APPROVED

by the Order No….of ……..……2020

of the Director-General of

Investicijų ir verslo garantijos UAB

**DESCRIPTION OF THE CONDITIONS FOR THE IMPLEMENTATION OF THE FINANCIAL INCENTIVE INSTRUMENT “TRADE CREDIT INSURANCE PORTFOLIO GUARANTEE”**

1. **GENERAL PROVISIONS**
	1. The Description of the Conditions for the Implementation of the Financial Instrument “Trade Credit Insurance Portfolio Guarantee” (hereinafter referred to as the Description) shall establish the conditions for the implementation of the financial instrument “Trade Credit Insurance Portfolio Guarantee” (hereinafter referred to as the TCIPG instrument), requirements for trade credit insurance companies participating in the TCIPG instrument (hereinafter referred to as the Insurer) and the procedure for the distribution of funds intended for the formation of trade credit insurance portfolios (hereinafter referred to as Insurance portfolio) guaranteed by the TCIPG instrument.
	2. On 17 October 2018 the Government of the Republic of Lithuania granted the status of a national promotional institution to Investicijų ir verslo garantijos UAB (hereinafter referred to as Invega) and as of 3 December 2018 Invega is included in the list of National Promotional Institutions (hereinafter referred to as NPIs). Invega implements financial instruments financed from the State budget of the Republic of Lithuania.
	3. The TCIPG instrument shall be implemented in accordance with the Economic Stimulus and Coronavirus (COVID-19) Mitigation Plan, which was approved by the Minutes No 14 of the meeting of the Government of the Republic of Lithuania of 16 March 2020, Objective 3 "Helping businesses to maintain liquidity" and Objective 4 "Stimulating the economy".
	4. The TCIPG instrument shall be implemented in the holding fund INVEGOS fondas (hereinafter referred to as INVEGA fund), established by the 7 April 2009 agreement concluded between the Ministry of Finance of the Republic of Lithuania, the Ministry of Economy of the Republic of Lithuania and Invega. Under this agreement, Invega was appointed as Manager of the INVEGA fund.
	5. The TCIPG instrument shall be financed from the State budget of the Republic of Lithuania.
	6. The Description has been agreed in accordance with the procedure provided for in the INVEGA fund agreement.
	7. The Description, the call for applications and the template of the TCIPG instrument implementation contract (hereinafter referred to as the Contract) shall be published on Invega's website at [www.invega.lt](http://www.invega.lt). The call for applications shall be carried out in accordance with the procedure set out in Section 3 of the Description.
	8. The Description and the Contract may be clarified on Invega's initiative. The provisions of the Description shall be explained and publicly available on the website [www.invega.lt](http://www.invega.lt).
	9. In order to examine the comments of all stakeholders and to ensure that the conditions of the TCIPG instrument meet market needs, a public discussion on the conditions for the implementation of the TCIPG instrument was organized prior to agreeing on the Description.
2. **OBJECTIVE OF THE CONTRACT FOR THE IMPLEMENTATION OF THE TCIPG INSTRUMENT**
	1. The objective of the Contract concluded with each Insurer shall be the implementation of the TCIPG instrument in accordance with the conditions set out in this Description.
	2. The Insurer shall be reimbursed for administrative costs arising from the implementation of the TCIPG instrument.
	3. The description of the functioning of the TCIPG instrument[[1]](#footnote-2) :
		1. The Insurance Portfolio Guarantee (hereinafter referred to as the Guarantee) shall be provided to an Insurance portfolio formed by each Insurer with which the Contract has been signed, which reduces the risk of Insurance portfolio loss.
		2. The Guarantee shall apply in 2 stages:

- each Insurer participating in the TCIPG instrument shall be allocated a part of the amount of funds earmarked for the TCIPG instrument as provided in Part 6 of the Description,

- at stage 1, Insurers shall assume 10% of the loss incurred by the formed Insurance portfolio, but not exceeding the total loss coverage volume of EUR 10 million, and Invega shall assume 90% of the loss incurred by the Insurance portfolio formed by the Insurers, but not exceeding the total loss coverage volume of EUR 90 million,

- where the total loss of the Insurers' Insurance portfolios exceeds the total volume of loss coverage provided for in stage 1, at stage 2 Invega shall assume 100% of losses incurred by the formed Insurance portfolios, but not exceeding EUR 500 million\* of total loss coverage volumes.

