



Constructors All Risks Insurance Regulations No 8.1/1

1. Terms used in the regulations

- 1.1. **Insurer** — ADB "Gjensidige" Latvian branch which is acting in accordance with the Statutes.
- 1.2. **Policyholder** — a legal entity or physical person that has concluded an insurance Contract in his/her own or another person's (customer of the construction object, general contractor or subcontractor) interests.
- 1.3. **Insured** — a legal entity or physical person specified in the insurance policy in which interests insurance Contract has been concluded.
- 1.4. **Insured object** — property specified in the insurance policy.
- 1.5. **Sum insured** — sum of money for which property has been insured.
- 1.6. **Insurance premium** — fixed payment for the insurance.
- 1.7. **Insured accident** — physical damage or loss of the insured property in accordance with provisions of Paragraph No.1 of the policy or property detriment or bodily injuries caused to the third person in accordance with provisions of Paragraph No.2 of the policy.
- 1.8. **Insurance indemnity** — sum of money which is paid to compensate losses caused by the insured accident or the costs of ensured services according to the insurance Contract.
- 1.9. **Payable losses** — sum of money which is paid to compensate losses caused by the insured accident or the costs of ensured services according to the insurance Contract before the deduction of the own risk.
- 1.10. **Own risk** — part of the sum insured or loss expressed in terms of money or percentage specified in the insurance policy which is subtracted from the payable losses for any one insured accident.
- 1.11. **Insurance policy** — a document that certifies the conclusion of the insurance Contract and includes terms of insurance as well as all amendments and addendum which have been agreed in written between the Insurer and the Policyholder.
- 1.12. **Insurance location** — place where the insured property is located and which is specified in the insurance policy.

2. Material damage insurance (Paragraph No.1)

2.1. Insured object

In accordance with provisions of the present policy the following objects could be insured against material damage:

- 2.1.1. construction object including regular and temporary construction expenses and value of consumer's delivered materials and items, whereas the sum insured shall not be less than the full value of the contract works at the completion of the construction, inclusive all materials, wages, freight, customs duties, taxes and materials or items delivered by the contractor;
- 2.1.2. facilities and equipment of construction site, whereas the sum insured shall not be less than the replacement value of machinery and mechanisms, which shall mean the costs of replacement of the insured items by the new ones of the same kind and same usability;
- 2.1.3. construction machinery in accordance with the list of separate machinery units whereas the sum insured shall not be less than the replacement value of construction, equipment and machinery, which shall mean costs of replacement of the insured items by the new ones of the same kind and same usability;
- 2.1.4. expenses connected with clearance of debris after the occurrence of the insured accident;
- 2.1.5. constructions and property already being at the insurance location.

2.2. Increase of the sum insured

The Policyholder undertakes to increase or decrease the sums insured in the event of any material fluctuation in wages or prices provided always that such increase or decrease shall take effect only after written submission with the Insurer.

2.3. Proportional insurance

- 2.3.1. If in the event of loss or damage it is found that the sums insured are less than actual value of the insured object, the indemnity which has to be paid in accordance with the present policy shall be reduced in such proportion from the amount of loss as the sums insured bear to the actual value of the object.
- 2.3.2. Each object and cost part is subject to the present provision separately.

2.4. Indemnification of losses

If at any time during the insurance period objects specified in the policy or their constituent parts shall suffer any unforeseen and sudden physical loss or damage from any cause (other than those specifically excluded) in a manner necessitating repair or replacement, the Insurer indemnifies the Policyholder such loss or damage by payment in cash or replacement or repair (at the client's choice) up to the amount not exceeding value of each item, particular limit of liability set for any one insured accident and total sum insured specified in the policy.

