

SURETYSHIP INSURANCE CONCERNING THE PERFORMANCE OF CONTRACTUAL OBLIGATIONS

Regulations No 024.1 (Effective from 1 August 2015)



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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. **Non-insured event** – an event when BTA does not pay the insurance 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) A document executed in writing and containing all necessary particulars, including signature affixed in accordance with valid legislation of the Republic of Lithuania;

b) a document transmitted by telegraph, fax communication or other telecommunications terminal equipment, provided that the security of the text is guaranteed and the signature can be identified, also including electronic messages.

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 instalment is paid down, if:

2.2.1. the date of paying the premium or its first instalment is not indicated in the insurance contract;

2.2.2. the beginning of the insurance period coincides with the date of payment of the premium or its first instalment;

2.2.3. the time limit for paying the premium or its first instalment precedes the beginning of the insurance period.

2.3. Where the coming into force of the insurance cover is linked to the payment of the insurance premium or its first instalment, the insurance cover shall come into force at 00:00 on the next day following the receipt of the payment, but not earlier than specified in the insurance contract.

2.4. If the event insured occurs before the entry into force of the insurance cover, the insurance premium shall not be paid.

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 shall expire 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. During the insurance contract validity period, the Policyholder must promptly notify of all changes occurring during the validity of the insurance period which are likely to increase the insurance risk. The changes to be disclosed include:

a) significant changes relating to the insurance object;

b) changes in the manner/ways of using the insurance object;

c) 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:

4.2.1. when a payment order is used – from the receipt of money to the bank account of BTA or authorised insurance intermediary;

4.2.2. when other payment methods are used – from the date specified in a particular document confirming the fact of payment. The list of payment methods is available on our internet site www.bta.lt, or by phone (8 5) 2600 600.

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:

a) the premium is paid as a lump sum;

b) in respect of the first payment, if the premium is paid in instalments.

4.4. If the Policyholder fails to pay in the insurance premium or its part at the time specified in the insurance contract (unless the entry into force of the insurance contract is linked to the payment of the insurance premium or its part), BTA must inform, by a written document provided for in the contract, that if the Policyholder fails to pay the insurance premium or its part within 30 (thirty) days of the day of sending the written document, the insurance contract will be terminated.

5. CONTRACTING FOR INSURANCE BY MEANS OF TELECOMMUNICATION TERMINAL EQUIPMENT

5.1. The Policyholder and BTA may conclude the insurance contract using telecommunication terminal equipment. Insurance contracts concluded between the Policyholder and BTA by post, internet, e-mail, telephone or other means of information exchange shall be considered to be duly concluded and binding.

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

a) the insurance contract shall enter into force on the next day following payment of the full amount of the insurance premium or its part determined by BTA;

- b) by paying the insurance premium, the Policyholder confirms that he agrees with all 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 20 (twenty) 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 disbursed and/or reserved, or if claims were filed during validity of the insurance contract, within 20 (twenty) calendar days of the receipt of the Policyholder's notice, BTA shall refund the part of the insurance premium which is equal to the difference between the unused part of the insurance premium for the period of validity of the contract and disbursed and/or reserved insurance benefit, reduced by the costs of conclusion and performance of the contract (30% of the refundable amount).
- 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 become eligible to receive the insurance benefits upon occurrence of a potential 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 damages;
- 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.
- 8.3. While staying at the scene of event, the Policyholder or the Insured Person shall immediately call BTA at indicated information number (85) 2600 600 24 hours per day and provide information on the event to receive BTA's instructions as to how to meet the conditions above in a proper and consistent way so that to receive the insurance benefit.

9. INSURANCE BENEFITS

- 9.1. The insurance indemnity 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 legal acts of the Republic of Lithuania, before courts of the Republic of Lithuania according to the place of the head office of the Lithuanian branch 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, and 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 AND THE RIGHT OF RECOURSE

12.1. When the Insurer pays the insurance benefit, the right to claim the amounts paid from the party liable for the inflicted damage shall transfer to the Insurer (subrogation or the right of recourse). The Policyholder, the Insured Person or the Beneficiary must provide BTA with all required information to enable the Insurer to properly exercise the right of claim transferred thereto.