* + 1. The Guarantee shall enter into force automatically for an Insurance portfolio that includes trade credit insurance contracts signed by the Insurers with legal entities (hereinafter referred to as Insurance contracts) in line with the eligibility conditions for Insurance contracts included in Insurance portfolios.
		2. A detailed report of an Insurance portfolio shall be prepared once a quarter and submitted to Invega no later than within 30 calendar days from the end of the reporting quarter.
	1. The Insurer shall transfer to the INVEGA fund all insurance premiums collected in the Insurance portfolio for the whole year of 2020.
	2. For the implementation of the TCIPG instrument, Invega shall reimburse the manager of the TCIPG instrument for its administration costs in the amount of 35% from all insurance premiums of Insurance contracts included in the Insurance portfolio in 2020.
	3. A detailed description of the conditions of the TCIPG instrument is provided in Annex 1 of the Description (Main Conditions).
1. **SUBMISSION OF THE APPLICATION**
	1. The call for applications is scheduled for September 2020. The call shall be launched upon the decision of Invega following the notification of the TCIPG aid scheme in accordance with the European Commission Communication on Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Outbreak (hereinafter referred to as the Communication).
	2. The Insurer shall submit to Invega an application in the prescribed form (Annex 2 to the Description) and other documents necessary to assess the Insurer's compliance with the requirements set out in the Description by e-mail tci@ invega.lt.
	3. The application must be signed with a secure qualified electronic signature in accordance with the requirements of the Regulation (EU) No 910/2014 of the European Parliament and of the Council of 23 July 2014 on Electronic Identification and Trust Services for Electronic Transactions in the Internal Market. The application, annexes and accompanying information (including any other documents that the Insurer deems necessary or relevant to provide) must be accurate and clear so as to enable Invega to make a thorough, informed assessment of the Insurer's compliance with the established eligibility requirements. Invega may request additional information and documents when the data provided by the Insurer is not sufficient to substantiate the Insurer's compliance with the eligibility requirements set out in the Description.
	4. Applications submitted on paper or by electronic means other than those specified by Invega shall not be considered.
	5. The Insurer's application and other correspondence shall be submitted in Lithuanian or English. If the relevant documents are issued in another language, a translation into Lithuanian certified by the signature of the Insurer or a person authorized by it must be submitted. A translation certified by the signature of the Insurer or a person authorised by it shall be considered valid.
	6. To prove the compliance with the requirements set out in the Description, supporting documents or information must be provided if the relevant supporting information is not publicly available or accessible (e. g. on the website of the Insurer or the Bank of Lithuania).
	7. One Insurer may submit only one application for the conclusion of the Contract.
	8. In its application, the Insurer must indicate which information provided therein is confidential. Invega, Invega's Evaluation Committee (hereinafter referred to as the Committee), its members or experts and other persons may not disclose the information provided by the Insurer, which the Insurer has indicated as confidential, except when such information is considered non-confidential in accordance with the legislation of the Republic of Lithuania.
	9. The application may be submitted by entities performing insurance activities in the Republic of Lithuania specified in Paragraph 1 of Article 3 of the Law on Insurance of the Republic of Lithuania (hereinafter referred to as the Law).
	10. The Insurer shall undertake to submit all the documents, the possession of and compliance of which with the requirements of legal acts is requested to be confirmed upon submission of the application, to Invega or other audit institutions in accordance with the procedure provided for in the Contract at any time.
2. **EVALUATION OF APPLICATIONS**
	1. Application submitted by Insurers shall be evaluated in accordance with the principles of equality, non-discrimination, transparency, mutual recognition and proportionality, and in line with the requirements of confidentiality and impartiality.
	2. The application must be evaluated within 10 working days from the date of receipt of the application and all duly completed documents required for the evaluation by Invega.
	3. An Insurer meeting the eligibility requirements shall be informed in writing to the e-mail address specified in the application about the decision to sign the Contract and the amount of funds of the TCIPG instrument allocated to it.
	4. An Insurer which does not meet the eligibility requirements and fails to submit additional documents on compliance with the established eligibility requirements to Invega within 10 working days after Invega's request to substantiate the compliance with the requirements, shall be informed in writing, to the e-mail address specified in the application, about the rejection of the application.
	5. If false information is provided, which Invega may prove by any lawful means, the Insurer's application shall be rejected, stating the reasons for the rejection.
	6. After the evaluation of all the Applications received, the funds allocated for the TCIPG instrument shall be distributed to the eligible Insurers as provided in Part 6 of the Description.
	7. Claims against the decisions made shall be submitted to Invega, which shall examine the claims within 20 working days at the latest. Invega's actions or decisions may be appealed in accordance with the procedure established by the laws of the Republic of Lithuania.
3. **ELIGIBILITY REQUIREMENTS**

5.1. Insurers applying for the conclusion of the Contract must meet the eligibility requirements specified in Table 1.

Table 1

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| --- | --- | --- | --- |
| **Criterion** | **Insurer supervised by the Bank of Lithuania \*** | **Insurer not supervised by the Bank of Lithuania** | **Explanations on the documents and information to be provided** |
| **The Insurer is an insurance company that has the right to conduct insurance business**  | The Insurer is on the list of participants in financial markets supervised by the Bank of Lithuania | The Insurer is authorized to conduct insurance business in Lithuania | The Insurer supervised by the Bank of Lithuania must submit a license issued by the Bank of Lithuania (until 31 December 2011 – by the Insurance Supervision Commission). The Insurer not supervised by the Bank of Lithuania must submit an insurance activity license issued by the competent authority of a Member State of the European Union and be supervised by this authority. European Union insurance companies have the right to carry out insurance activities both with and without the establishment of a branch.  |
| **The Insurer must prove that on 31 December 2019 they had at least 10 contracts with business entities insured in Lithuania (signed and valid insurance contracts).** |  |  | The information is provided in the form of a list. |

