

APPROVED by Resolution No 90 of the Board of "BTA" Joint-Stock Insurance Company of 19 October 2010 as amended by Resolution No 50 of the Board of "BTA Insurance Company" SE of 7 June 2011 (regarding change of the name)

GENERAL TERMS AND CONDITIONS

1. Definitions as used in the insurance contract

1.1. **The Insurer** – „BTA Insurance Company“ SE Lithuanian branch, hereinafter referred to as **BTA**.

1.2. **The Policyholder** – a person who has applied to BTA to contract for insurance or to whom BTA has offered to enter into an insurance contract, or who has signed an insurance contract with BTA for own benefit or for benefit of other persons.

1.2.1. Persons associated with the Policyholder and/or Insured Person to whom Policyholder's obligations are also binding:

- persons living together with the Policyholder or the Insured Person;
- persons responsible for insurance object pursuant to an agreement with the Policyholder or the Insured Person;
- persons sharing insurance interests together with the Policyholder or the Insured Person, or other persons named in the insurance contract;
- persons related to the Policyholder or the Insured Persons under employment, service delivery or other legal relationships and bound to act in conformity with the safety requirements.

1.3. **The Insured Person** – a person whose interests shall be covered:

- In case of property insurance – the owner of property covered by the insurance contract or other person named in writing in the contract;
- In case of third party liability insurance – a person whose property interests arising from third party liability are covered;
- In case of person's insurance – a natural person indicated in the insurance contract, whose health, life or physical condition is covered under the insurance contract.

1.4. **The Beneficiary** – a person named in the insurance contract or a person appointed by the Policyholder or, in cases stipulated in the insurance contract, by the Insured Person and entitled to receive insurance benefits.

1.5. **Third party** – (refers to third party liability insurance) a person who suffers loss due to Insured Person's acts or omissions, entitled to insurance benefits in accordance with the terms and conditions of the insurance contract.

1.6. **The parties to the insurance contract** – the Policyholder and BTA.

1.7. **Insurance object** – property interests relating to human life and/or health, property or third party liability.

1.8. **Application to contract for insurance** – a document in the form established by BTA for the Policyholder to provide with information required for the entering into the insurance contract. The application shall not be required, if the Policyholder provides BTA with information which BTA considers sufficient to assess insurance risks. Acceptance of the application to contract for insurance does not obligate BTA to sign the insurance contract.

1.9. **Insurance contract** – an agreement between BTA and the Policyholder, whereunder the Policyholder undertakes to pay insurance premiums specified in the insurance contract by the agreed time limits and to fulfill other obligations stipulated in the insurance contract, and BTA undertakes to pay down the benefit upon occurrence of the event insured (risk covered), as defined in the insurance contract.

1.10. **Insurance policy** – a document confirming the entering into insurance contract and covering the terms and conditions of the insurance contract agreed by BTA and the Policyholder.

1.11. **Sum insured** – a sum of money specified in the insurance contract or a sum of money calculated in the procedure described in the insurance contract which is the limit of indemnity (insurance benefit).

1.12. **Underinsurance** – cases when the established sum insured is less than the value of insurance. In such cases, upon occurrence of the event insured BTA shall indemnify a portion of the benefit in proportion to the ratio of the sum insured and the value of insurance.

1.13. **Insurance exceeding the value of insurance** – cases when the sum insured exceeds the value of insurance as of the date of contracting for insurance. In such cases, the benefit shall be paid down within the limits of the loss suffered.

1.14. **Double insurance** – cases when the Policyholder signs several insurance contracts with different insurance undertakings to cover the same risks. In such cases, the Policyholder should notify BTA in writing about other insurance contracts entered, sums insured and other contractual terms and conditions. Otherwise, the Insurer shall be entitled to recover insurance benefits being paid down. This provision shall not apply when, in accordance with the insurance contract, BTA is obliged to pay insurance benefit not related to property damage (insurance of sums).

1.15. **Additional insurance** – cases when only a portion of the value of property or risk is insured. In such cases the Policyholder shall be entitled to enter into an additional insurance contract with the same or any other insurer. However, the total sum insured under all insurance agreements shall not exceed the value of insurance.

