

These Insurance Terms provide for the extent and terms of insurance coverage under the cargo insurance agreement signed between the policyholder and the insurer. Issues not covered by the insurance agreement are governed by the Law of Obligations Act and other legislation.

## 1. TERMS AND DEFINITIONS

- 1.1. **General Average adjustment** – rules arising from international law (incl. UK Marine Insurance Act) and used in international legal practice, which govern the interests of owners and operators of cargo, means of transport and vessels in respect of indemnification of costs relating to the salvage of vessels and their cargoes.
- 1.2. **Goods handling equipment** – pallets and frames, lifting gear, supporting structures, cables, straps and other means for fastening goods, partitions for separating goods, temperature or humidity regulators, and other equipment used for loading or securing of cargo or for preparation of cargo for safe transportation in any other manner.
- 1.3. **Insured person** – the person specified in the insurance agreement whose risk is insured; the insured person is generally the policyholder, but it may also be the policyholder's subsidiary or contractual partner (for example, the buyer or seller of cargo).
- 1.4. **Insurer** – Compensa Vienna Insurance Group, ADB Estonia branch (hereinafter referred to as 'insurer' or 'Compensa').
- 1.5. **Insurance certificate** – a certificate issued to the policyholder, insured person, beneficiary, buyer or seller of cargo or to the company financing the purchase and sales transaction of the cargo, which evidences the existence of an insurance agreement and the fact that the cargo specified in the certificate is included in cargoes governed by the insurance agreement.
- 1.6. **Policyholder** – a person who has entered into an insurance agreement with Compensa and has an insurable interest in respect of the insured cargo. The existence of an insurable interest presumes the policyholder's financial interest in or responsibility for the cargo during its transportation, i.e. the policyholder is the buyer or seller of the cargo, a person arranging for the purchase and sales transaction of the cargo, the owner or possessor, consignor or consignee of the cargo, the carrier of the cargo or a person arranging for the transportation of the cargo. In the context of performance of obligations arising from the insurance agreement, **the following persons are deemed equivalent to the policyholder:**
- the insured person;
  - the beneficiary;
  - the lawful possessor of the insured cargo;
  - employees of the policyholder, as well as persons whom the policyholder uses in its economic or professional activity or in the performance of its obligations.
- The policyholder is responsible for the conduct of these persons in the performance of the obligations arising from the insurance agreement in the same way as for its own conduct.
- Persons whose services the policyholder uses in order to organise or perform the carriage of the cargo are not deemed to be equivalent to the policyholder unless the policyholder itself is in that role.
- 1.7. **Container** – any receptacle of goods with a standard shape and standard dimensions adjusted for carriage of goods, which can be separated from the means of transport (such as a vehicle or trailer) and which is designed and built for repeated carriage of goods and can be handled by lifting gear and various mechanisms.
- 1.8. **Route** – the journey of the cargo from the place of departure (usually the consignor's warehouse) to the place of destination (usually the consignee's warehouse), which includes transshipments and intermediate storage.
- 1.9. **Minimum premium** – the minimum premium payable for the insurance period, which will not be reduced even if the premium should be lower according to the sum insured and the premium calculated under the tariff specified in the insurance agreement.
- 1.10. **Burglary** – theft of the cargo from its storage facility or means of transport by way of breaking into the facility or means of transport by destruction, removal or damaging of a barrier (lock, fence, trailer tent etc.).
- 1.11. **Packaging** – a casing or framework intended for secure transportation of the cargo, considering its nature, mode of transport and route. The labelling of packaging usually provides information about the conditions under which the cargo has to be handled during transport (e.g. the temperature regime) and about the main dangers to be avoided (e.g. 'fragile'). A container, trailer or goods handling equipment is not deemed to be packaging.
- 1.12. **Open Cover agreement** – a cargo insurance agreement covering several instances of transportation, which is entered into for a longer period (usually a year) and whose terms and conditions apply to all the cargoes specified in the agreement.
- 1.13. **Gross negligence** – a person's failure to exercise necessary care to a material extent. In the context of these Insurance Terms, gross negligence includes acts of a person under the influence (such as an alcoholic or narcotic/psychotropic intoxication), and consumption of alcohol or drugs/psychotropic substances immediately after an insured event.
- 1.14. **Sanctions** – the imposition of an international sanctions the establishment of which has been decided by the European Union, the United Nations, another

international organisation or the Government of the Republic of Estonia.