13. CONFIDENTIALITY

13.1. The parties undertake not to disclose the confidential information received on the basis of contractual or pre-contractual legal relations to any third parties, not to use such information to the detriment of interests of the other party to the insurance contract. 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 must disclose the information to competent public authorities in compliance with requirements of legal acts of the Republic of Lithuania.

14. PROCEDURE OF CEDING THE INSURER'S RIGHTS AND OBLIGATIONS UNDER 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 delivering to the Policyholder according to the addresses specified in the insurance policy or other written documents or in the parties' notifications of the change of the head office addresses;
- 15.1.2. by sending a registered postal correspondence item;
- 15.1.3. by e-mail, where the parties have agreed on such notification method in the contract or have expressed by conclusive actions their agreement to exchange the information in such a manner.

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>.

SPECIAL TERMS AND CONDITIONS

1. EXPLANATIONS OF TERMS USED IN THE REGULATIONS

The Insurer	AAS BTA Baltic Insurance Company, represented by its Lithuanian branch, hereinafter referred to "BTA".
The Policyholder	Natural or legal persons (entities of any type and their units registered in the statutory procedure and operating in the territory of the Republic of Lithuania or abroad).
The Beneficiary	A legal or natural person against whom the Policyholder is obligated to perform the assumed obligations under conditions of a tender carried out by the Beneficiary in the statutory procedure or in accordance with a written agreement (hereinafter referred to as "the Agreement").
Tender	Public procurement of supplies, services or works conducted by contracting authorities (state or municipal agencies and enterprises) with a view to concluding a public procurement contract.
The Agreement	The Agreement means a written agreement concluded between the Policyholder and the Beneficiary which establishes the Policyholder's obligations to the Beneficiary and the performance of which was insured by BTA according to the conditions and procedure of these Insurance Regulations.

2. INSURANCE OBJECT

Insurance object	2.1. The insurance object shall be the property interests of the Beneficiary with regard to non-performance or inadequate performance of the Policyholder's obligations according to the conditions of the tender organised by the Beneficiary or Agreement signed between the Beneficiary and the Policyholder.
Insurance shall not cover:	2.2. The following shall not qualify as insurance object: <ol style="list-style-type: none">2.2.1. Insurance of any kind of credit, loan surety bonds or reimbursement thereof.2.2.2. Insurance of any kind of mortgage surety bonds.2.2.3. Surety ship insurance for any type of financial guarantees.2.2.4. Statutory sanctions for non-fulfilment or improper fulfilment of the Policyholder's obligation(s).2.2.5. Indirect loss (lost profit or revenues).2.2.6. Expenses sustained by the Beneficiary when non-fulfilment or improper fulfilment of the Policyholder obligations under the terms and conditions of tender or agreement has been proved.2.2.7. Legal costs. 2.3. Penalties fixed in the Agreement with the Beneficiary (interest on late payment, fines) for non-fulfilment or improper fulfilment of the Policyholder's obligations shall fall within the scope of insurance only if this has been explicitly and unambiguously set forth in the insurance contract.

3. INSURANCE COVER

3.1. Cover under suretyship insurance contracts shall apply exclusively to the risks listed in the insurance contract.

3.2. Insurance cover may be extended to additional insurance clauses of the surety bond, if so is insisted by the Beneficiary and requested by the Policyholder.

4. INSURED EVENTS

Insured event

4.1. Event insured – the Beneficiary’s claim for the losses suffered thereby due to the non-performance or inadequate performance of the Policyholder’s obligations under the terms and conditions of the tender organised by the Beneficiary or of the Agreement, provided that the following three prerequisites exist:

4.1.1. the Policyholder recognises the fact of that contractual obligations are not or have not been performed through the Policyholder’s fault and there is available proof that the Policyholder is incapable to perform them;

4.1.2. the Policyholder disagrees with the claim, but there is a valid court ruling establishing that the Policyholder has violated its contractual obligations and is bound to indemnify for loss, provided that the Policyholder is not capable of doing so for objective reasons;

4.1.3. the Policyholder disagrees with the claim, but the Insurer, having investigated the event and analysed all the relevant documents, establishes that the Policyholder has violated its contractual obligations. In this case the Insurer has the right to pay compensation to the Beneficiary without Policyholder’s agreement.