1.16. **Deductible** – a portion of insurance benefit stipulated in the insurance contract as not to be indemnified by BTA. The deductible shall be defined as a specific amount of money or a percentage unless the policy specifies otherwise. Where the insurance contract provides for several types of deductible in respect of the same risk, the deductible which is bigger shall always apply.

1.17. **Insurance premium** – an amount of money set in the insurance contract which is payable by the Policyholder to BTA under the terms and conditions of the insurance contract for the insurance cover.

1.18. **Event insured (risk covered)** – incidents stipulated in the insurance contract upon occurrence of which BTA is obliged to pay the insurance benefit.

1.19. **Exclusions (risks uncovered)** – occurrences when BTA is not obliged to pay the benefit.

1.20. **Insurance risk** – a probability for the event insured to occur in future beyond control of the Policyholder and/or Insured Person.

1.21. **Insurance benefit** – an amount of money payable upon occurrence of the event insured or delivery of services if so is stipulated in the insurance contract.

1.22. **A written document:**

- A document executed in writing and containing all necessary particulars, including signature affixed in accordance with valid legislation of the Republic of Lithuania;
- An electronic document containing a safe electronic signature.

2. Validity of insurance cover

2.1. A period of insurance means a period when insurance cover is in force.

2.2. The insurance cover shall come into force at 00:00 o'clock on the date indicated in the insurance contract, but not earlier than the premium or its first installment is paid down, if:

- the date of paying the premium or its first installment is not indicated in the insurance contract;
- the beginning of the insurance period coincides with the date of payment of the premium or its first installment;
- the time limit for paying the premium or its first installment precedes the beginning of the insurance period.

2.3. Where coming into force of the insurance cover is linked to the payment of the insurance premium or its first installment, the insurance cover shall come into force at 00:00 o'clock the next day after receipt of the payment.

2.4. Where the insurance premium is paid after the date indicated in the insurance contract and the event insured occurs prior to the date of payment, the insurance cover shall not come into force.

2.5. Where the insurance contract stipulates that the premium should be paid after the first day of the insurance period, the cover shall come into force at 00:00 on the first day of the insurance period.

2.6. The insurance contract expires at 24:00 o'clock on the last day of the insurance period specified in the insurance contract unless terminated earlier for other reasons.

3. Policyholder's duty to disclose

3.1. Prior to signing the insurance contract, the Policyholder undertakes to provide BTA with true and complete information requested by BTA in relation to the insurance object and necessary for the assessment of insurance risks.

Where the Policyholder knowingly conceals information necessary for the assessment of the insurance risk or knowingly provides incorrect or incomplete information, BTA shall be entitled to claim nullification of the insurance contract and retain the paid down insurance premium.

3.2. The Policyholder is required to promptly notify of any changes occurring during validity of the insurance contract and likely to increase the insurance risk. The changes required to be disclosed include but are not limited to:

- significant changes relating to the insurance object;
- changes in the manner/ways of using the insurance object;
- other circumstances specified in the Special Part of the Regulations.

3.3. Where information provided to BTA about the insurance object and risks covered changes and this results in insurance risk increase, as well as in case BTA is misled by minor misrepresentations of the Policyholder, BTA shall be entitled to offer the Policyholder, within a period of 1 month from the date of getting aware, to amend the terms and conditions of the insurance contract, including the amount of the insurance premium.

Where the Policyholder disagrees to the amendment of the terms and conditions of the insurance contract or fails to give any answer to BTA within 1 (one) month from the date of dispatch of the notice of the proposed amendments, BTA shall be entitled to terminate the insurance contract upon expiration of the time limit stipulated in this paragraph without any further notice.

Where BTA proves that, being aware of the risk increase, it would have not entered into the insurance contract, BTA shall be entitled to claim termination of the insurance contract within 2 (two) months from getting aware of the risk increase.

3.4. Violation of the Policyholder's duty to disclose information shall also incur other legal consequences entrenched in the legislation of the Republic of Lithuania.