EXPLANATIONS:

\* Where the Insurer's activities are supervised by the Bank of Lithuania, it is assumed that this institution has verified the Insurer's compliance with these eligibility requirements, therefore the evaluation of eligibility requirements set out in Table is not performed, however, based on the information provided on the website of the Bank of Lithuania, it is verified if the Insurer is not under any sanctions or operating restrictions. If the Insurer is subject to sanctions or operating restrictions, Invega may request additional information in order to assess the extent of the identified violations, the deadlines for their correction and the impact on the applicable eligibility requirements. The Insurer must provide explanations as to what actions have been taken to ensure that the violations due to which the Bank of Lithuania's sanctions or operating restrictions were imposed are corrected or lifted and will not affect the proper implementation of the TCIPG instrument. No additional explanations shall be requested from the Insurer where the sanction applied by the Bank of Lithuania is a warning.

1. **ALLOCATION OF TCIPG INSTRUMENT FUNDS**

# When allocating the TCIPG instrument funds to Insurers, it shall be considered that Insurers which have submitted applications (and documents required to be submitted therewith) and which meet the eligibility requirements acquire the right to receive a part of the TCIPG instrument funds that is distributed proportionally according to the share of trade credit limits granted by Insurers to Lithuanian policyholders on 31 December 2019.

1. **CONTRACTUAL PROVISIONS**

# The concluded Contract shall be valid until the fulfillment of the parties' obligations under the Contract, but not longer than until 31 December 2024. The Contract may be extended if the Communication is extended.

* 1. The Contract to be concluded shall include, *inter alia, the* following provisions, as defined in Annex 1 to the Description (Main Conditions):
		1. The responsibilities of a TCIPG instrument manager:
		2. immediately notify Invega of any event that in their opinion is material (including, but not limited to, a breach of the eligibility conditions of the Insurance contracts included in the Insurance portfolios) that may require Invega to take action and/or may affect the Insurer's ability to perform its obligations assumed under the Contract;
		3. not to transfer its rights and obligations under the Contract without prior written consent of Invega;
		4. provide additional information upon a separate request from Invega. Invega shall not be obliged to constantly monitor and verify that the Insurance contract included in the Insurance portfolio should meet the eligibility conditions, but Invega may at any time request that the Insurer provide, free of charge, information that would allow Invega to check whether Insurance contracts meet the eligibility conditions and their inclusion in the Insurance portfolio is not in breach of the terms of the Contract. The Insurer must provide Invega with the information reasonably required by it;
		5. The obligation of the Insurer to ensure that, during the performance of the Contract, appropriate technical and organizational instruments for the processing of personal data will be implemented, the processing of personal data will be carried out in line with the requirements of legal protection of personal data set out in the Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the Protection of Natural Persons with Regard to the Processing of Personal Data and on the Free Movement of Such Data and with those of the Republic of Lithuania.
		6. The obligation of the Insurer to inform data subjects about the subject matter, duration, nature and purposes of data processing, types of data and categories of data subjects, purposes and grounds of data transfer to Invega; the obligation of the Insurer to ensure that its employees processing personal data comply with the obligation of confidentiality;
	2. In its contracts concluded with policyholders, the Insurer must provide, *inter alia*, that:
		1. The Policyholder is informed about the aid provided in accordance with the Communication;
		2. Other obligations arising from the conditions for the implementation of the TCIPG instrument set out in Annex 1 to the Description (Main Conditions).
	3. Disputes arising between the parties to the Contract shall be resolved in accordance with the procedure established by the laws of the Republic of Lithuania.
	4. If one of the parties to the Contract fails to perform its contractual obligations and this constitutes a material breach of the Contract, the other party may unilaterally terminate the Contract by notifying the other party of justified reasons in writing no later than 60 (sixty) calendar days in advance. The cases and conditions of contract termination shall be determined in the Contract.
	5. The following changes may be made during the duration of the Contract:
		1. those related to the amendment of the conditions of the TCIPG instrument specified in Annex 1 to the Description;
		2. those related to amendments to specific national or EU legislation and amendments to their interpretations governing the implementation of the TCIPG instrument, recommendations of audit institutions;
		3. Changes in the deadlines for the payment of insurance premiums or debts recovered and repaid to the INVEGA fund, changes in the Eligibility Period;
		4. Extension of the Contract if the eligibility period of the TCIPG instrument is extended, the validity of the Communication;
		5. Changes in the forms of reports provided by the Insurer and the procedure for the submission thereof.
	6. Other amendments to the Contract shall be made in accordance with the provisions of the Civil Code of the Republic of Lithuania and only if they are not contrary to the TCIPG instrument implementing conditions.