Insured events under suretyship insurance for bids

4.2. The following events shall qualify as the events insured in accordance with a **bid** surety policy and the surety bond attached to the insurance policy:

4.2.1. the Policyholder withdraws his bid during its validity period.

4.2.2. upon acceptance by the Beneficiary of the Policyholder’s bid the Policyholder during the bid validity period avoids or refuses to sign the Agreement according to the terms and conditions specified in the tender documentation and at the time specified by the Beneficiary.

4.2.3. upon acceptance by the Beneficiary of the Policyholder’s bid the Policyholder during the bid validity period avoids or refuses to submit the Agreement surety bond as required in the terms and conditions of the tender.

4.2.4. upon acceptance by the Beneficiary of the Policyholder’s bid the Policyholder during the bid validity period defaults on other obligations provided for in the terms and conditions of the tender and in the insurance contract

Insured events under suretyship insurance for performance

4.3. The following events shall qualify as the events insured according to the insurance policy issued for the **performance** and the surety bond attached to the insurance policy:

4.3.1. works completed, services provided and goods supplied by the Policyholder do not satisfy the requirements established in the Agreement.

4.3.2. the Policyholder violated the deadlines established in the Agreement for the performance of obligations, excluding the cases when the deadlines for the fulfilment of such obligations were violated not through the Policyholder’s fault.

4.3.3. the Policyholder refuses without valid reason to continue fulfilling the Contractual obligations.

Insured events under suretyship insurance for advance payment

4.4. The event insured according to the insurance policy issued for the **advance payment** and the surety bond attached to the insurance policy shall be the use of the advance issued by the Beneficiary to the Policyholder is used by the latter disregarding the signed Agreement.

Insured events under suretyship insurance for guarantee period

4.5. The event insured according to the insurance policy issued for the **guarantee period** and the surety bond attached to the insurance policy shall be the Policyholder’s default on his obligation arising from the Policyholder’s undertakings under the Agreement during the guarantee period provided for in the Agreement. BTA shall not indemnify the losses relating to the defects of construction operations which were obvious (objectively identified) upon acceptance of the construction operations.

The following risks shall be also deemed insured events

4.6. Events referred to in items 4.2, 4.3, 4.4 and 4.5 shall also qualify as the events insured in cases of the Policyholder’s non-performance or inadequate performance of the Contractual obligations due to the following reasons:

4.6.1. insolvency of the Policyholder.

4.6.2. institution of bankruptcy proceedings or extra-judicial bankruptcy proceedings against the Policyholder.

5. EXCLUSIONS

5.1. Exclusions shall comprise all instances in which the Policyholder is not liable to the Beneficiary under the signed Agreement.

5.2. Exclusions shall comprise the instances of the Policyholder’s non-performance or inadequate performance of the Contractual obligations after expiration or before enforcement of the insurance contract.

5.3. BTA may refuse the payment of the insurance benefit if the Beneficiary:

5.3.1. provides to BTA incorrect or false information about the event insured or causes thereof;

5.3.2. fails to furnish the Insurer with the documents confirming the occurrence of the event insured and the amount of suffered losses except in cases when such requirement is not provided for in the insurance contract.

5.4. BTA may refuse or reduce the insurance benefit when the Beneficiary has received full or partial compensation of damage from the Policyholder or third person responsible for the inflicted damage.

6. SUM INSURED

6.1. The amount of the sum insured shall be established by mutual agreement of BTA and the Policyholder in consideration of requirements established by the Beneficiary.

7. INSURANCE PREMIUM

7.1. Upon contracting for suretyship insurance, insurance premium shall be calculated by the Insurer subject to the sub-class of insurance (tender bid, performance for works, advance payment, guarantee period), type of business activities to be covered, length of insurance term, and other insurance conditions and data.