- 1.15. **Beneficiary** – the person who is entitled to the insurance indemnity, in particular, the owner of the cargo at the time of the loss event. The beneficiary specified in the insurance agreement is usually determined on the basis of the cargo sales contract.
- 1.16. **War and Strikes risks** – the internationally applicable Institute War and Strikes Clauses.
- 1.17. **Delivery terms** – the terms and conditions contained in the cargo sales contract, which determine the rights and obligations of the seller and the buyer of the cargo in relation to the delivery, including the transfer of the risk of loss of and damage to the goods from the seller to the buyer, the insurance obligation, etc. The delivery terms are based on the international set of rules Incoterms, which will apply provided that the parties do not agree otherwise.
- 1.18. **Transport operator** – a company transporting the cargo (carrier), organising the transportation of the cargo (forwarding agent), loading the cargo (stevedore), moving the cargo or organising the moving of the cargo (mover) or warehousing the cargo (warehouse keeper).
- 1.19. **Means of transport** – any means of transport by road, sea, inland waters, air or rail, which is adapted for the carriage of goods, including a container and a trailer.
- 1.20. **Contract of carriage** – an agreement signed between the consignor or consignee of the cargo and the carrier on the transportation of the cargo from the place of departure to the place of destination according to the route. Contracts of carriage are subject to international conventions and other agreements (e.g. the CMR Convention for road transport) and, in the case of domestic transport, to local law. Forwarding agreements signed between forwarding agents and consignors or consignees of cargo, in which the forwarding agent assumes the responsibility of the contracting carrier, may involve a variety of transport modes and provide for different rights, but such agreements are treated as contracts of carriage for the purposes of these Insurance Terms.
- 1.21. **Legislation governing the contract of carriage** – an international or a national rule that provides for the legal relations and scope of responsibility of the consignor or consignee of cargo and the carrier, deadlines for filing claims and the like.
- 1.22. **Freight charges** – the fee payable to the transport operator for the delivery of cargo, i.e. for the performance of the contract of carriage.
- 1.23. **Cargo** – the movable property in the ownership or possession of the policyholder, which is transported from one point to another. Goods being sold or purchased or

any other movable property in which the policyholder has an insurable interest can be cargo. Packaging and labelling is included in cargo.

- 1.24. **Institute Cargo Clauses** – international set of rules describing the cargo insurance coverage, exclusions, validity period, etc. The International Underwriters Association – Institute Cargo Clauses are the most common rules. Institute Cargo Clauses are treated as special terms and conditions for the purposes of these Insurance Terms.

## 2. OBJECT OF INSURANCE

- 2.1. The object of insurance is the cargo indicated in the insurance policy, which is transported using a means of transport, and – if so agreed in the insurance policy – the policyholder's financial interest in the cargo.
- 2.2. The financial interest in the cargo may be indicated in the insurance agreement as follows:
  - a) direct costs related to the carriage of the cargo (e.g. freight charges paid to the carrier);
  - b) taxes and duties related to the importation or exportation of the cargo (e.g. customs duties);
  - c) non-refundable taxes related to the placement of the cargo in free circulation (e.g. excise duty);
  - d) direct costs related to a late arrival of the cargo (not exceeding the freight charges);
  - e) costs of removal or disposal of damaged or destroyed cargo (not exceeding 10% of the sum insured);
  - f) a financial claim raised against a person insured under Institute Cargo Clauses (e.g. a claim raised under the General Average adjustment).
- 2.3. The means of transport carrying the cargo and the goods handling equipment shall be technically sound and suitable for carrying the cargo, considering the nature of the cargo, the route and other circumstances of carriage. The means of transport shall comply with the legislation effective in the countries of departure, transit and destination and with applicable regulatory requirements (e.g. the certificate issued by the vessels classification society, etc.).
- 2.4. **The following do not constitute an object of insurance (unless otherwise agreed in the insurance agreement):**
  - a) an item not being transported (e.g. goods stored);
  - b) cargo driven by its own power;
  - c) towed cargo;
  - d) means of transport carrying the cargo (incl. a container or trailer);
  - e) cash, bankcards, securities, bonds, gift cards, lottery tickets, coupons, invoices, checks, tax stamps, documents, plans, designs, drawings, archives, information and software contained in an information processing system or storage medium;

- f) weapons, ammunition and explosives;
- g) items of historical or artistic value;
- h) precious stones, pearls, items made of precious metals or materials;
- i) living creatures, including humans, animals, fish, birds, insects, plants, etc.;
- j) dead bodies, donor organs, incl. donor blood;
- k) radioactive material;
- l) contraband, incl. goods whose carriage is prohibited by the relevant legislation of the country of departure, destination or transit.

**3. INSURED EVENT**

- 3.1. An insured event means any unexpected and unforeseeable event occurring within the territory of insurance during the effective term of the insurance agreement and resulting in the cargo being damaged, destroyed or lost or causing financial damage as a result of events specified in the Institute Cargo Clauses agreed in the insurance policy, indemnification of which is not excluded by these Insurance Terms or other parts of the insurance agreement.
- 3.2. The extent of insurance coverage (obligations of the insurer) is determined on the basis of the Institute Cargo Clauses specified in the insurance agreement (insurance policy), these Insurance Terms and special terms and conditions.
- 3.3. Cargo may be insured pursuant to the all-risk insurance principle (e.g. ICC A or similar Institute Cargo Clauses), under which all risks that are not excluded are insured and the policyholder has to prove the loss and does not need to refer to the cause of the loss.
- 3.4. Cargo may also be insured pursuant to the named perils principle (e.g. ICC C or similar Institute Cargo Clauses), under which the cargo is insured only against the risks named in the agreement and in addition to the incurrence of loss the policyholder also has to refer to the risk (e.g. a road accident, fire or theft) due to which the loss was incurred.
- 3.5. In addition, the insurer will also indemnify the following costs:
  - a) reasonable costs incurred in preventing or minimising the loss, even if they did not produce the desired result;
  - b) loss specified in the special terms and conditions of the insurance agreement (e.g. loss related to exhibitions; contingent insurable interest of the buyer or seller of the cargo; storage; late arrival, etc.).