Annex 1 to the Description

Main conditions

**MAIN CONDITIONS FOR THE FINANCIAL INCENTIVE INSTRUMENT**

**“TRADE CREDIT INSURANCE PORTFOLIO GUARANTEE”**

1. **GENERAL INFORMATION**
	1. **Purpose of the call**

The call for applications is aimed at concluding contracts with Insurers (hereinafter referred to as the TCIPG instrument managers) on the financial instrument Trade Credit Insurance Portfolio Guarantee (hereinafter referred to as the Guarantee) which will implement the TCIPG instrument while carrying out the activities set out in these conditions.

* 1. **Circumstances and objectives of the TCIPG instrument**

On 7 April 2009 a financing agreement was signed between the Ministry of Finance of the Republic of Lithuania (hereinafter referred to as MoF), the Ministry of Economy of the Republic of Lithuania and INVESTICIJŲ IR VERSLO GARANTIJOS UAB (hereinafter referred to as Invega), establishing the holding fund INVEGA fund (hereinafter referred to as the INVEGA fund). Under this agreement, Invega was appointed as Manager of the INVEGA fund.

On 17 October 2018 the Government of the Republic of Lithuania granted Invega the status of a national promotional institution, and as of 3 December 2018, Invega has been included in the list of National promotional institutions (hereinafter referred to as NPIs) by a decision of the Supervision Service of the Bank of Lithuania. Invega implements financial incentive instruments financed from the State budget of the Republic of Lithuania.

The TCIPG instrument is implemented in accordance with the Economic Stimulus and Coronavirus (COVID-19) Mitigation Plan, which was approved by the Minutes No 14 of the meeting of 16 March 2020 of the Government of the Republic of Lithuania, Objective 3 "Helping businesses maintain liquidity" and Objective 4 "Stimulating the economy".

The main objective of the TCIPG instrument is to facilitate the availability of trade credit insurance transactions in order to maintain and improve the liquidity of companies as a result of the COVID-19 outbreak.

To guarantee their Insurance portfolios, an allocation of EUR 600 million from the State budget of the Republic of Lithuania is foreseen for the managers of the TCIPG instrument.

* 1. **Legal acts and documents:**

**European Union (EU) legislation and guidelines:**

- The 19 March 2020 European Commission Communication on Temporary Framework for State Aid Measures to Support the Economy in the Current COVID-19 Outbreak (hereinafter referred to as the Communication);

**National legislation and documents:**

- Law on State Debt of the Republic of Lithuania;

- Law on National Promotional Institutions of the Republic of Lithuania;

- Civil Code of the Republic of Lithuania;

- The Government of the Republic of Lithuania Resolution No 910 of 12 September 2018 “On the Approval of the Implementing Rules for Financial Instruments financed from the State Budget of the Republic of Lithuania”;

- Government of the Republic of Lithuania Resolution No 887 of 11 July 2001 “On the Activities of Investicijų ir verslo garantijos UAB”;

 - The TCIPG instrument scheme (hereinafter referred to as the TCIPG instrument scheme) approved by the Order No ...... of the Minister of Economy and Innovation of the Republic of Lithuania ......... “On the Approval of the Scheme of the Financial Incentive Instrument “Trade Credit Insurance Portfolio Guarantee”;

- other legal acts, rules, recommendations, guidelines and amendments thereto applicable to the implementation of the TCIPG instrument.

**2. OBJECTIVE OF** **THE CONTRACT ON THE TCIPG INSTRUMENT IMPLEMENTATION**

**2.1. Detailed description of the objective of the contract on the implementation of the TCIPG instrument[[2]](#footnote-3) :**

The Portfolio of Insurance contracts that meet the Eligibility conditions of the instrument (hereinafter referred to as the Insurance portfolio) formed by each selected TCIPG Instrument manager shall be provided with a trade credit insurance portfolio guarantee (hereinafter referred to as the Guarantee), which reduces the exposure to loss of the Insurer's Insurance portfolio.

 The Insurance portfolios of TCIPG instrument managers which meet the eligibility conditions of the TCIPG instrument shall be guaranteed by 90% up to the first loss limit, and the total loss coverage volume shall not exceed the volumes defined in the section “Maximum loss coverage volume up to the first loss threshold" of Annex 1 of the Description. TCIPG instrument managers assume at least 10% of claims ratio of the formed Insurance portfolio.

 When the first loss threshold is exceeded the Guarantee shall amount to 100%. The coverage volume for the Insurance portfolio and the total loss coverage volume shall not exceed the amount described in the section “Maximum loss coverage volume up to the second loss threshold” of Annex 1 of the Description.