7.2. Insurance premium shall be paid as a lump sum by the time limit set in the policy.

8. CONCLUSION AND VALIDITY OF THE INSURANCE CONTRACT

8.1. In order to enter into the Insurance Contract with BTA, the Policyholder shall submit a filled-in application of an established form and content in writing, tender documentation or Agreement stipulating the Policyholder’s obligations to the Beneficiary, financial statements and other documents requested by BTA and required for the determination of insurance risk and conclusion of the Insurance Contract. In case of failure to submit the documents above, BTA may refuse to proceed with the Policyholder’s application to contract for insurance. The Policyholder shall be kept liable for correctness of the data and documents provided.

8.2. The Insurance Contract shall comprise the following: a written application of the Policyholder to contract for insurance, Insurance Regulations, policy issued in accordance with the Regulations and a surety bond enclosed to the policy, i.e., a letter of BTA's obligations or a trilateral obligations agreement signed by BTA, the Policyholder and the Beneficiary (further – "the surety bond").

8.3. The Insurance Contract may be amended by a mutual agreement of the parties in writing. If provisions of the valid Insurance Contract are to be amended, it is necessary to obtain written consent of the Beneficiary and a written statement that the Beneficiary has no claims against BTA with regard to the Policyholder's performance of the contractual obligations prior to the amendment of the Insurance Contract. The terms and conditions of the original Insurance Contract shall expire and new provisions shall come into force at 00 o'clock the next day after signing of the agreement on the amendment of the terms and conditions of the Insurance Contract. Repeated formalisation of the Insurance Contract and issue of a new insurance policy may be subject to an additional fee.

8.4. The Insurance Contract may be terminated prior to the date indicated in the policy by an agreement between the Policyholder, Beneficiary and BTA, provided that the Beneficiary confirms in writing that he has no claims against BTA under the suretyship insurance contract to be terminated at the moment of termination thereof and will have no such claims in the future.

9. RIGHTS AND OBLIGATIONS OF THE POLICYHOLDER AND BTA DURING THE INSURANCE CONTRACT VALIDITY

BTA shall have the following rights:

9.1. Taking cognizance of Policyholder's documents relating to the Agreement and specifying Policyholder's obligations to the Beneficiary.

9.2. Giving instructions binding on the Policyholder regarding the mitigation or prevention of damage.

9.3. Investigating the circumstances of the event insured independently and/or hiring surveyors, experts and other persons for the investigation of the circumstances of the event insured.

BTA shall have the following obligations:

9.4. Keeping in confidence information about the bid's content of the tendering Policyholder or terms and conditions of the concluded agreements for which the Insurer provides suretyship.

9.5. Issuing a duplicate of the policy at a request of the Policyholder.

Policyholder shall have the following obligations:

9.6. Issuing a counter-guarantee (mortgage property, form a cash deposit, etc.) at a written request of the BTA;

9.7. Giving a written notice to BTA within 24 hours (except for rest days and holidays) of any circumstances making fulfilment of the contractual obligations under the Agreement covered by the BTA more difficult or impossible and following all BTA's instructions intended to prevent likely damage;

9.8. Immediately notifying BTA in writing of all and any claim lodged by the Beneficiary for non-fulfilment or improper fulfilment of contractual obligations, irrespective of any prior notice of the event insured;

9.9. Notifying BTA in writing, within 3 (three) business days, about any insurance contracts concluded now or intended in the future to cover the same insurance risk.

9.10. Agreeing with BTA upon any amendments and/or additions to the Agreement concluded with the Beneficiary and giving a written notice of termination thereof.

10. POLICYHOLDER'S AND BTA RIGHTS AND OBLIGATIONS UPON OCCURRENCE OF THE EVENT INSURED

BTA shall have the following obligations:

10.1. Upon receipt by BTA of the Beneficiary's notification or claim for damages due to the non-performance or inadequate performance of the Policyholder's obligations under the Agreement specified in the insurance policy issued by the Insurer, BTA is obliged to inform the Policyholder by mail or email about the received notification or claim and request the proof that they were or will be performed as well as other necessary information and documents.

