

Commercial Risks Policy

1. INTRODUCTION AND GENERAL CONDITIONS

(1.1) Contract of Insurance

We, Credit Indemnity and Financial Services ("CIFS"), agree on behalf of the Insurers listed on the Schedule to insure you against the risk that any of your Insured Customers becomes insolvent or otherwise defaults, and fails to pay amounts which they owe to you.

You agree to comply with the terms and conditions of the Policy, the scope and limitations of which, together with your obligations and ours, are set out in the following sections in this Policy. Together we have a contract of credit insurance. This Policy is comprised of the policy wording together with the following documents:

- The Schedule
- Endorsements and amendments
- Your original Proposal Form
- Each of your Renewal Confirmations

(1.2) Duty to Disclose Information

Your Proposal Form and subsequent Renewal Confirmations (together, your Disclosures) form the basis of and are part of the Policy. You must disclose all material facts at the time you complete the Proposal Form and upon completion of each Renewal Confirmation and continue to disclose promptly all new information that may affect our decision to insure you and the terms upon which we insure you. If you fail to do so we will have the right to void the Policy and return the premium to you and you will be liable to refund to us any claim payments that have been made.

(1.3) Policy Period

The Policy is valid from the Commencement Date to the Expiry Date shown on the Schedule, and then for successive periods until you or we give notice of cancellation at least 30 days before the Expiry Date of the current Policy Period. We have the right to amend the terms of the cover with effect from the Expiry Date shown in the Schedule and each Expiry Date thereafter.

(1.4) Assignment of Rights

You may not assign this Policy to any other party. If you do so this Policy will cease to be valid. You may however, direct us to pay claims to a nominated Loss Payee. Any such direction must be in writing and confirmed by us in order to be effective. Payment of a claim to a Loss Payee will discharge all our obligations to you in full in respect of the claim paid. All your obligations in relation to the Policy will continue.

(1.5) Joint Insureds

If this Policy is issued to more than one named Insured, the obligations of the Insureds will be joint and several. Our total liability to all of the entities named as Insureds collectively will not exceed the Policy Maximum Liability stated on the Schedule.

The non-disclosure or misrepresentation of material facts by any of the Joint Insureds will entitle us to void the Policy in respect of all of the Joint Insureds and return the Premium.

(1.6) Contract Currency

All monetary information that you supply to us about insured contracts must be stated in the Policy Currency set out on the Schedule. If you take a contract in another currency, the rate that applies for currency conversion will be the closing rate of exchange published in the Financial Times and will be:

- for declarations, premium and claim payments, the rate on the last working day of the month in which you raised the invoice.
- for salvage, the rate on the day you or we receive the salvage. (For Salvage see Section 3.6.7)

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2. WHAT WE COVER

(2.1) Contracts Covered

We will cover all contracts you make with Insured Customers:

- in the Countries listed on the Schedule,
- within the scope of the Trade you describe in your Disclosures and as stated on the Schedule,
- that have been invoiced in accordance with your credit control procedures that you state in your Disclosures,
- for deliveries made during the Policy Period, meaning you complete your commitment to make the goods available to your Insured Customer on the terms and at the place specified in your contract or, the time at which you provide services to your Insured Customer or submit the relevant invoice to them, whichever is the later,
- that are in accordance with the terms of payment that are shown in your Disclosures and shown in your contract with the Insured Customer or on the invoice.

(2.2) The Risks Insured

You are covered if your Insured Customer becomes insolvent or defaults as described below.

Insolvency

Insolvency is defined as any one of the following:

- the Insured Customer is made bankrupt;
- the Insured Customer is either wound up by the Court or is made the subject of an Administration Order;
- a composition, valid assignment or similar arrangement is entered into by the Insured Customer for the benefit of creditors generally;
- an effective Resolution is passed to wind up the Insured Customer;
- an Administrative Receiver or equivalent is appointed for the Insured Customer;
- the Insured Customer, if not domiciled in England and Wales, is insolvent under the law of its domicile.

Default

Default occurs if your Insured Customer does not pay you within ninety days of the original or extended due date whichever is the later.

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3. POLICY OPERATION

In order for any claim to be valid you must comply with all of the following:

- Credit Control and Terms of Payment
- Insured Credit Limits
- Declarations of Turnover and Payment of Premium
- Notification and Payments
- Reducing and Preventing Loss
- Claims and Salvage

(3.1) Credit Control and Terms of Payment

You must comply at all times with your credit control and debt collection procedures as described in your Disclosures. The terms of payment must not exceed the Maximum Terms of Payment stated on the Schedule.