The Insurer shall cover the losses to the Policyholder and apply to Invega for a partial compensation of losses not more than once a month. Invega shall make a decision to compensate the Insurer for its losses within 30 working days.

The detailed Insurance portfolio report shall be prepared quarterly and submitted no later than within 30 calendar days after the end of the reporting quarter.

* 1. The manager of the TCIPG instrument shall transfer to the INVEGA fund insurance premiums for all Insurance contracts included in the Insurance portfolio in 2020.
	2. For the implementation of the TCIPG instrument, Invega shall reimburse the manager of the TCIPG instrument for its administration costs in the amount of 35% from all insurance premiums of Insurance contracts included in the Insurance portfolio in 2020.

**3. SCHEME OF THE TCIPG INSTRUMENT**

**Example**

Funds of the TCIPG instrument (EUR 600 million)

**The maximum total loss coverage is EUR 90 million.**

**The maximum total loss coverage** is **EUR 500 million.**

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|  **Insurance portfolio loss share**  |
| **Second loss threshold** | **Invega – 100%** |
| **First loss threshold** | **Insurer - 10%** |  **Invega – 90%** |

**4. Main definitions and terms**

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| --- | --- |
| **TCIPG instrument** | Financial instrument "Trade credit insurance portfolio guarantee" |
| **Funds of the TCIPG instrument** | The allocation of EUR 600 million of the state budget funds of the Republic of Lithuania foreseen for the implementation of the TCIPG instrument to cover Insurance portfolio losses incurred by Insurers |
| **Structure of the TCIPG instrument** | The TCIPG instrument is based on the principle of loss sharing in 2 stages: - In stage 1, Insurers shall assume 10% of the loss of the formed Insurance portfolio, not exceeding the total loss coverage volume of EUR 10 million, whereas Invega shall assume 90% of the loss of the Insurance portfolio formed by the Insurers, not exceeding the total loss coverage volume of EUR 90 million - when the total loss of the Insurers' Insurance portfolios exceeds the total loss coverage volume provided for in Stage 1, in Stage 2 Invega shall assume 100% of the losses by the formed Insurance portfolio, not exceeding the total loss coverage volume of EUR 500 million.If the Policyholder's buyer fails to perform its obligations or if bankruptcy proceedings are instituted against the buyer, the Insurer, in accordance with its internal procedures, shall cover the losses to the Policyholder and apply to Invega for a partial compensation of losses. After the payment is made by Invega, the Insurer shall collect and/or recover the debt from the Policyholder's buyer and transfer the collected and/or recovered amounts to the INVEGA fund. This amount returned to the INVEGA fund shall be reduced by the amount of losses actually covered for the Insurer and recalculated into the maximum loss coverage volume |
| **Insurer**  | An insurance company that has the right to carry out insurance activities and provides trade credit insurance in accordance with the procedure established by legal acts |
| **Portfolio of Insurance contracts** | A portfolio formed by the Insurer, which includes Insurance contracts signed with Policyholders.The Insurance portfolio includes all Insurance contracts that meet the Eligibility conditions for insurance contracts included in Insurance portfolios |
| **Insurance contract** | A trade credit insurance contract signed with the Policyholder for a partial deferred payment under concluded purchase and sale contracts or concluded service provision contracts with buyers |
| **Insurance premium** | A premium paid by the Policyholder to the Insurer under the Insurance contract |
| **Policyholder**  | A legal entity that has either contacted the Insurer for the conclusion of an Insurance contract, or to which the Insurer has offered to conclude an Insurance contract, or which has concluded an Insurance contract with the Insurer, i. e. a client of the Insurer |
| **TCIPG instrument manager** | An Insurer with which the Contract has been signed. The TCIPG instrument manager may implement the TCIPG instrument through insurance brokers, but in any case the TCIPG instrument manager is responsible for the proper implementation of the instrument under the Contract |
| **Evaluation of the Policyholder's buyer** | The evaluation of a buyer to be carried out by the Insurer in line with its internal rules and procedures |
| **Entry into force of the Guarantee** | The Guarantee shall enter into force for the Insurance portfolio formed by the Insurer, which includes Insurance contracts, if the following conditions are met:* according to the granted trade credit limits the goods were delivered to Lithuanian buyers not earlier than on 1 January 2020 and no later than 31 December 2020,
* according to the granted trade credit limits goods were shipped to foreign buyers no earlier than on 1 January 2020 and no later than 31 December 2020,
* according to the granted trade credit limits service delivery started no earlier than on 1 January 2020 and no later than 31 December 2020,
* The Insurance contract is included in the Insurance portfolio report for the reporting period,
* The insurance premium was paid by the Policyholder to the Insurer in accordance with the procedure and within the deadline established in the Insurance contract
 |
| **Guaranteed insurance portfolio**  | The Insurance portfolio formed by the TCIPG instrument manager, to which the Insurance portfolio guarantee is given  |