4. Insurance premium and payment procedure

4.1. The Policyholder must pay insurance premium to BTA in the amount and by the time limit set in the insurance contract.

4.2. The premium shall be deemed paid:

- when paid in cash – at the moment of paying the premium to BTA's officer or agent;
- when paid by a bank transfer – at the moment the relevant amount of money is credited to BTA or its authorized insurance intermediary's bank account.

4.3. In case of failure to pay the premium by the time limit set in the insurance contract, the Policyholder shall pay BTA a default interest in the amount of 0.02% for each day overdue. The above-indicated default interest shall not apply in the following cases:

- the premium is paid as a lump sum;
- in respect of the first payment, if the premium is paid in installments.

4.4. Should the Policyholder fail to pay in the premium or any part thereof by the deadline fixed in the insurance contract (with the exception of case when coming into force of the insurance contract is linked to payment of the insurance premium or any part thereof), BTA must inform the Policyholder to this effect in writing indicating that in case of latter's failure to pay in the premium or any part thereof in 15 days after receipt of the notice, the insurance cover shall be suspended and renewed only after the payment of the premium or any part thereof by the Policyholder.

4.5. BTA shall not be obligated to pay down the insurance benefit, if the event insured

occurs during suspension of the insurance cover. In case of third party liability insurance, if the insurance contract stipulates that the event insured is lodging of a claim for damages, commitment of the activity which causes the damage during the period of insurance cover suspension shall entitle BTA to disallow payment of insurance benefit irrespective of whether or not the claim for damages is lodged after expiration of the insurance cover suspension.

4.6. If suspension of the insurance cover on the ground of failure to pay down the premium lasts for a period exceeding 3 months, BTA shall be entitled to terminate the insurance contract unilaterally.

5. Contracting for insurance by means of telecommunication terminal equipment

5.1. Insurance contract between the Policyholder and BTA may be entered by means of telecommunication terminal equipment. When entered this way, insurance contracts shall be deemed concluded between the Policyholder and BTA by post, online, e-mail, telephone or other means of information exchange.

5.2. If an insurance contract is made by means of telecommunications terminal equipment:

- a) The insurance contract shall come into force the next day after full payment of insurance premium fixed by BTA;
- b) By paying the premium, the Policyholder confirms that he is familiar and agrees with all the terms and conditions of the insurance contract;
- c) The absence of a written policy does not affect validity of the insurance contract;
- d) If so requested by the Policyholder, BTA is obliged to issue a copy of the policy to the Policyholder within 5 (five) working days.

6. Expiration and amendment of the insurance contract

6.1. The insurance contract shall expire at 24:00 on the last day of the insurance period unless otherwise agreed by the Policyholder and BTA.

6.2. The Policyholder shall be entitled to terminate the insurance contract at any time giving a 15 days' notice to BTA in writing. In this case, the insurance contract shall be deemed terminated as of the date indicated in the notice, but not earlier than on the 15th (fifteenth) day after receipt of the notice of termination.

Such being the case:

6.2.1. Where there was no payment of insurance benefit effected and no claims were lodged within the period of validity of the insurance contract, the Policyholder shall be repaid, within 15 (fifteen) calendar days from the receipt of the Policyholder's notice, the insurance premium, less costs of conclusion and performance of the insurance contract (30% of the sum to be repaid);

6.2.2. Where the benefit was paid down and/or pending or a claim was lodged during validity of the insurance contract, the Policyholder shall be repaid, within 15 (fifteen) calendar days from the receipt of the Policyholder's notice, a part of the premium which is equal to the difference between the unused portion of the premium for the remaining period of the contract and paid down and/or pending benefit, reduced with the costs of conclusion and performance of the insurance contract (30% of the sum to be repaid).

6.3. The terms and conditions of the insurance contract may be modified or amended only upon a written agreement between BTA and the Policyholder.

6.4. The insurance contract may be terminated on other grounds stipulated in the insurance legislation of the Republic of Lithuania governing legal relationships in insurance contracts.