**4. EXCLUSIONS**

Losses that are not subject to indemnification according to Institute Cargo Clauses and losses that are excluded under the

special terms and conditions of the insurance policy are never indemnified under insurance agreements. Such losses include, without limitation, the following:

**Losses arising from the properties of cargo:**

- 4.1. loss or damage resulting from an inherent property of the cargo, an originally existing defect, an inherent flaw or hidden defect, normal leaking, loss in volume or weight, wear and tear or rupture, gradual deterioration, aging, material fatigue, or changes in temperature, colour, taste, smell, texture or finishing properties;
- 4.2. loss or damage resulting from corrosion, erosion, rust, wet or dry rot, evaporation, scratches, or other such phenomena;
- 4.3. loss or damage resulting from insufficient or unsuitable packaging of the cargo, which does not withstand the usual risks of transportation of the cargo, considering the cargo's properties and route, unless the cargo was not packaged or prepared by the policyholder or people deemed equivalent to the policyholder, and the policyholder was not aware of the insufficient or unsuitable packaging before the beginning of transportation. Packaging is deemed to also include loading and securing the cargo on the means of transport in the place of departure according to the route;
- 4.4. loss or damage resulting from deterioration of the cargo under the influence of temperature or humidity or variations thereof, unless indemnification of such loss or damage is specifically agreed upon in the insurance agreement and the cargo is kept in a cargo space (incl. the means of transport and the place of storage) that enables the required temperature or humidity regime to be observed during the transport operation;
- 4.5. loss or damage resulting from an electronic or mechanical malfunction or failure of the cargo, unless it is proved that the means of transport, packaging or seals were tampered with or damaged during the transport operation.

**Losses relating to the policyholder or people deemed equivalent to the policyholder, or to the transport operator:**

- 4.6. loss or damage resulting from the transport operator's insolvency or other financial difficulties that hinder the transportation of the cargo. This exclusion is not applied if the policyholder proves that prior to the transport operation reasonable measures were taken to ascertain the carrier's financial stability, such as checking the Credit Register, verifying the existence of liability insurance, etc.;
- 4.7. loss or damage resulting from the means of transport being inoperable (incl. a ship being unseaworthy) or unsuitable for the transport operation, including the fact

that the owner or operator of the means of transport lacks a valid certificate issued by a supervisory authority. This exclusion is not applied if the policyholder proves that before the start of the transport operation the policyholder had no opportunity to check the inoperability or unsuitability of the means of transport;

- 4.8. loss or damage resulting from the cargo being processed, used, tested, assembled, installed or subjected to any other activity that differs from normal carriage, loading or intermediate storage of cargo;
- 4.9. loss or damage resulting from any circumstances that the policyholder was or should have been aware of before the entry into the insurance agreement or before the start of the transport operation;
- 4.10. loss or damage resulting from mutual claims between persons covered by the same insurance agreement.

**General exclusions:**

- 4.11. loss or damage incurred outside the period of insurance specified in the insurance agreement or outside the territory of applicability of the insurance agreement;
- 4.12. loss or damage resulting from a delay (incl. in the event that the delay was caused by an insured risk), except for the events specifically agreed upon in the insurance agreement;
- 4.13. loss or damage resulting from cancellation of or withdrawal from a contract; a fine; late payment interest; interest; loss of a market share; non-admission of the cargo into a country, etc.;
- 4.14. loss or damage resulting from any shortage of the cargo, unless there is evidence of damaging of the packaging or seals or of breaking into the means of transport or place of intermediate storage and except in the case that indemnification of such loss or damage is specifically agreed upon in the insurance agreement;
- 4.15. loss or damage caused by microorganisms (fungi, dry rot, etc.), animals, birds, plants, vermin or insects;
- 4.16. loss or damage resulting from a failure of an IT device, electro-technical data processing device or processor-controlled device; modification, deletion or theft of data; intentional damage to data and/or software, including by unauthorised access; a computer virus; incompatibility of data and/or software; or overcharging;
- 4.17. damage caused to the environment and the expenses incurred in the elimination thereof;
- 4.18. costs of state or local government agencies, incl. the Rescue Board;

- 4.19. loss or damage that is subject to indemnification on the basis of a warranty provided for the object of insurance or under a compulsory insurance (incl. motor third party liability insurance) agreement or mandatory insurance agreement, or under an act of law or administrative act by a local authority or a public legal person;
- 4.20. loss or damage resulting from war, civil war, invasion, riot, revolution, coup, a state of emergency, confiscation, seizure, imposition of a preventive measure, or expropriation, unless indemnification of such loss or damage is specifically agreed upon in the insurance agreement;
- 4.21. loss or damage resulting from a strike, lockout workers or participants in workers' riots, unless indemnification of such loss or damage is specifically agreed upon in the insurance agreement;
- 4.22. loss or damage resulting from terrorist acts or acts of people who are motivated by religious, political, ethnic or ideological reasons and who jeopardise the life, health, security or property of others or of society, unless indemnification of such loss or damage is specifically agreed upon in the insurance agreement;
- 4.23. loss or damage resulting from derelict mines, bombs, torpedoes or abandoned weapons, unless indemnification of such loss or damage is specifically agreed upon in the insurance agreement;
- 4.24. loss or damage resulting from radiation and radioactive contamination;
- 4.25. loss or damage resulting from the use of a chemical, biological, biochemical or electromagnetic weapon;
- 4.26. loss or damage resulting from the use of nuclear energy for any purpose, or loss of control thereof.