| **Insurance portfolio Guarantee** | The obligation to cover the Insurer against the loss incurred because of the Insurance contract included in the Insurance portfolio.Each Insurance contract included in the Insurance portfolio is guaranteed by 90% of the loss in stage 1, but the total coverage volume may not exceed the maximum coverage volume up to the first loss threshold. If the maximum loss coverage volume up to the first loss threshold is exceeded, each Insurance contract included in the Insurance portfolio is guaranteed by 100% of the loss in stage 2, but the total coverage volume may not exceed the maximum coverage volume up to the second loss threshold. Fees and other costs not paid by the Policyholder to the manager of the TCIPG instrument shall not be reimbursed.The manager of the TCIPG instrument shall be obliged to recover the debt from the debtor under the Insurance contract for which the benefit has been paid (see "Supervision of the Insurance portfolio and debt recovery") |
| **Maximum loss coverage volume up to the first loss threshold** | The maximum loss coverage volume that Invega, as the INVEGA fund manager, can pay to the manager of the TCIPG instrument, i. e. 90 (ninety) % from the guaranteed amount of the Insurance portfolio. The total maximum INVEGA loss coverage volume up to the first loss threshold is EUR 90 million |
| **Maximum loss coverage volume up to the second loss threshold** | The maximum volume of loss coverage that Invega, as the INVEGA fund manager, can pay to the manager of the TCIPG instrument, i. e. 100 (one hundred) % from the guaranteed amount of the Insurance portfolio. Total maximum loss INVEGA coverage volume up to the second loss threshold shall be EUR 500 million |
| **Guarantee currency** | All amounts are expressed in euros. All payments under the Contract shall be made in euros |
| **Transferable insurance premium** | For each Insurance contract included in the Insurance portfolio, the Policyholder shall pay insurance premium to the Insurer, specified by Insurance contract, which the Insurer shall transfer to the INVEGA fund. Insurance premiums received by the Insurer for all Insurance contracts included in the Insurance portfolio in 2020 shall be transferred to the INVEGA fund |
| **Administration costs** | Insurance contract administration costs incurred by the Insurer, which will be reimbursed by Invega and will amount to 35% from all insurance premiums of Insurance contracts included in the Insurance portfolio in 2020 |
| **Contract** | The contract signed by Invega with a selected TCIPG instrument manager |
| **Debt** | The amount of one or more invoices insured by the Insurance contract, which the buyer is obliged to pay under the concluded contract of sale of goods or provision of services with the Policyholder within the set deadline for a deferred payment |
| **Overdue debt** | The debt is considered overdue when the Policyholder's buyer fails to fulfill the financial obligations under the contract for the purchase of goods or provision of services between them in time  |
| **Loss** | The amount of deferred payments (debt) not paid by the buyer (deadline set by the Insurer within which the Policyholder must report the overdue debt) and not credited within the set period, and which could not be recovered within the deadline set by the Insurer or in case of bankruptcy of the buyer.The loss consists of overdue debt and the costs of recovering overdue debt from third parties. The losses can be compensated on overdue debts, about which Insurer was informed no earlier than 1 March 2020. The latest date by which losses can be covered is 31 December 2024 |
| **Indemnification**  | The guaranteed part of the loss paid by Invega to the manager of the TCIPG instrument. After covering the losses of the Policyholders, the manager of the TCIPG instrument may apply to Invega for the indemnification once a month. When the TCIPG manager applies for loss coverage, the loss shall be covered within 30 calendar days from the date of receipt of the original document sent by e-mail to Invega |
| **Insurance portfolio maintenance and debt collection** | The TCIPG instrument manager shall maintain, monitor and collect and/or recover debts of the Insurance portfolio. Debt collection and/or recovery shall be carried out by the TCIPG instrument manager in accordance with its internal policies and procedures. Upon receipt of the indemnification, the TCIPG instrument manager must make every effort to recover the debt. The manager of the TCIPG instrument shall collect and/or recover all the debt incurred under the Insurance contract, regardless of the received Indemnification. After the TCIPG manager has collected and/or recovered the debt for which the payment was made and after the recovery costs (only the recovery costs actually paid by the TCIPG instrument manager to third parties are subtracted) have been subtracted, the remaining amount shall be transferred to the INVEGA fund. This amount returned to the INVEGA fund shall be reduced by the amount of losses actually covered for the Insurer and recalculated into the maximum loss coverage volume |
| **Eligibility period** | Insurance contracts that meet the eligibility conditions for Insurance contracts included in the Insurance portfolios may be included in the Insurance portfolio by 31 December 2020 at the latest (with the possibility to extend the Eligibility Period if the Communication is extended).During this period, Insurance contracts that meet the eligibility conditions for Insurance contracts may be included in an Insurance portfolio |
| **Policyholder eligibility conditions** | 1. The Policyholder is a legal entity.