7. General exclusion clause

7.1. Unless the insurance contract stipulates otherwise, BTA shall not pay insurance benefits for:

7.1.1. Terrorist acts (the acts involving the use of, or threatening to use, force or violence, committed by a group of persons acting independently or on behalf of any organization or government, committed for political, religious, ideological or ethnic ends for the purpose of putting in fear or exerting influence on the government, public or any section of the public); losses incurred in relation to the prevention of terrorist acts shall not be compensated either.

7.1.2. War, invasion, hostile acts of foreign countries or other operations attaining the same level, such as civil war (whether or not the war is declared), riots, strikes, rebels, commotions, revolution, military situations, marauding, vandalism, sabotage; strike, lockout, public disorder attaining the level of a coup or riot, seizure of property, nationalization, when this is caused or authorized, whether legally or not, by the public authorities; other political risks and any other losses or costs directly or indirectly sustained in relation to the prevention of such acts shall not be compensated either;

7.1.3. Direct or indirect nuclear explosion, nuclear power or impact of radioactive substances; direct or indirect radioactive contamination;

7.1.4. Other circumstances classified as force majeure pursuant to the legislation of the Republic of Lithuania;

7.1.5. Malicious acts by the Policyholder, Insured Person or Beneficiaries.

8. Policyholder's obligations upon occurrence of an event which can be recognized as the risk covered

8.1. In order to qualify for insurance benefits in case of occurrence of the event insured, the Policyholder or the Insured Person is obliged:

8.1.1. To give a prompt notice within 3 working days (unless specified otherwise in the special terms and conditions of the Regulations) to BTA about occurrence of the event likely to be recognized as the risk covered in the procedure laid down in the special terms and conditions of the Regulations. Where the Policyholder or the Insured Person notifies BTA of the occurrence likely to be recognized as the event insured (risk covered) after expiration of the set time limit, the Policyholder or the Insured Person must prove that it was impossible to give notice on time;

8.1.2. To immediately report to competent authorities (e.g., medical establishments, the Fire and Rescue Department, the police, emergency services, etc.);

8.1.3. To follow all instructions given by BTA and to take all and any measures to mitigate the damage and prevent its occurrence or increase;

8.1.4. To make it available for BTA to inspect the scene of the event likely to be recognized as the risk covered, to investigate it and examine witnesses so that BTA would be able to identify the causes and size of damages;

8.1.5. To provide with any information and documents requested by BTA, including commercial secrets, if any, known to the Policyholder or the Insured Person so that BTA would be able to identify the causes and size of damage;

8.1.6. Unless instructed by BTA otherwise, to preserve, where possible, the scene unchanged while waiting for BTA's representative. This paragraph shall not apply in as much as it is necessary to fulfill the requirements in paragraph 8.1.3 above.

8.2. Where the Policyholder or Beneficiary deliberately or by gross negligence fails to fulfill the obligations stipulated in the Regulations, BTA shall be entitled to reduce or disallow payment of the insurance benefit.

9. Insurance benefits

9.1. The insurance indemnity (benefit) must be paid down within 30 days after receipt of all information required for the establishment of the fact, circumstances and consequences of the event insured as well as for the identification of the amount of insurance benefit.

9.2. If the event is the risk covered, but the Policyholder and BTA fail to agree as to the amount of benefit, on the Policyholder's request BTA must pay down an amount equal to the benefit indisputable by the parties, if definite establishment of the amount of damage lasts for a period exceeding 3 months.

9.3. Where BTA delays payment of the benefit for its own fault, BTA shall pay a default interest in the amount of 0.02% of the outstanding benefit for each day overdue.

9.4. For the purpose of paying insurance benefits, all insurance premiums for a current insurance year, which are mature on the date of paying the benefit, shall be accounted. Pending premiums can be also accounted if so agreed by the Policyholder. If the insurance object is killed, destroyed or lost as a result of the event insured, all premiums pending in accordance with the insurance contract shall be deducted.

10. Dispute settlement procedure

10.1. Any disputes between the parties shall be settled by negotiations. In case of failure to agree, all disputes arising out of the insurance contract and relating to violation, termination or invalidity of the insurance contract shall be settled in compliance with the law of the Republic of Lithuania and in courts of the Republic of Lithuania according to the place of head office of BTA.