2.5. Exclusions

The Insurer shall not be liable for:

- 2.5.1. the sum stated in the policy as own risk of the client any one insured accident;
- 2.5.2. indirect loss of any kind or nature including penalties, loss due to delay, default on obligations, contract cancellation;
- 2.5.3. loss caused due to faulty in design;
- 2.5.4. the cost of replacement, repair or rectification of defective materials and/or trimming, but this exclusion shall be limited to the mentioned items and shall not exclude indemnification of losses or damages to good quality objects resulting from influence of such defective materials and trimming;
- 2.5.5. wear and tear, corrosion, oxidation, deterioration of the object's condition due to wear and influence of normal atmospheric precipitation;
- 2.5.6. loss and damage caused to the constructions and equipment or construction machinery due to mechanical or electrical breakdown or spoilage, freezing of cooling or other liquids, due to insufficient amount of oil or cooling agent. However the Insurer is liable for the external damages caused by the above mentioned breakdowns and spoilages;
- 2.5.7. loss or damage caused to the land-based, waterborne transport means and aircrafts;
- 2.5.8. loss or damage caused to official papers, calculations, invoices, currency, stamps, legal documents, promissory notes, banknotes, securities, cheques;
- 2.5.9. loss or damage discovered only at the time of inventory.

2.6. Calculation of indemnity

- 2.6.1. In the event of any loss or damage the basis of loss estimation shall be:
 - a) in the case of damage which can be repaired — the cost of repairs necessary to restore the items to their condition as they were prior to the occurrence of the insured accident less value of the salvaged parts and items;
 - b) in the case of total loss — the actual value of the items immediately prior to the occurrence of the insured accident less value of the salvaged parties;
- 2.6.2. Insurance indemnity is paid to the extent of the sum insured specified in the policy provided always that insurance regulations have been observed.
- 2.6.3. The Insurer makes payment only after all necessary acts and documents certifying that the repairs or replacement had been carried out have been received.
- 2.6.4. All damaged items which can be repaired shall be repaired, but if the cost of repairing is equal or exceed the value of the item immediately prior to the occurrence of the insured accident, estimation of loss has to be made on the basis provided for in Item 2.6.1. b) above.

2.6.5. The Insurer also indemnifies provisional repair expenses if such repair constitutes part of the final repair and does not increase the total repair expenses.

2.6.6. The costs of any alterations, additions or improvements are not indemnified.

3. Third party liability (Paragraph No.2)

3.1. Insurance indemnity's payment conditions

31.1. The Policyholder is indemnified up but not exceeding the limit of liability specified in the policy the costs for which indemnification the Policyholder is legal liable and that resulting from the following losses:

- a) accidental bodily injury or illness of third parties (whether accident was fatal or not);
- b) accidental damages and losses to property belonging to the third parties occurring in direct connection with the construction and erection of the insured items in accordance with Paragraph No.1 of the present Regulations and happening on or nearby the construction site during insurance period.

3.1.2. In respect of indemnification of losses in accordance with the present policy the Insurer undertakes to indemnify the Policyholder:

- a) all costs and expenses of litigation indemnified to any claimant by the Policyholder;
- b) all costs and expenses paid with the written consent of the Insurer, provided always that the liability of the Insurer under this section shall not exceed limit of liability specified in the policy.

3.2. Exclusions

The Insurer does not indemnify:

- 3.2.1. the sum set in the policy as the own risk of the client for any one accident;
- 3.2.2. the expenditures incurred during construction, rebuilding, repair or replacement of the insured object which are envisaged indemnified according to the Paragraph No.1 of the present Regulations;
- 3.2.3. losses of property, land or buildings caused by vibration, removal or weakening of supports and personal injuries or property damages resulting from the above mentioned reasons (unless otherwise specified by special provisions of the policy);
- 3.2.4. costs originated from liability upon:
 - a) bodily injuries or illness of employees of the Constructor, customer or any other organization directly connected with the performance of the insured project works under the present policy or members of their families;
 - b) losses or damages to property which is held in care, custody or control by the Contractor, customer or any other organization directly connected with the performance of the insured project works or employee or workman of any of the above mentioned organizations;
 - c) any accident caused by land-based vehicles subject to registration, waterborne vessels or aircrafts;
 - d) any sum that Policyholder has to pay to the third person as a result of contractual obligations, unless otherwise such liability would have attached also in the absence of the mentioned contractual obligations.