2. The Policyholder, whose Insurance contract is included in the Insurance portfolio, must operate in the Republic of Lithuania. A Policyholder is considered to be operating in the Republic of Lithuania if it creates jobs in the Republic of Lithuania and/or pays taxes or contributions arising from its activities to the budget of the Republic of Lithuania or to the State Social Insurance Fund Board under the Ministry of Social Security and Labor.3. On 31 December 2019 the Policyholder was not considered to be in difficulty within the meaning of the Commission Regulation (EU) No Amending Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (hereinafter referred to as the Regulation No 651/2014).4. In case when the same Insurance contract also covers companies related to the Policyholder, these companies must be subject to the same Policyholder eligibility conditions as the Policyholder. |
| **Eligibility conditions for insurance contracts included in Insurance portfolios**  | An Insurance portfolio may include Insurance contracts:* according to which, the goods were delivered to Lithuanian buyers not earlier than on 1 January 2020 and no later than on 31 December 2020,
* according to which the goods were sent to foreign buyers not earlier than on 1 January 2020 and no later than on 31 December 2020,
* under which services are to be provided no earlier than on 1 January 2020 and no later than 31 December 2020,
* with a maximum deferred payment period of 24 months and a maximum term until 31 December 2022,
* which insure domestic and foreign buyers,
* concluded in accordance with the Insurer's internal procedures and insurance rules,
* for which the Policyholder has paid insurance premiums to the Insurer in accordance with the procedure and deadlines established in the Insurance contract.

Insurance contracts included in the Insurance portfolio shall be subject to the same administration and other fees charged by the TCIPG instrument manager that are consistent with the normal activities and practices of the TCIPG instrument manager and were applicable on 31 December 2019. Violation of the eligibility conditions for the inclusion of Insurance contracts in the Insurance portfolio shall result in the cancellation of the unused amount of the TCIPG instrument funds allocated to the TCIPG instrument manager |
| **Withdrawal of Insurance contracts from the Insurance portfolio** | If the Insurance contract has been incorrectly included in the Insurance portfolio (Insurance contract did not comply with the Eligibility conditions at the time of inclusion in the Insurance portfolio), it must be removed from the Insurance portfolio and the amount of the actual formed Insurance portfolio must be reduced (adjusted) accordingly. The manager of the TCIPG instrument must notify Invega that the Insurance contract is withdrawn from the Insurance portfolio and the Insurer shall reduce (adjust) the amount of the actually formed Insurance portfolio accordingly. Invega shall return to the TCIPG instrument manager the transferred insurance premiums for Insurance contracts withdrawn from the Insurance portfolio |
| **State aid**  | The coverage of losses under the TCIPG instrument shall constitute aid to Policyholders that is provided under the Communication  |
| **Publicity** | Managers of the TCIPG instrument may publish information on the terms and conditions of the TCIPG instrument on their website or use other publicity instruments on their own initiative |
| **Audit requirements** | A manager of the TCIPG instrument shall undertake to admit authorized representatives of Invega, the European Commission, the European Court of Auditors, the Ministry of Finance, the Ministry of the Economy and Innovation, the State Audit Office of the Republic of Lithuania, the Financial Crime Investigation Service under the Ministry of the Interior, the Special Investigation Service of the Republic of Lithuania, The Competition Council and other EU institutions and EU bodies, as well as representatives of duly authorized national entities entitled to inspect the use of the funds of the TCIPG instrument to perform the audit and/or inspection of the TCIPG instrument up to the level of the Policyholder. Insurance contracts concluded by the TCIPG instrument manager or the agreements attached to the Insurance contracts must establish an analogous obligation to the Policyholder. The TCIPG instrument manager shall provide the documents required for audits or inspections free of charge |
| **Other conditions** | Insurers which have received the Guarantee shall undertake to retain the trade credit limits to Policyholders (if they have been reduced) to the level of 31 December 2019, as well as not to reduce and (or) not eliminate the trade credit limits valid for Policyholders under the Insurance contracts, except for the cases:* when the Insurer determines a significantly increased probability of insolvency of the buyer,
* when the Insurer and the Policyholder mutually agree on the reduction of the limit,
* when the Policyholder has not used up the granted trade credit limit in the last 12 months or has used it only partially due to the reduced turnover with the buyer.