10.2. Having paid the insurance benefit to the Beneficiary, BTA is obliged to send a written notice to the last known address of the Policyholder, informing on the existing debt and a time limit for the fulfilment of the subrogated claim (reimbursement of the debt).

Policyholder shall have the following obligations:

10.3. The Policyholder having received the information from BTA about the Beneficiary's notification or claim must:

10.3.1. give consent that the Beneficiary may provide to BTA all information and documents concerning the progress of performance of the Agreement specified in the insurance policy.

10.3.2. within the time limit established by BTA (but no longer than within 15 (fifteen) days of the day of sending the letter) fulfil the obligation to the Beneficiary and furnish the Insurer with the proof of its performance or proper fulfilment.

BTA shall have the following rights

10.4. Receiving information and documents from the Policyholder in relation to the event insured.

10.5. Should the Policyholder fail to satisfy the subrogated claim (reimburse the debt) by the time limit fixed in the BTA's notice, the Policyholder shall be subjected to a fine in the amount of 0.2% of the outstanding amount for each day overdue.

10.6. If address of the Policyholder's domicile becomes unknown, the time limits specified in paragraphs 10.3.2 and 10.5 shall commence from the date of claim dispatch to the last known address of the Policyholder's domicile.

10.7. BTA assumes obligations only in respect of the Beneficiary and the right to demand fulfilment of the BTA's obligations is vested exclusively upon the Beneficiary. The Policyholder shall have no right to a financial or any other claim against BTA.

11. CONDITIONS AND PROCEDURE OF PAYING INSURANCE BENEFITS

Determining the amount of claim

11.1. Within the limits of sum insured BTA shall indemnify direct losses incurred by the Beneficiary by reason of the Policyholder's non-performance or inadequate performance of contractual obligations or obligations under the terms and conditions of the tender with regard to which the insurance contract was concluded.

11.2. BTA shall determine the amount of claim on the basis of the report on the investigation of the event insured and other documents provided by the Policyholder and the Beneficiary: agreement concluded by the Policyholder and the Beneficiary, written claim of the Beneficiary to BTA specifying non-performed or inadequately performed Policyholder's obligations under the concluded Agreement and the amount of losses suffered by the Beneficiary as well as other loss administration material collected by BTA.

Payment of the insurance benefit

11.3. For the purpose of receiving the insurance benefit the Beneficiary must furnish BTA with the following documents:

11.3.1. the claim specifying the obligations not performed or inadequately performed by the Policyholder according to the Agreement concluded between the Beneficiary and the Policyholder.

11.3.2. documents proving that the Beneficiary has warned the Policyholder that the latter must fulfil his obligations under the provisions of the Agreement and enclose the written response of the Policyholder, if the latter gave such response to the Beneficiary.

11.3.3. documents supporting the amount of losses suffered by the Beneficiary as a result of the non-performance or inadequate performance of the obligation by the Policyholder.

11.4. BTA shall pay no insurance benefit if the claim to BTA was submitted after expiration of the insurance contract validity period.

11.5. BTA may defer the payment until completion of legal proceedings when the Beneficiary, Policyholder or one of their representatives is subject to a civil, administrative or criminal case pertaining to the event insured, and it is impossible to decide whether the event is insured or decide on the amount of benefit prior to completion of the legal proceedings above.

11.6. After payment by BTA of part of the insurance benefit BTA obligation under the same insurance contract shall further apply to the outstanding part of the sum insured.

11.7. If the sum insured was denominated in foreign currency, the insurance benefit shall be paid to the Beneficiary on arrangement with the latter or in the same currency as the sum insured or in any other currency calculated on the basis of the official exchange rate published by the European Central Bank on the payment day.

12. MISCELLANEOUS

Precedence of documents

12.1. Where any provisions in the Insurance Contract (policy and surety bond enclosed thereto) are inconsistent with the terms and conditions of the Regulations, the provisions set out in the Insurance Contract shall take precedence.