11. Management of personal data

11.1. By entering into the insurance contract, the Policyholder and/or the Insured Person expresses his consent that BTA would manage, as a data controller, personal data of the Policyholder (except for special categories of personal data) in accordance with the provisions of the Law on Legal Protection of Personal Data to an extent it is necessary for the assessment of risks, solvency and debt management as well as for the purpose of direct marketing and statistics. The Policyholder and/or the Insured Person further agrees that BTA would disclose data on debtors, including personal identification numbers, to other data controllers who process consolidated debtor files. In addition, the Policyholder agrees that BTA would receive information from data controllers processing personal data, when such information is necessary for BTA for the aforementioned purposes and requirements of legal acts of the Republic of Lithuania are not violated. BTA must process personal data accurately, fairly and lawfully as well as take measures to ensure protection of personal data. BTA shall be liable for violations of the Law on Legal Protection of Personal Data in compliance with legislation of the Republic of Lithuania.

12. Subrogation

12.1. The Insurer shall acquire the right of subrogation against the persons at fault after payment of insurance benefit to indemnify for this loss (subrogation). The Policyholder (Beneficiary) must provide BTA with all and any information required for the Insurer to properly implement this right of recourse.

13. Confidentiality

13.1. The parties are obligated not to disclose any confidential information received on the basis of contractual or pre-contractual legal relations to any third persons, as well as not to use it against the interests of the other party. BTA shall be entitled to provide all relevant information, as received on the basis of the contractual or pre-contractual legal relations, to independent experts and reinsurers, as well as to store such information in BTA's databases. This duty shall not apply when the parties are obligated to disclose information to the authorized public authorities in as much as it is necessary to observe the requirements of the legal acts of the Republic of Lithuania.

14. Procedure of ceding the Insurer's rights and obligations under the insurance contract to other insurers

14.1. BTA is entitled to cede its rights and obligations to other insurance undertakings in the statutory procedure.

14.2. If the Policyholder disagrees with the Insurer's intention to transfer its rights and obligations under the insurance contract, the Policyholder is entitled to terminate the insurance contract within one month from the cession of the rights and obligations. In this case the Policyholder shall be refunded the paid in premiums for the remaining period of the insurance contract validity.

15. Notice giving procedure

15.1. Any notice to be communicated by the Policyholder or BTA to each other shall be delivered by the time limits set in the Regulations in one of the manners below:

15.1.1. by handing a notice to the parties at the address indicated in the policy or other documents;

15.1.2. by certified mail;

15.1.3. by a facsimile transmission.

16. Miscellaneous

16.1. Unless specified by the Policyholder otherwise upon signing the insurance contract, the Policyholder agrees that BTA would send him insurance offers concerning:

- a) extension of existing insurance contracts;
 b) entering into new insurance contracts in whatsoever class of insurance.
- 16.2. Contractual insurance relations shall be governed by the law of the Republic of Lithuania.
- 16.3. The insurance contract shall be signed on the basis of the general and special terms and conditions. In case of any differences between the special and/or individual insurance terms and conditions, as stipulated in the insurance contract (policy), and the general terms and conditions herein, the special and/or individual insurance terms and conditions shall take precedence.
- 16.4. The Policyholder, Insured Person, Beneficiary and other persons acquiring any rights on the basis of the insurance contract are required to fulfill the obligations stipulated in the Regulations.
- 16.5. The Regulations are effective from the date of being approved by the BTA board unless it provides for another date for the Regulations to come into effect.
- 16.6. In case of any differences or discrepancies between the languages, the wording in the Lithuanian language shall override.
- 16.7. The Regulations are available on BTA's web site at <http://www.bta.lt>.

APPROVED by Decision No. LV1_002/02-03-03-2014-24 of the Board of "BTA Insurance Company" SE of 18 February 2014

SPECIAL TERMS AND CONDITIONS

1. Object of insurance

The object of insurance shall be the property interests related to a vessel specified in the insurance policy.

