert examination of the Investor's books and of the books of the foreign company by an authorized expert at any time.
2. This audit or expert examination, together with checks carried out in compliance with the Article XIV., shall be made by a representative of the Insurer or by an auditor or an authorized expert selected from the list of auditors and authorized experts by agreement with the Investor at Investor's costs.

■ 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. The term of notice starts on the day of delivery of the notice of termination to other party and it lasts 6 weeks, unless stipulated otherwise by law.
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 and 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.). However, the Insured has the right to pass the confidential information to a person controlling the Insured.
7. Unless agreed otherwise by the contracting parties in the insurance contract, any possible disputes arising between them from legal relations established by this 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.