

## **ADDENDUM No. 14 – NON-PAYMENT OF A LETTER OF CREDIT**

1. **For the purposes of this Addendum, the following terms shall have the meaning set forth beside them:**

**Application for a Credit Limit:** An application submitted by the Insured from time to time for the insurance of a bank that issues or confirms a letter of credit constituting payment for an export transaction executed by the Insured.

**Issuing Bank or Confirming (Advising) Bank:** The bank that is **approved** in the Credit Limit as the issuing or confirming bank for the Letter of Credit. In this context, branches of a bank in different countries will be considered different banks.

**Letter of Credit (L/C):** An irrevocable Letter of Credit that shall be opened and/or confirmed by the Issuing Bank or the Confirming Bank on the date specified in the Credit Quota, provided, however, that its contents and terms and conditions are subject to the UCP 500 rules, which are the accepted practice utilized by banks with regard to the issuance and use of Letters of Credit (hereinafter: "**UCP 500**").

**Payment Date:** The payment date stated in the Letter of Credit, and if no date is specified therein, the Payment Date shall be at sight, within the meaning of this term in the UCP 500.

**Amount of the Liability:** The liability of the Issuing Bank or the Confirming Bank, whichever is the lower, according to the L/C, and no more than the amount approved in the Credit Quota.

**Credit Limit:** The Credit Limit approved and/or which shall be approved from time to time by the Company to the Issuing Bank and/or the Confirming Bank, for the total amount of all Letters of Credit it may issue and/or confirm for the Insured.

**Loss:** The amount that is not paid by the Issuing Bank on the Payment Date under the Letter of Credit, multiplied by the insurance coverage rate approved by the Company in the Credit Quota, and no more than the Amount of the Liability.

**Occurrence of an Insured Event:** For the purposes of this Policy, the Insured Event occurs and the amount of the Loss is determined when the Loss becomes definite, i.e.:

1. In the event of the bank's insolvency, as defined in the Policy, immediately after such insolvency has occurred.
2. In the event of ongoing non-payment without allegations of discrepancy as defined in clause 4.1 below, the Loss will become definite at the end of the period specified in the Special Conditions Annex to the Policy with regard to commercial risks, and shall be counted commencing from the Payment Date defined in the L/C.
3. In the event of political risk, as defined in clause 4.2 below, the Loss shall become definite at the end of the period specified in the Special Conditions Annex to the Policy with regard to political risks, and shall be counted commencing from the occurrence of the risk, provided, however, that the event continued for at least **180** days.

## 2. **The Contract**

In consideration for the insurance fees that shall be paid by the Insured in respect of the bank that issues Letters of Credit and which has been approved for coverage by the Company, the Company agrees to insure the Insured against Loss arising from the losses enumerated in clause 4 of this Addendum, at no more than the Amount of the Liability.

## 3. **Obligation to Offer Insurance Coverage**

For insurance coverage in accordance with this Addendum, the Insured covenants to offer to the Company all Letters of Credit that shall be issued in its favor by the Issuing Bank and/or the Confirming Bank, which were allotted a Credit Quota.

## 4. **Causes Of Loss and Insured Risk**

### 4.1 **Commercial risk** – any of the following:

- 4.1.1 Inability of the bank to pay its liability under the L/C for a reason defined in the Policy under Insolvency.
- 4.1.2 Protracted Non-Payment until the the Loss becomes definite, on condition that the Issuing Bank or the Confirming Bank did not argue the existence of a discrepancy between the documents mentioned in the L/C and the guidelines and terms and conditions of the credit (in this Addendum: "Allegation of Discrepancy").

### 4.2 **Political risk** – a Loss caused to the Insured in respect of the L/C as a result of one of the following:

- 4.2.1 Moratorium, cancellation of debts or a payment arrangement declared by the government of the Issuing Bank's country.
- 4.2.2 An action or decision by the government of the buyer's country, preventing the Insured from receiving the payment under the L/C.
- 4.2.3 Cancellation of the Issuing Bank's license that precludes the possibility of payment in the currency of payment and/or prevents the payment under the L/C from being made, in whole or in part.
- 4.2.4 Seizure of the Issuing Bank, its confiscation or nationalization, preventing the payment under the L/C from being made, in whole or in part.
- 4.2.5 Inability of the Issuing Bank to legally purchase the currency of payment for the purpose of payment of the L/C, in whole or in part.
- 4.2.6 Severance or limitation of diplomatic relations or commercial relations between the government of the Issuing Bank's country and the State of Israel, preventing payment of the L/C, in whole or in part.
- 4.2.7 War, civil war, hostilities, uprising and/or conspiracy, revolution or riots or similar occurrences in the Issuing Bank's country, preventing the payment under the L/C from being made, in whole or in part.