**5. RELEASE OF THE INSURER FROM THE OBLIGATION TO PERFORM THE INSURANCE AGREEMENT**

Compensa will be released, in part or in full, from the obligation to perform the insurance agreement if:

- 5.1. prior to the entry into the insurance agreement, the policyholder submitted false information to the insurer, and the insurer would not have signed the insurance agreement or would not have signed the insurance agreement under its current conditions if it had known the correct information;
- 5.2. the insured risk has increased and the insurer has not accepted the increase;

- 5.3. the policyholder has wilfully or through gross negligence violated at least one of the obligations specified in the insurance agreement and such violation has had an impact on the incurrance or extent of the loss or damage or on the identification of the extent of the loss or damage;
- 5.4. the policyholder has knowingly submitted false information about the circumstances or extent of the loss or damage;
- 5.5. the insured event occurred through intent or gross negligence of the policyholder or a person deemed equivalent to the policyholder;
- 5.6. the policyholder has caused the loss event under the influence of alcohol, drugs or psychotropic substances;
- 5.7. the policyholder contributed to the commission of a crime or to an attempt of a crime;
- 5.8. the policyholder waives his right against the person who caused the loss or damage, or Compensa cannot exercise its right of recourse through the fault of the policyholder (the deadline for filing the claim is exceeded, required documents are not submitted);
- 5.9. the loss or damage has been compensated by a third party.
- 6. TERRITORY AND PERIOD OF INSURANCE**
- 6.1. The territory of insurance is indicated in the insurance policy and Compensa will have an indemnification obligation only in respect of an event that occurs in the territory of insurance specified in the insurance policy (the route of cargo or a list of countries and regions).
- 6.2. The period of insurance is the period agreed upon in the insurance agreement.
- 6.3. The policyholder and Compensa may terminate the insurance agreement if they so wish, giving the other party at least 30 days' advance notice. In other cases the Law of Obligations Act applies.
- 6.4. If cargoes are insured under an open cover agreement, the insurance coverage applies to the cargoes whose loading on a means of transport started during the period specified in the insurance agreement.
- 6.5. In the case that the insurance agreement covers only single transport operation, the insurance coverage applies from the date stated in the insurance agreement, but not before the start of loading the cargo on a means of transport, unless otherwise specified in the insurance policy. The insurance coverage will expire in accordance with the conditions stated in the insurance terms and conditions and the Institute Cargo Clauses.
- 6.6. The start of loading relevant to the applicability of the insurance coverage means the loading of the cargo, which is in a transport package and has been prepared for carriage, on the first means of transport in the place of departure according to the route of the cargo. However, a different condition on the start of applicability of the insurance coverage may be agreed in the insurance agreement.
- 6.7. Insurance coverage also includes ordinary transshipments and intermediate storage of the cargo throughout the normal route.
- 6.8. Insurance coverage will expire as of the moment the cargo is unloaded in the territory of the consignee or in any other place of destination of the cargo as stated in the insurance agreement, but not later than:
- 60 days after the unloading of the cargo from a means of sea or air transport;
  - at the moment the cargo is loaded on the next means of transport if the place of destination specified in the insurance agreement differs from the final destination specified in the contract of carriage or if the place of destination specified in the insurance agreement is described through a delivery term of the cargo sales contract, which provides for the transfer of the risk of loss of and damage to the cargo from the seller to the buyer during the route (e.g. FOB).
- 6.9. Insurance coverage may also include pre-shipment or post-shipment storage, if so agreed in the insurance agreement.
- 6.10. If insurance coverage includes war and strikes risks (under Institute War and Strikes Clauses), the war cover will expire 7 days and the strikes cover will expire 48 hours after the submission of a respective notice by Compensa to the policyholder. Under no circumstances will the coverage of war and strikes risks apply for longer than the coverage of other insured risks.
- 7. SUM INSURED AND LIMIT OF INDEMNITY**
- 7.1. The sum insured is the largest amount payable per insured event.
- 7.2. The insurable value that underlies the sum insured is the market price of the cargo at the place of departure of the cargo according to its route. The market price is determined on the basis of cargo sales documents or on the basis of the value of the cargo as stated by the policyholder, but the insurable value is still not higher than the price at which it is possible to buy the cargo in the

open market at the place of departure according to the route.

- 7.3. In addition to the market value of the cargo, the sum insured may also include the following:
- a) direct costs related to the carriage of the cargo (e.g. freight charges paid to the carrier);
  - b) taxes and duties related to the importation or exportation of the cargo (e.g. customs duties);
  - c) non-refundable taxes related to the placement of the cargo in free circulation (e.g. excise duty);
  - d) expenses related to the display of the cargo (e.g. rent of exhibition premises).
- 7.4. In addition, cargo may be over-insured to the extent specified in the insurance agreement in order to compensate for indirect costs and expected profits. A special agreement to that end shall be indicated in the insurance policy.
- 7.5. If cargoes are insured under an open cover agreement, the insurance agreement shall also indicate the limit of indemnity per cargo, i.e. the maximum amount of indemnity paid per cargo per insured event. In relation to the limit of indemnity, the provisions on under-insurance will be taken into account in the payment of the insurance indemnity. A limit of indemnity may be specified per means of transport, intermediate storage facility or cargo unit (e.g. container).
- 7.6. The policyholder is required to notify Compensa about the correct insurable value.