If you fail to comply with these credit control procedures any claim you make may be invalid.

Extensions of Due Date

In the event of an Insured Customer failing to pay you on the due date, you may extend the original due date by no more than the Maximum Extension Period specified on the Schedule. Unless you obtain our written agreement first you may not agree to extend credit beyond the due date in respect of contracts with the following methods of payment: bill of exchange; promissory note; cash against documents; documentary sight draft; document against payment; letter of credit.

Further Business

If any debt is unpaid after the Maximum Extension Period has expired you must not make any further deliveries to the Insured Customer unless the unpaid amount is the subject of a genuine and documented dispute.

(3.2) Insured Credit Limits

You must have an Insured Credit Limit for every customer for it to be an Insured Customer. A customer for whom an Insured Credit Limit has not been obtained is not an Insured Customer.

You must apply to us electronically using your CIFS Link for an Insured Credit Limit. You must provide all the information requested on the application screen. We will notify you electronically of the amount and any conditions attaching to the Insured Credit Limit.

Cancellation or Amendment

We may reduce or cancel any Insured Credit Limit and add to or alter any of the terms that are attached to it. We will notify you of such limit changes:

- either electronically via your CIFS Link; you must check your CIFS Link each working day to check whether there has been any reduction or cancellation of an Insured Credit Limit for any of your Insured Customers,
- or on occasion we may need to notify you in writing.

Any alteration to an Insured Credit Limit will apply to all deliveries that you make on and after the date specified in the notice.

Contractual Commitments

If you are contractually obliged to continue to supply an Insured Customer after we have reduced or cancelled the Insured Credit Limit we will be liable to you for deliveries made up to six months after the limit reduction or cancellation, or the termination of the Policy, whichever is the earlier.

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(3.3) Declarations of Turnover and Payment of Premium

You must declare to us the amounts due in respect of all deliveries, net of VAT, made under contracts covered by the Policy. Declarations must be made to us at the times specified on the Schedule and on the form provided by us.

We will calculate the amount of premium you must pay by multiplying your declared insurable turnover by the Premium Rate on the Schedule and adding any other charges we have agreed with you. We will take into account any Minimum Premium that is specified on the Schedule.

Instalments of Premium must be paid to CIFS on or before the date specified on the Schedule. If any payment is not made on the due date we have a right to cancel the Policy. We may sell or assign our right to the instalments of premium.

(3.4) Notification and Payments

You must notify us immediately via your CIFS Link on becoming aware of an event as described below in respect of any of your Insured Customers that has an outstanding balance greater than the Notification Level set out on the Schedule:

- an Insured Customer is giving you cause for concern,
- legal proceedings for collection have started,
- an event has occurred that is likely to give rise to a loss,
- an event has occurred on which you believe a claim is likely,
- if you have approved an extension to a due date using your Maximum Extension Period you must tell us within 30 days of the extended due date if the debt remains unpaid.

We reserve the right to ask you from time to time to report all overdue accounts.

Once you have notified your Insured Customer to us you must advise us of any payments you receive from them. Until such time as a loss may occur you must set such payments against outstanding invoices with the earliest original due date. Any sums received after the loss is incurred will be treated as salvage. (For Salvage see Section 3.6.7)

(3.5) Reducing and Preventing Loss

You must at all times use due care and diligence and take all reasonable steps to prevent or reduce your loss, acting as you would if you had no insurance. You must follow all our instructions with regard to any losses, claims or otherwise, including assigning to us the right to intervene directly in your name.

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(3.6) CLAIMS AND SALVAGE

(3.6.1) Final Date For Submitting a Claim

You must submit your fully documented claim to us on the form that we provide together with any supporting information that we may require. In the case of insolvency of the Insured Customer, your claim must be submitted within six months of the date of the insolvency of the Insured Customer. In the case of default by the Insured Customer your claim must be submitted within six months of the date of default.

(3.6.2) Supporting Information

We may require you to provide us with information in support of your claim. Such supporting information will include, but not be limited to any of the following:

- in the case of insolvency, written confirmation of the validity and amount of your unpaid debt from the person handling the insolvency, such as the Liquidator, Receiver or Administrator. In the case of default, a copy of a judgement in favour of you from either the County Court or the High Court or the equivalent in the country of your Insured Customer,
- your assignment to us of your rights to any dividend in your Insured Customer's estate,
- any proxy sent to you by the insolvency practitioner handling the insolvency of the Insured Customer.