3.3. Obligations

3.3.1. No admission, offer, promise, payment or indemnity of any losses could be made by or on behalf of the Policyholder without the written consent of the Insurer.

3.3.2. The Insurer is entitled to take over and conduct in the name of the Policyholder the defence or settlement of any claim or to prosecute in the name of the Policyholder and for his/her benefit any claim for indemnification of losses and so on. The Insurer has full discretion in the conduct of any proceedings or in the settlement of any claims and the Policyholder is obliged to provide all information and assistance as the Insurer may require.

3.3.3. The Insurer may pay to the Insured sum of limit of liability set for any one occurrence (but deducting therefrom sums of indemnity already paid for the same loss) or any lesser sum for which the claim or claims arising from the mentioned accident can be settled and the Insurer shall thereafter be under no further liability in respect of such accident under this section of the present Regulations.

4. General conditions

4.1. Insurance period

- 4.1.1. The liability of the Insurer shall commence notwithstanding any date to the contrary specified in the policy directly upon commencement of work or after discharging of the items (materials) specified in the policy at the construction site.
- 4.1.2. The liability of the Insurer expires after the construction object is put into operation or inception of operation (service).
- 4.1.3. In other cases the insurance expires on the date specified in the policy.
- 4.1.4. In order to extent insurance period the Policyholder has to present the Insurer written application and to receive from the Insurer written confirmation.

4.2. General exclusions

- 4.2.1. The Insurer is not liable and does not indemnify the Policyholder losses or damages directly or indirectly caused by or arising out of:
 - a) war, invasion, act of foreign enemy, military operations (whether war be declared or not), civil war, rebellion, revolution, insurrection, mass riot, terrorism, strike, lock-out, military or usurped power, malicious action of the organized persons group or activity of the groups connected with any political organizations, conspiracy, requisition, destruction or damage by order of any official (legal) or actual governmental institution or public authorities;
 - b) nuclear reaction, nuclear radiation or nuclear contamination;
 - c) malicious action or gross negligence of the Policyholder or his/her representatives or authorized persons;
 - d) cessation or work whether total or partial.
- 4.2.2. In any claim, suit or other proceeding where the Policyholder allege that by reason of the provisions of exclusion 4.2.1 a) above any loss, damage or liability is not covered by the present insurance, the burden of proving that such loss, damage or liability is covered by the present insurance shall be upon the Policyholder.

4.3. Payment of insurance premium

- 4.3.1. The Policyholder is obliged to pay the insurance premium in the terms specified in the insurance Contract.
- 4.3.2. If the insurance premium is paid by order of transfer then the payment day is considered the day when the premium is counted to the bank account of the Insurer.
- 4.3.3. If the insurance premium or its first instalment is not paid in the term specified in the insurance policy the insurance Contract does not enter into force.
- 4.3.4. If the premium payments except the first instalment are not paid in the terms specified in the Contract, the validity of the Contract is suspended:
 - 4.3.4.1. suspending the validity of the Contract the Insurer sends to the Policyholder a written notice informing on incomplete premium's payment, stating terms of payment and consequences if the payment will not be made;

- 4.3.4.2. suspension of the Contract's validity ceases at the moment when the premium is paid in accordance with the term specified in the notice;
- 4.3.4.3. if the Policyholder fails to make premium payment within 15 days from the date of notice sending, the Insurer has a right to terminate the Contract and not repay back premium previously paid.

4.4. Own risk of the client

Own risk of the client is specified in the insurance policy in the manner of sum or percentage and is subtracted from the calculated insurance indemnity for any one insured accident.

4.5. Termination

- 4.5.1. Both the Policyholder and the Insurer are entitled to terminate the insurance after any claim connected with the present policy is reported, by giving a written notice at least 15 days in advance and by submitting a notification to that effect no later than on the day the indemnity is paid or the claim is rejected.
- 4.5.2. The Policyholder is entitled to terminate the present insurance by giving a written notice to the Insurer at least 30 days in advance, and the premium is adjusted to the actual validity period of the policy and value of the insured object at the moment of termination, taking into account short-term tariffs of the Insurer.
- 4.5.3. The Insurer is entitled to terminate the present insurance giving a written notice to the Policyholder at least 30 days in advance to the last known address and the premium is adjusted to the actual validity period of the policy and value of the insured object at the moment of termination.
- 4.5.4. Notice on termination of the insurance Contract is considered to be received if it was sent as registered letter and precisely addressed.