## 8. DEDUCTIBLE

- 8.1. Deductible is an amount of money agreed upon in the insurance agreement (insurance policy), which Compensa will not indemnify. Deductible may be a percentage of the amount of the loss or damage or a fixed amount of money. The insurance agreement may specify both the general deductible, as well as special deductibles for specified risks, goods, regions, etc.
- 8.2. Losses resulting from different events will be considered separate insured events, and a separate deductible will be applied to each such insured event.

## 9. OBLIGATIONS OF THE POLICYHOLDER

### The policyholder is obliged (general obligations):

- 9.1. to explain the obligations arising from the insurance agreement to the persons who are deemed equivalent to the policyholder, as well as to the persons whom the policyholder uses in organising or performing the carriage of the cargo. Instructions (including safety requirements, the required temperature regime, etc.) shall be given to persons deemed equivalent to the policyholder, the

carrier or the forwarding agent in a format that can be reproduced in writing;

- 9.2. to notify the insurer, before the entry into or during the effective term of the insurance agreement, if the policyholder, a person deemed equivalent to the policyholder or the beneficiary has been / is included in a list of persons to whom sanctions apply;
- 9.3. to allow a representative of Compensa to review documents on the composition, value and carriage of the cargo. At the request of Compensa, the policyholder shall enable the person designated by Compensa to inspect the cargo before carriage or at any other time;
- 9.4. to preserve the documents on the composition, value and carriage of the cargo at least until the end of the limitation period for claims arising from the insurance agreement;
- 9.5. to provide complete and accurate information necessary for the assessment of the insured risk and, upon entry into the insurance agreement, disclose all the circumstances known to the policyholder that may affect Compensa's decision to enter into the insurance agreement or to do so on the agreed terms and conditions;
- 9.6. to comply with the legislation of the countries of departure, transit and destination according to the route of the cargo, including, without limitation, agreements on transportation of dangerous goods or of oversized or heavy cargo;
- 9.7. to notify the insurer of an increase in the probability of the insured risk at the earliest opportunity. Material circumstances increasing the insured risk include, in particular, the data that are specified as such in the insurance agreement and/or that Compensa requested at the time of entry into the agreement;
- 9.8. to comply with any additional instructions of Compensa to reduce the insured risk and abide by the safety requirements and special conditions set out in the insurance agreement;
- 9.9. to immediately notify the insurer about multiple insurance;
- 9.10. to make every effort to prevent an insured event and minimise any damage, avoid any increase in the probability of the insured risk and cause the persons who are deemed equivalent to the policyholder to do the same;
- 9.11. at the time of delivery of the cargo to the carrier (if the policyholder is the consignor) or receipt of the cargo from the carrier (if the policyholder is the consignee), the policyholder is required to inspect the external condition of the cargo and its packaging, the number of cargo units

and the condition of the cargo space and seals and, in the case of any comments, indicate a corresponding notation on the delivery note. If the contents of the packaging cannot be verified, a notation to that effect shall be indicated in the document certifying the receipt of the goods.

9.12. If the policyholder is also the carrier in the transportation process, the policyholder shall observe safety requirements and precautions in order to ensure safe transportation of the cargo and avoid any loss events, among other things:

- a) observe basic reasonable safety requirements when leaving the vehicle, i.e. close and lock the windows, doors and hatches, turn on the alarm system, take the delivery documents of the cargo, etc.;
- b) observe basic reasonable safety requirements also during rest periods (e.g. when complying with the requirements arising from legislation governing rest periods), using either guarded parking lots or parking areas of service stations that are intended for truck parking, while also observing the above precautions when leaving the vehicle.

**In the case of an insured event or an event following which a claim could be raised under the insurance agreement, the policyholder is required to comply with the following obligations:**

9.13. The policyholder has to take immediate measures to rescue the cargo, prevent any increase of a loss and reduce the loss.

9.14. The policyholder shall immediately notify:

- a) the police if third party actions are suspected;
- b) the local rescue authority in the event of a fire or explosion of an explosive;
- c) in other cases, the competent authority or person;
- d) the carrier and/or the person organising transportation (forwarding agent), observing the time limits laid down in the legislation governing the contract of carriage;
- e) the loss adjuster indicated in the insurance policy.

9.15. The policyholder shall notify Compensa about the insured event as soon as possible, but no later than three business days after becoming aware of the event. If the exact time of the insured event cannot be determined, the event will be deemed to have occurred at the time when the policyholder should have become aware of it.

9.16. In the case of any visible damage to or shortage of the cargo, the policyholder shall document the loss and notify the carrier or forwarding agent of any claim immediately when receiving the goods or – if the damage or shortage is hidden – notify the carrier or forwarding agent of any claim in accordance with the time limits set out in the contract of carriage. No damage to or shortage of the

cargo entitles the consignee (incl. the policyholder) to refuse to accept the goods.

9.17. As soon as the amount of the claim is known, the policyholder shall raise the claim against the carrier or the forwarding agent in accordance with the time limits set out in the contract of carriage.

9.18. The policyholder shall comply with the instructions of Compensa and, if possible, keep the place where the insured event occurred or was discovered intact until instructions are given.

9.19. If the insured event is expected to have occurred through the fault of third parties (incl. carriers and forwarding agents), the policyholder shall protect its rights against the person responsible for the loss (observing the time limits for notifying about the loss and raising a claim) and, after the indemnification of the loss, at the request of Compensa, assign its right of claim to Compensa enabling the latter to file a recourse action.