- 4.2.8 Implementation of a law, directive, order or regulation having legal force by the authorities in the Issuing Bank's country, which prevents payments from being made in freely convertible currency.

5. **Declarations and Reports**

- 5.1 **Shipment Declaration:** The Insured will report to the Company upon the execution of each shipment that is covered by the L/C which was opened by the Issuing Bank and/or the Confirming Bank in which respect a Credit Limit was granted, according to the terms and conditions and on the dates set forth in the Policy.
- 5.2 **Arrears Report:** The Insured will report to the Company of any delay in payment by the Issuing Bank, including the amount in arrears and the original payment date, on the dates set forth in the Policy.

6. **Credit Limit contingent on confirmation**

If the terms and conditions of the L/C are conditional on confirmation by a different bank, the Company's liability shall apply only if the L/C was fulfilled in accordance with the terms and conditions stated therein.

7. **Exceptions**

Notwithstanding the foregoing in this Addendum, the insurance coverage hereunder shall not apply in each of the following cases:

- 7.1 The Insured failed to fulfill the terms and conditions of the Credit Limit.
- 7.2 The Issuing Bank and/or the Confirming Bank have claimed that there is a discrepancy between the documents presented to it and the terms and conditions of the L/C and/or the UCP 500.
- 7.3 The Insured committed a material breach of the provisions of the L/C.
- 7.4 The Insured performed acts that may be tainted by fraud.
- 7.5 The Insured waived a right in relation to the Issuing Bank and/or the Confirming Bank that signifies the waiver of a payment in the framework of the L/C, without having received the Company's advance written consent thereto.
- 7.6 The Insured agreed to an amendment or modification to the L/C in a manner that increased the Company's liability according to the Credit Quota, without having received the Company's advance written consent thereto.
- 7.7 A third party that is not the beneficiary, the Issuing Bank and/or the Insured has imposed a lien or has been awarded a judgment against payment of the L/C for as long as said injunction and/or judgment is valid.
- 7.8 Prevention exists according to applicable law that is not political risk within its meaning in this Policy.

## 8. **Reducing The Loss**

8.1 The Insured shall take all reasonable steps to prevent or minimize the damage, including, where reasonable and prudent, shall discontinue and shall refrain from new transactions with the Issuing Bank and/or the Confirming Bank. The Insured shall fully cooperate with the Company in investigating any and all claims and in preparing for a potential claim and taking steps for subrogation. Said cooperation shall include disclosure of all relevant documents.

The Insured further covenants to adopt all measures and proceedings required to mitigate and reduce the damage, including filing legal actions, whether before the Loss becomes definite or thereafter.

8.2 Should the Insured decide to appeal the Issuing Bank's decision with respect to discrepancy as provided in clause 7.2 above through arbitration and/or in court, the Insured shall inform the Company accordingly. Where the Insured has received an arbitration award and/or a court judgment rejecting the arguments of the Issuing Bank and requiring it to pay the Amount of the Letter of Credit and the Issuing Bank has not honored the judgment within 30 days from the date of its award, the Company shall pay the Insured the amount of the Loss as determined in the judgment, plus interest, at the rate determined in said judgment, against the assignment of the Insured's right under the judgment to the Company.

## 9. **Payment of Loss**

9.1 Subject to the terms and conditions of the Policy and this Addendum, the Company shall, after the Loss has become definite, pay the amount of the Loss on the date prescribed in the Insurance Contract Law, 1981.

9.2 Any and all payments shall be made to the Insured by the Company in the foreign currency denominated in the L/C for payment (the "Currency of Payment") or in US dollars, according to the value of the Currency of Payment on the date of actual payment.

## 10. **Prohibition of assignment**

The Insured shall not assign or transfer this Policy or rights or obligations by virtue hereof to any other party or person other than with the Company's advance written consent.

## 11. **Governing law**

According to this Policy, the laws of Israel shall apply, and jurisdiction hereunder is vested in the courts of Tel Aviv – Jaffa.

## 12. **Termination of insurance coverage**

The Company may inform the Insured in writing at any and all times that commencing on the date stated in the body of the notice, insurance coverage with respect to a particular Issuing Bank or a particular country shall no longer be in force.



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Such notice shall not derogate from the Company's liability under this Policy with respect to any Letter of Credit or for the performance of a Letter of Credit given by the Insured prior to the expiration of the insurance coverage.

13. **Provisions retained**

This Addendum forms an integral part of the Insurance Policy, and the provisions of the Policy shall apply in addition to the provisions of the Addendum.

**ICIC – The Israeli Credit Insurance Company Ltd.**