2. Definitions

Vessels – means seagoing vessels and inland waterway vessels, various floating watercraft objects, e.g., barges, floating docks, floating cranes, etc.

Fire – means uncontrolled burning or smouldering in the process of which a vessel or its parts are damaged or destroyed by fire or high temperatures.

Natural disaster – means storm, tornado, rainfall, hail, stroke of lightning, earthquake, volcano eruption. A stroke of lightning is a direct impact of lightning on the insured vessel.

Theft – means secret seizure of the insured vessel or its parts, i.e. without knowledge or against the will of its legitimate owner, as well as open seizure of the insured vessel or its parts, i.e. with knowledge and against the will of its legitimate owner, however without using any physical or psychological violence against the owner.

Robbery – means seizure of the insured vessel or its parts using physical or psychological violence against the owner.

Replacement cost of a vessel – means amount of money determined in the process of underwriting necessary for the restoration of an object with such physical or operating properties.

Variant of the insurance cover – means risk or a set of risks, determined by agreement of the Policyholder and the Insurer, causing the insured event in the case of which the Insurer indemnifies losses.

Constructive total loss of a vessel – when the costs of recovery and (or) reconstruction of a vessel exceed the sum insured, the vessel is deemed to be a total constructive loss.

Barratry – means unlawful acts of the vessel's master or crew member causing damage to the vessel or its cargo.

Gross negligence – means non-compliance with safety and damage prevention requirements established in the policyholder's rules of procedure or other legal acts, which result in the failure to foresee the apparently dangerous consequences or in an irresponsible belief that such consequences may be avoided.

Ship accident – means collision of the insured vessel with other moving and stationary objects.

General average – means losses incurred as a result of voluntary and reasonable costs made to save the vessel or cargo from general danger when an accident occurs.

Unrecovered damage – means claim resulting from unrecovered damage of a vessel, which is equal to the reasonable reduction in the market value of the vessel due to its breakdown at the end of the insurance period.

3. Variants and insured events

3.1. Variants of the insurance cover:

3.1.1. Variant **A**: "Total construction loss of a vessel".

3.1.2. Variant **B**: "Damage to the hull, mechanisms and equipment of a vessel".

3.2. Insured events:

According to Variants **A** and **B** of the insurance cover the insured event shall be damage made to a vessel by:

- 3.2.1. dangers existing in the seas, rivers, lakes or other navigation waters, i.e. casual incidents, emergencies or accidents, rather than usual impact of waves and wind;
- 3.2.2. fire, explosion;
- 3.2.3. theft by external burglars or robbery;
- 3.2.1.4. illegal acts of third persons;
- 3.2.5. jettison;
- 3.2.6. pirating;
- 3.2.7. accident of nuclear devices or reactors;
- 3.2.8. impact of an aircraft or similar object or items falling from them, land transport, dock or quay equipment or facilities;
- 3.2.9. natural disasters;
- 3.2.10. accidents during transshipment, unloading or transfer of a cargo or fuel;
- 3.2.11. explosions of boilers, shaft problems, hidden defects of mechanisms or hull (however, the insurance benefit shall not be paid for the replacement or repairs of the part giving rise to such damage);
- 3.2.12. gross negligence of a master, mates, crew members or pilots;
- 3.2.13. gross negligence of repairers or charterers, unless such repairers or charterers are policyholders according to the insurance contract;
- 3.2.14. unauthorised acts or barratry of a master, his mates or crew.

4. Extension of validity of the insurance contract and insurance cover

If at the end of the insurance contract validity period a vessel meets with an accident in the sea, the insurance cover for such vessel may be extended in a port of refuge or unloading, having made an advance written notice to the Insurer to the effect, until it reaches the port of destination, when the Policyholder additionally pays 1/12 of the annual insurance premium.

5. Exclusions

5.1. According to variants **A** and **B** of the insurance cover any event resulting from intentional acts of the policyholder, beneficiary, master or owner of a vessel shall be classified as exclusion.