These terms and conditions shall apply only to Insurance contracts under which: * according to the granted trade credit limits the goods were delivered to Lithuanian buyers not earlier than on 1 January 2020 and no later than 31 December 2020,
* according to the granted trade credit limits goods were shipped to foreign buyers no earlier than on 1 January 2020 and no later than 31 December 2020,
* according to the granted trade credit limits services were provided no earlier than 1 January 2020 and no later than 31 December 2020
 |

Annex 2 to the Description

Coat of arms or trademark

(name of legal entity)

(Legal form of the legal person, registered office, contact information, name of the register in which the data on the supplier is collected and stored, code of the legal person, VAT payer code, if the legal person is a VAT payer)

INVESTICIJŲ IR VERSLO GARANTIJOS UAB

**APPLICATION**

**FOR THE PARTICIPATION IN THE IMPLEMENTATION OF THE FINANCIAL INCENTIVE INSTRUMENT "TRADE CREDIT INSURANCE PORTFOLIO GUARANTEE"**

\_\_\_\_\_\_\_\_\_\_\_\_\_ No .\_\_\_\_\_\_

(Date)

(Place)

|  |  |
| --- | --- |
| Name of the legal entity (hereinafter referred to as the Insurer) |  |
| Registered office address  |  |
| Name of the contact person responsible for the application |  |
| Telephone number |  |
| E-mail address |  |

With this application we note that we agree with all the conditions of the Description of the Conditions for the Implementation of the INVEGA fund Financial Incentive Instrument “Trade Credit Insurance Portfolio Guarantee” (hereinafter referred to as TCIPG),

We submit this application and documentation confirming our ability to implement the TCIPG and our compliance with the eligibility requirements and certify that:

1) the Insurer submitting the application and its representatives know that the TCIPG instrument is financed from the state budget of the Republic of Lithuania;

2) the Insurer submitting the application and its representatives confirm that the insurance fees and other payments paid to the Insurer participating in the TCIPG instrument will correspond to the usual activities and practices of the Insurer and, if necessary and upon Invega's request, provide evidence thereof;

3) Insolvency or restructuring proceedings have not been initiated against the Insurer, a pre-trial investigation regarding its economic and commercial activities has not been initiated or it is not being liquidated, a decision of the creditors' meeting to conduct bankruptcy proceedings out of court has not been adopted;

4) at the time of submitting the application, the Insurer has fulfilled its obligations related to the payment of taxes and social insurance contributions in accordance with the legal acts applicable to the activities of the insurance undertaking;

5) The Head of the Insurer authorised to conclude a transaction on behalf of the legal person, or the accountant (s) or other person (s) authorised to draw up and sign accounting documents, has (have) no unspent or unexpunged conviction and no judgement of conviction was passed and became effective against the them within the past five years for participation in a group of accomplices, an organised group, a criminal organisation, its formation or being in charge thereof, bribery, trading in influence or grafting, abuse of office, failure to fulfil the official duties, fraud, misappropriation of property, squandering of property, causing of property damage by deception, destruction of property or damage to property, unjust enrichment, smuggling, customs fraud, unlawful disposal of excise goods, unlawful export of goods or products from the Republic of Lithuania, unlawful engagement in economic, commercial financial or professional activities, unlawful activities of the legal person, use of another’s trade mark, fraudulent statement concerning activities of the legal person, failure to pay taxes, use of a credit, loan or targeted support not in accordance with its purpose or the established procedure, credit fraud, bad faith of a debtor, criminal bankruptcy, production of a counterfeit electronic means of payment, forgery or unlawful possession of a genuine electronic means of payment or data thereof, unlawful use of an electronic means of payment or data thereof, provision of inaccurate data on income, profit or assets, failure to file a tax return or to submit a report or another document, fraudulent or negligent management of accounts, purchase or sale of crime-related property, laundering of crime-related money or property, production, storage or handling of counterfeit currency or securities, forgery of a document or possession of a forged document, forgery of a seal, stamp or form, involvement in any other unlawful activities detrimental to the financial instruments of the Republic of Lithuania and/or the EU;

6) The Insurer and its representatives are informed and aware that the submission of false information, which Invega may prove by any lawful means, will result in the rejection of this application.

The application is accompanied by the following documents (by signing the application or each document with a secure electronic signature, we certify that the digital copies of the documents are genuine. In cases where the entire application with the attached documents is signed with a qualified electronic signature, it is not necessary to sign each document separately):

|  |  |  |
| --- | --- | --- |
| **No** | **Title of documents submitted** | **Number of pages in the document** |
| **1.** | Insurance activity license |  |
| **2.** | The list providing information on at least 10 business entities insured by the Insurer in Lithuania (signed and valid insurance contracts) on 31 December 2019 |  |
| **3.** | Declaration about the amount of trade credit limits granted and valid to Lithuanian policyholders on 31 December 2019 |  |
| **4.** | Power of Attorney, if the Application is signed by a person authorized by the Insurer |  |

|  |
| --- |
|  |
|  |  |
|  |  |  |  |  |  |
| (Job title) |  | (Signature)  |  | (Name and surname)  |  |

1. The definitions in the Description shall be understood as specified in Annex 1 (Main Conditions) to the Description.

\* indicative amount [↑](#footnote-ref-2)
2. The definitions in this section shall be understood as set out in the table of Main definitions and terms below. [↑](#footnote-ref-3)