9.20. At the request of Compensa, the policyholder shall enable a representative of Compensa to inspect the goods and may not, without the consent of Compensa, transfer or dispose of the cargo.

9.21. The policyholder shall provide Compensa with the information and documents in the policyholder's possession about the causes and extent of the loss, incl. delivery and sales documents concerning the cargo, documents on the damage caused to goods, and correspondence with the carrier or forwarding agent.

9.22. Documents to be submitted for the purposes of loss adjustment (the following list is not exhaustive, i.e. all documents may not exist for all events, and additional documents may have to be submitted for some events):

- a) a claim notice and a brief description of the event;
- b) sales documents on the goods, i.e. offer to sell, contract of sale, invoice for the goods, or other documents certifying the sale and the delivery terms;
- c) documents relating to the contract of carriage, i.e. the order of carriage, the contract of carriage, the invoice for carriage, and carriage-related correspondence with the carrier or forwarding agent;
- d) packing lists, statements of delivery and acceptance of the cargo;
- e) a copy of the claim/notice to the carrier or forwarding agent;
- f) the police statement, customs statements;
- g) documents certifying the expenses relating to the loss event;
- h) in the case of an open cover agreement, the insurance certificate issued for the particular cargo;
- i) all other information concerning the particular transport operation and loss event.

- 9.23. The burden of proof regarding an insured event lies with the policyholder.
- 9.24. The policyholder shall immediately notify Compensa, in a format that can be reproduced in writing, if loss has been indemnified by a third party or if the policyholder intends to waive the claim filed against Compensa.
- 9.25. If the policyholder or beneficiary regains the possession of a stolen or robbed cargo, then Compensa shall be immediately notified. If the ownership of the cargo has been transferred to Compensa, also the possession of the cargo shall be immediately transferred to Compensa.
- 9.26. In the case that an open cover agreement has been signed, the policyholder shall, after the expiry of the period of insurance, submit data on the volume and value of cargoes covered by the insurance agreement, unless otherwise provided in the agreement. Unless otherwise agreed, the policyholder shall declare all cargoes specified in the insurance agreement during the period of insurance.
- 9.27. The policyholder shall comply with other obligations arising from the documents of the insurance agreement, i.e. the above list of obligations is not exhaustive.

## **10. RIGHTS AND OBLIGATIONS OF THE INSURER**

Compensa shall:

- 10.1. prior to the entry into the insurance agreement, introduce the documents related to the insurance agreement to the policyholder by including relevant references in the offer and/or the insurance policy (e.g. a direct reference to the relevant Internet site);
- 10.2. register the claim notice and introduce loss adjustment and indemnification principles to the policyholder;
- 10.3. following the receipt of the policyholder's claim notice, immediately start the loss adjustment process and determine the amount of loss to be indemnified;
- 10.4. make a decision to indemnify or refuse to indemnify the loss within a reasonable time from the receipt of all required documents and the identification of the amount and circumstances of the loss. Compensa is entitled to postpone making the decision if civil, criminal or misdemeanour proceedings have been commenced in respect of the loss event and circumstances identified in the course of the proceedings are relevant to the determination of Compensa's indemnification obligation;
- 10.5. notify the policyholder as soon as possible, if any additional material or evidence is required to ascertain the cause and/or extent of the loss;

- 10.6. maintain the confidentiality of the information learned in connection with the insurance agreement.

Compensa is entitled to:

- 10.7. establish additional requirements in order to reduce the insured risk. The additional requirements will be considered a part of the insurance agreement if, ten days after the receipt of the requirements, the policyholder fails to submit a statement of withdrawal from the insurance agreement;
- 10.8. in the event that the insured risk increases during the period of insurance, require the policyholder to take additional security measures and/or increase the insurance premium;
- 10.9. in the case of an increase in the insured risk, require the policyholder to pay the difference between the insurance premium indicated in the insurance policy and the premium payable according to the actual insured risk;
- 10.10. amend the standard terms and conditions and/or premium, if the insurance agreement is entered into for a period longer than one year, but not in respect of the first annual period of insurance under the insurance agreement;
- 10.11. involve third parties in the loss adjustment process.

## **11. INSURANCE INDEMNITY AND INDEMNIFICATION METHODS AND PROCEDURE**

- 11.1. The insurance indemnity is an amount of money paid out as compensation for the proprietary loss arisen as a result of the insured event and for the costs agreed upon in the insurance agreement.
- 11.2. Costs incurred in the prevention or reduction of a loss or damage are regarded as necessary and reasonable costs, if the sum of the cargo's estimated residual value and the amount of such costs is less than the insurable value.
- 11.3. If the restoration of an insured cargo is not technically and economically justified, the cargo will be deemed to have been completely destroyed (total loss). In this case, the insurable value of the cargo (up to the sum insured), less the residual value and the deductible, will be indemnified.
- 11.4. Indemnification methods include monetary compensation or indemnification for the costs incurred in restoration or reacquisition of the cargo or replacement thereof with an equivalent one. If a part of the cargo can be replaced, the costs of replacement of that part (incl. transport costs) will be indemnified, provided that these costs do not



exceed the insurable value of the cargo. The method of indemnification will be determined by Compensa.