5.2. According to variants **A** and **B** of the insurance cover classified as exclusion shall be any event resulting from:

- 5.2.1. capture, arrest, detention or holdback (except for unauthorised acts and pirating), their consequences or any attempts of capture, arrest, detention or holdback;
- 5.2.2. reimagining mine, torpedo or other military weapon;
- 5.2.3. breakdowns of the vessel's engine(s) or other mechanisms thereof caused not by the accident of the vessel.

5.3. According to variants **A** and **B** of the insurance cover a claim for scrubbing the bottom of a vessel, cleaning the bottom by sandblasting and (or) other preparation or painting of its surface, except in the following instances:

- 5.3.1. cleaning of a new bottom plating by sandblasting and (or) other preparation. These works shall be performed on the shore, even simple repairs works, such as priming;
 - 5.3.2. sandblasting and (or) other works of preparation of the surface are applied to:
 - 5.3.2.1. the points of joining or plating which are near any other replaced or repaired part of the plating damaged in the process of welding and (or) correcting a joint;
 - 5.3.2.2. the points of plating which have been damaged at the time of formation of the fairing at the place of repairs or on the shore;
 - 5.3.2.3. applying the first layer of primer and (or) anticorrosive material the points specified in subparagraphs 24.5.1 and 24.5.2. The insurance benefit shall be paid only in those cases when such costs constitute reasonable costs of repairs of the vessel's plating damaged during the insured event.
- 5.4. According to variants **A** and **B** of the insurance cover classified as exclusion shall be any event which is not specified as the insured event in these Regulations.

6. Sum insured

6.1. A vessel shall be insured on the basis of its replacement cost, unless the Policyholder and the Insurer have agreed otherwise.

6.2. Unless provided otherwise in the insurance contract, the sum insured specified in the insurance policy shall be the maximum amount of insurance benefits of the entire insurance period. After payment of the insurance benefit following each insured event the Insurer's obligations shall further apply to the balance of the sum insured.

6.3. The deductible shall not apply to the targeted reasonable costs related to the examination of the bottom when the vessel is stranded.

7. Territory of validity of the insurance cover

The insurance cover shall apply within the limits of the territory specified in the insurance policy.

8. Conditions and procedure of payment of the insurance benefit

8.1. The amount of the insurance benefit shall be equal to losses (size of damage) calculated in accordance with these Regulations.

8.2. The insurance benefit shall be reduced by the amount of the deductible according to separate groups of insurance cover or separate objects of insurance. When calculating the final insurance benefit according to a separate insured event, the amount of deductible may not be smaller than the deductible established for the insured event caused by certain reasons, or larger than the maximum deductible for one insured event according to all groups of insurance cover or all objects of insurance.

8.3. Within the meaning of these Regulations losses shall be:

- 8.3.1. the value of repairs of a vessel in the case of its partial damage;
- 8.3.2. in the case of the total constructive loss of a vessel, the insurance benefit shall be equal to the value of the recovered vessel or property, reduced by the value of damaged property, wreck of a broken vessel or scrap;
- 8.3.3. the amount of damage made to a vessel caused by any government body authorised to stop or mitigate the hazard or threat of pollution directly caused by the breakdown of a vessel, if the insurance benefit is paid for such a breakdown, provided that such act of the government body had not resulted from the Policyholder's, owner's or master's gross negligence in attempting to stop or mitigate such hazard or threat.

8.3.4. According to variants **A** and **B** of the insurance cover – if the insured vessel collides and is salvaged by another vessel, which fully or partly belongs to the same owner or is managed by the same management, the Policyholder shall have the same rights as if it were another vessel belonging to another owner who has no property rights to the insured vessel. In that case the liability for the collision and (or) the amount payable for the salvage services shall be determined by the expert chosen by joint agreement of the Insurer and the Policyholder.

8.3.5. Additionally indemnified under these Insurance Regulations shall be the part of the vessel salvage costs, salvage fees and (or) of the incurred losses of the general average established at the lower value according to any insurance. If a vessel is sacrificed in the general average, the Policyholder shall be entitled to the indemnification of all losses. The claim compensation procedure shall comply with the rules of law of the place of the insured event, unless the freight agreement provides otherwise. If the freight agreement provides for other conditions, the claim shall be settled according to the York–Antwerp Rules.