(3.6.3) When We Pay Your Claim

If your Insured Customer has become insolvent then we will pay you within thirty days of our receipt of your fully completed claim form.

If your claim is based upon your Insured Customer's default we will pay you within three months of the date of default or our receipt of your fully completed claim form, whichever is the later; providing that all the terms and conditions of the Policy have been met and all matters relating to the cover, the claim, and the Policy are in good order and complete.

(3.6.4) How We Calculate Your Claim

We calculate the amount of your claim by adding together the value of all invoices relating to contracts covered by this Policy together with any contractual interest. We exclude any late payment penalties, VAT and other taxes, or other amount not ordinarily invoiced to the Insured Customer.

We will pay you the Insured Percentage of your claim provided that the claim is covered by the Insured Credit Limit and after taking into account any Uninsured

Amounts. The Insured Percentage and Uninsured Amounts are set out on the Schedule.

The maximum that we will pay under this Policy in any one Policy Period is the Policy Maximum Liability shown on the Schedule. Irrespective of the Policy Maximum Liability, we will not pay a claim for any amount in excess of the Insured Percentage of the Insured Credit Limit for that Insured Customer.

(3.6.5) Temporary Insolvency

If your Insured Customer's insolvency is in any way revoked or cancelled or it appears subsequently that there was no valid claim under the Policy we shall not be liable to pay your claim and you must refund to us in full any payments that we have already made.

(3.6.6) Aggregation Clause

Our total liability under this Policy and any immediately preceding policy with us for your claim in relation to any one Insured Customer will not exceed the Insured Percentage of the higher of the two applicable Insured Credit Limits under each policy. These limits cannot be aggregated across two policies.

(3.6.7) Salvage

Any salvage recovered in respect of your Insured Customer after the date of loss will be divided between you and us in the same proportion that the loss is borne by each of us at either the date of the insolvency of your Insured Customer or the date on which default occurs, whichever is the earlier. This may result in our retaining a greater sum than the amount we may pay.

Examples of salvage are, but not limited to, securities, guarantees, deposits, rights of retention, set-off or counter claim, as well as any payments or dividends.

(3.6.8) Set-Off

We have the right to set-off a claims payment against any unpaid premium or against our rights to any salvage.

(3.6.9) Law and Arbitration

We will make every effort to investigate and settle claims promptly and fairly. If we are unable to agree with you as to either the validity or the amount of your claim, such a dispute will be referred to arbitration subject to the Arbitration Act 1996. The arbitrator's decision will be final and binding on you and us.

This Policy will be governed by and construed in accordance with the laws of England and Wales.

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4. WHAT WE DO NOT COVER

(4.1) Associated Companies

Your Insured Customer must not be a member or an associate of the same group of companies as you.

(4.2) Public Sector Customers

We do not cover deliveries you make if your customer is a central or local government body.

(4.3) Disputes

We do not cover any amounts in dispute between you and your Insured Customer. We will delay assessment of liability until the dispute is resolved to our satisfaction.

(4.4) Political Risk

We do not insure against insolvency or default directly or indirectly caused by political acts or events that affect your Insured Customer's ability to pay. Political acts or events include, but are not limited to, war (whether declared or not); any form of import or export embargo or currency inconvertibility.

(4.5) Radioactivity

We do not cover any losses directly or indirectly caused by, contributed to, or arising from:

- ionising radiations, radioactive, toxic, explosive or other hazardous or contaminating properties.
- the effects of any explosive nuclear assembly or component, nuclear fuel, combustion or waste or any weapon of war employing atomic or nuclear fission or other like reaction or radioactive force or matter.

(4.6) Currency Fluctuation and Devaluation

We do not cover losses caused by currency fluctuation and/or devaluation.

(4.7) Failure to Comply

We will not pay any claim in respect of any insolvency or default caused directly or indirectly by your failure, or the failure of any person acting on your behalf, to fulfil the terms of the contract with the Insured Customer or to comply with any other legal obligation.

(4.8) Your Insolvency

If you yourself become insolvent, or upon the insolvency of any named Insured, the Policy will be cancelled immediately. We will retain any premiums paid and we will be entitled to recover all premiums due and payable up to and including the date of your insolvency.

(4.9) Interest

We do not cover any interest that you may charge for the period after due date for payment.

(4.10) VAT

We do not cover VAT and all amounts referred to in this Policy are exclusive of VAT.

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