11.5. When determining the amount of the insurance indemnity, the amount to be paid out will be adjusted for the deductible, any outstanding insurance premiums and reductions of indemnity, as well as taxes refunded under law (e.g. value added tax). If the currencies of the sum insured and the invoice for the goods are different, the indemnity will be calculated on the basis of the daily exchange rate of the European Central Bank on the day of the loss or, if the day of the loss is not known, on the day of learning about the loss.

11.6. Compensa is entitled to reduce the indemnity by the sum of insurance premiums payable until the end of the current period of insurance, regardless of whether or not they have become due and to whom the insurance indemnity will be paid out.

11.7. In the case of underinsurance, Compensa will indemnify the amount of loss in accordance with the ratio of the sum insured to the insurable value. If the sum insured does not differ from the insurable value by more than 10%, then underinsurance will not apply.

11.8. In the case of over-insurance, Compensa will indemnify the amount of loss up to the insurable value, unless otherwise indicated in the insurance agreement.

11.9. Value added tax or any other tax refundable to the policyholder under a law or other legislation will not be indemnified.

11.10. A cargo will be deemed lost if no information has been received on the cargo and/or the means of transport used to carry the cargo within 30 days, in case of domestic carriages, or within 60 days, in case of international carriages, of the expected date of arrival in the place of destination. In the case of loss covered under the Institute War and Strikes Clauses, the respective term is six months as of the expected date of arrival of the cargo in the place of destination.

11.11. After indemnification, the right of claim of the policyholder, insured person or beneficiary against the person responsible for the loss shall be assigned to Compensa to the extent of the insurance indemnity paid out. At Compensa's request, the policyholder shall enter into a written agreement on the assignment of the ownership or the right of claim.

11.12. Cargoes that are not permitted to be placed in free circulation under trademark law or according to a decision of a competent authority (e.g. the Veterinary Board or the Agency of Medicines) will remain in the possession of the policyholder, who will have the right to

destroy or recycle the goods. Compensa is entitled to proceeds of sale of these goods if it has paid the indemnity.

## **12. REPAYMENT OF THE INSURANCE INDEMNITY**

The policyholder and/or beneficiary is required to repay the insurance indemnity to the insurer as soon as possible if, after indemnification, circumstances precluding indemnification become evident or if the loss or damage has been indemnified by a third party.

## **13. HANDLING OF CUSTOMER COMPLAINTS AND SETTLEMENT OF DISAGREEMENTS**

13.1. The parties will endeavour to settle disputes arising from the insurance agreement by way of negotiations and, failing agreement, may take legal action.

13.2. If the policyholder or the beneficiary is not satisfied with the activities of Compensa, such person is entitled to lodge a complaint with Compensa. Declaration of dissatisfaction expressed in a format that can be reproduced in writing will be registered as a complaint. Compensa will notify the customer of the deadline for replying to the complaint at the earliest opportunity.

13.3. To settle a dispute, the policyholder may turn to the insurance mediation body of the Estonian Insurance Association, observing the procedural rules of the mediation body.

## **14. FORM OF NOTICES**

14.1. All notices between the parties to the insurance agreement that are necessary for the performance of the agreement shall be given in a format that can be reproduced in writing.

14.2. Compensa has the right to record phone calls related to the performance of the insurance agreement.

## **15. DISCREPANCIES**

In the case of any discrepancies between the documents of the insurance agreement, the following order of priority applies in the interpretation of the documents, with the previous document taking precedence over the next document: the insurance policy, the special conditions and special requirements indicated in the offer, and lastly these Insurance Terms.

## SPECIAL CONDITIONS AND CLAUSES

The special conditions and clauses apply as part of the insurance agreement if so agreed in the insurance policy. The special conditions and clauses apply only to the extent of those conditions and clauses that are indicated in the insurance policy (i.e. all special conditions and clauses do not apply automatically).

### 16. USED, DAMAGED OR UNPACKAGED CARGO

All the terms and conditions of the insurance agreement apply to insurance coverage provided for used or damaged cargo or for cargo that is not in the original transport package, except for loss or damage resulting from the following:

- a) rust, oxidation, corrosion and discoloration;
- b) scratches, bruising, denting, chipping, etc.;
- c) twisting, bending and deformation,

Unless such loss or damage results from the means of transport getting into an accident (e.g. a road accident) or from loading, unloading or transhipment of the cargo.

### 17. CONTINGENT INSURABLE INTEREST OF THE BUYER OR SELLER OF CARGO

Subject to a further special agreement between Compensa and the policyholder, the insurance also covers, for the entire route, those cargoes bought or sold by the policyholder for the accidental loss or destruction of which or for the insurance of which for the entire route the policyholder is not responsible under the delivery terms of the sales contract.

Under this special condition, all the terms and conditions of the insurance agreement will apply to the insured cargo also in the case that the policyholder does not receive compensation for the goods from the seller or buyer of the goods or their insurers, provided that:

- a) the existence of this special condition is not disclosed to other persons involved in the sale, financing or carriage of the insured cargo;
- b) the policyholder is required to comply with all the obligations arising from the insurance agreement also in respect of the cargoes to which this special condition may apply;
- c) the policyholder is required to take all reasonable measures to receive compensation for the damaged cargo covered by this special condition from the relevant party (e.g. buyer or seller of the cargo or their insurers);
- d) if Compensa indemnifies a damage or loss under this special condition, all the policyholder's claims against other parties in respect of the cargo concerned will transfer to Compensa.