If a vessel sails in ballast, and not under Charter, the York–Antwerp Rules 1974 shall apply (except for Rules XX and XXI). In that case the route of the vessel shall be its trip starting at the port or point of departure and ending upon its arrival to the first port or point of destination, other than the port or place to which a vessel arrives to protect against accident or to fuel up. If at any of such intermediate ports or places

of stay it is decided to discontinue the trip, the route of the vessel shall be deemed to be ended. When the costs described in this subparagraph are incurred, the insurance benefit payable in such case may not exceed the portion of the costs which is equal to the ratio of the sum insured and market value of the insured vessel before the insured event. When the Insurer acknowledges the claim for the total constructive loss of the vessel and the property insured by this insurance contract is salvaged, the aforementioned clause shall not apply, unless the costs of litigation and salvage are larger than the value of the salvaged property. In that case conditions mentioned in this section shall apply only to that part of costs which exceeds such value. Where according to these terms and conditions of the insurance contract the claim for the total constructive loss of the vessel is acknowledged and reasonable costs have been incurred trying to salvage the vessel and other property, when there are no recoveries, or when costs are larger than recoveries, the part of costs or of the costs exceeding the recoveries shall be indemnified according to these Insurance Regulations likewise in other cases established in this section, but if the vessel is insured for the value smaller than its value before the insured event, the amount recoverable under this subparagraph shall be reduced pro rata to such under-insurance. The claims, other than those related to the general average, for wages and maintenance of the master, mates and crew as well as any member of the crew shall not be indemnified, unless they are related to the necessary transfer of the vessel between ports for repairs in order to eliminate the damage for which the insurance benefit is paid, or for the purpose of a test trip after repairs. This condition shall apply only to wages and maintenance costs incurred when the vessel is travelling. Insurance benefits paid in the cases of the general average shall be additional to other benefits provided for in these Regulations, however, they may not exceed the sum insured of the insured vessel.

8.4. According to variants **A** and **B** of the insurance cover the insurance benefit for new component parts shall be paid without depreciation.

8.5. The insurance benefit for unrepaired damage shall be equal to the reduction of the value of the vessel at the end of validity of the insurance contract, provided that such 8.5.1. BTA shall not pay the insurance benefit for the loss of market value of the vessel due to unrepaired damage, if the total constructive loss of the vessel occurs during the remaining or extended period of validity of the insurance contract.

8.5.2. The total amount of insurance benefits for unrepaired damage throughout the entire period of the insurance contract may not exceed the market value of the vessel at the time of the last insured event.

8.6. If the Policyholder breaches contractual terms and conditions concerning navigation, transported cargos, operated areas, periods of operation, towage, salvage services, etc., the insurance benefit shall be paid only on condition that it is paid without undue delay, but no later than within 5 working days, and not later than the start of such operations and provided that the Insurer had been notified to the effect. In that case the Policyholder must pay the additional insurance premium agreed by the parties.

8.7. The insurance benefit shall not be paid, if at the time of occurrence of damage:

8.7.1. the classification company of the vessel changes, or its class is suspended, changed, terminated or expired, on condition that this clause shall not apply to a vessel which is out in the sea until it reaches another port. If the change, suspension, termination or cancellation of the vessel class is caused by the insured event, the insurance benefit shall be refused only if the vessel leaves another port without advance consent of the classification company;

8.7.2. the ownership or flag of the vessel changes, the vessel is transferred to a new management, an empty vessel is leased under Charter, the rights to the vessel or the method of its use change. If the vessel is carrying a cargo and has already departed from the port of loading or is out in the sea and sailing in ballast, this clause shall not apply until the vessel finishes the planned trip and reaches the final port of arrival, if it is carrying a cargo, or the port of destination, if it is sailing in ballast. Upon change of the right of ownership or use of the vessel without prior written consent of the Policyholder, the application of this clause shall start after 15 days.