Application of this special condition will not create multiple insurance policies.

## 18. EXHIBITIONS

Subject to a further special agreement between Compensa and the policyholder, the insurance of the cargo also covers the period of an exhibition (trade fair, etc.). The following additional conditions apply to this period:

- a) The cargo constituting an exhibit of an exhibition, including a tripod or other foundation of the exhibit, fastening mechanisms and other equipment directly related to the exhibition and indicated in the insurance policy are covered. The insurance coverage extends to carriage and loading and to the exhibition period.
- b) In addition to the insurable value of the cargo to be exhibited and the related equipment, the sum insured may also include costs directly related to the exhibition, such as rent of the exhibition facility or territory, transportation and installation costs and rent of the equipment used in connection with the exhibition. These costs will be included in the sum insured on the condition that they are stated in the insurance policy.
- c) The exhibition period covered is limited to 30 days, unless otherwise agreed in the insurance agreement.
- d) If the cargo constituting the exhibit is transferred (sold) during the exhibition period, the insurance coverage will terminate as of the moment that the carriage of the exhibit from the place of exhibition starts (beginning of loading in the exhibition territory).
- e) All fire safety requirements have to be met at the place of the exhibition; among other things, the place of exhibition shall be equipped with basic fire extinguishing devices in accordance with the legislation applicable in the country of the exhibition.
- f) If the place of storage or exhibition is outdoors, the territory where the insured cargo is located has to be surrounded with a fence and guarded by a security company.

All the terms and conditions of the insurance agreement apply to cargoes mentioned in these special conditions, except as regards any damage or loss resulting from the following:

- a) indirect costs, i.e. loss of a market share; penalties; loss of profit, etc.;
- b) assembly, exhibition, use or testing of the cargo constituting the exhibit;
- c) return shipment of the cargo constituting the exhibit, if the cargo is not packaged and prepared for carriage according to the same standards as required by the initial route, transport mode and nature of the cargo;
- d) theft or loss of the cargo constituting the exhibit, if the cargo was left unguarded. If the exhibition facility or territory is closed to visitors, the guarding obligation is deemed performed if security workers are present at the facility or in the territory or if the facility or territory is guarded by a security company.

**19. STORAGE**

If, subject to a further special agreement between Compensa and the policyholder, the insurance of the cargo also covers interim storage of the cargo before or after its carriage or in a place outside the usual route of the cargo or during a period that is longer than a usual period of intermediate storage (up to 30 days), these special conditions will apply to such storage. Unless otherwise agreed in the insurance agreement, the insurance coverage applies to a storage period of up to 30 days. All the terms and conditions of the insurance agreement apply to the insured cargo at the places specified in the insurance agreement and during the period of storage of the cargo, except as regards any damage or loss resulting from the following:

- a) unexplained loss or accounting deficit;
- b) processing, enhancement or other modification of the cargo;
- c) theft of the cargo from an open territory (if the territory is not surrounded with a fence and it is not under constant surveillance by a security company).

Theft of the cargo from a building or a territory that is surrounded with a fence and is under constant surveillance by a security company will be indemnified only in the case of a burglary.

The building where the insured cargo is stored has to be equipped with all basic fire extinguishing devices required by the legislation applicable in the respective country, and with fire and anti-theft alarm systems; and

- a) the policyholder shall have a valid maintenance and security contract with a security company approved by Compensa; and
- b) the storage place shall not be left unguarded, unless there is a functioning alarm system connected with a security company and the system is switched on.

If the contract concluded between the policyholder and a security company expires or is amended, Compensa shall be immediately informed and Compensa's instructions shall be followed. The policyholder shall comply with the user manuals of the fire extinguishing devices and alarm systems and adhere to their inspection or testing terms. Compensa shall be informed of any replacement or modification of the fire extinguishing devices and alarm systems. Compensa is entitled to suspend the insurance coverage for the replacement, modification or repair period. At Compensa's request, the policyholder shall allow Compensa to inspect the storage facility and the fire extinguishing and alarm systems.

**20. LATE ARRIVAL OF CARGO**

Subject to a further special agreement between Compensa and the policyholder, the insurance of the cargo also covers losses resulting from late arrival of the cargo, i.e. failure to observe the time limits for transportation.

In addition to a specific agreement on the application of this special condition, the validity of the insurance coverage is conditional on the following requirements:

- a) The deadline for delivery of the cargo shall be agreed in the contract of carriage.
- b) The deadline agreed in the contract of carriage shall be reasonable, i.e. consider the route, mode of transport, transport schedules and other factors affecting the time of transportation of the cargo.
- c) The policyholder shall prove that it has incurred actual additional costs due to the breach of the deadline (e.g. an increase in the rental payment for loading equipment), and shall also prove the amount and reasonableness of such costs.
- d) The sum insured includes freight charges.

The indemnity paid under this special condition will not exceed the amount of freight charges, unless otherwise agreed between Compensa and the policyholder.

Under this special condition, no indemnity will be paid in respect of the following losses, even if they result from late arrival of the cargo:

- a) cancellation of a contract;
- b) contractual fine, penalty or interest;
- c) loss of a market share;
- d) revenue lost as a result of a reduction in the sales of seasonal goods, campaign goods, etc.