4.6. Claim statement

- 4.6.1. In the event of any occurrence which might give rise to a claim under the present policy the Policyholder has to notify the Insurer immediately as soon as it becomes possible.
- 4.6.2. In case of theft or robbery the client after the discovery of losses has to notify the police immediately as soon as it becomes possible.
- 4.6.3. The Insurer is entitled to reject payment of insurance indemnity in full for any loss or damage or reduce the amount of any insurance indemnity to be paid if the notification on the loss or damage was not given in the manner provided by the above mentioned Items (4.6.1., 4.6.2.) resulting to impossibility to determine fact of the insured accident and to carry out timely measures in order to limit the losses.

4.7. Burden of proof

- 4.7.1. The Policyholder has to provide signed and approved claims statement within 2 weeks of the date of loss (unless the Insurer has approved prolongation of the above mentioned period in written) and to specify date, place and cause of the loss, total value of the object and the amount of possible loss or damage.
- 4.7.2. The Policyholder has to preserve the damaged parts of the object and items and to provide a representative of the Insurer or surveyor to inspect them and withdraw if it is necessary.
- 4.7.3. The Policyholder is obliged to present all disposable information and documentation on the material value of the damaged or lost parts of the object and items, dates of purchase and delivery as well as on other objects which are insured according to the present insurance Contract in order the Insurer will be able to estimate the losses precisely in accordance with the conditions of the present policy.
- 4.7.4. If participation of independent experts is necessary in order to estimate the amount of losses precisely, the Insurer is entitled to take a decision on involvement of experts and the costs of expertise is divided in two between the Insurer and the Policyholder.
- 4.7.5. In accordance with the present Contract the Insurer is not liable in respect of any damaged part of the object if the said part of the object is not renewed without delay.

4.8. Payment terms

Insurance indemnity is paid within 30 days upon receipt of all necessary documents and burden of proof.

4.9. Prevention of damages and losses

- 4.9.1. In the event of any occurrence which might give rise to a claim under the present insurance the client has to take all possible measures to prevent, restrict or diminish the further losses and the Insurer is entitled to carry out that measures which are aimed at the same.
- 4.9.2. The Insured is not entitled to repair or displace damaged items or parts of the object without preliminary written consent of the Insurer unless due to the reasons mentioned in the Item 4.9.1.
- 4.9.3. If a representative of the Insurer does not carry out the inspection within period of time which could be considered as adequate under the particular circumstances but not later than within 3 days, the Policyholder is entitled to proceed with the repair, renewal or replacement.

4.10. Other insurance

If at the time of the damage or loss any other Constructors All Risk insurance Contract is concluded with any other insurance company, insurance indemnity is paid proportionally to the sums insured (irrespective of the heading of the present and another contract) in such a manner that the total insurance indemnity will not exceed actual losses caused to the Policyholder.

4.11. Cession

- 4.11.1. With the consent of the Insurer the Policyholder may at the expenses of the Insurer do, concur in doing and permit to be done all such acts as may be necessary in obtaining indemnity from the third person (other than the Policyholders under the present Contract) to which the Insurer shall be or would become entitled or subrogated upon paying for under the present Contract, whether such acts shall be or become necessary or required before or after the payment of the insurance indemnity.
- 4.11.2. The Insurer may require from the Policyholder confirmation of transfer of rights regarding recovery of the Insurer's paid indemnity from any one guilty third person in amount of the paid sum.
- 4.11.3. Any salvaged or recovered property or payments which were received after indemnification of losses should be considered recovered or received before indemnification of losses and all necessary adjustments regarding paid insurance indemnity have to be carried out.
- 4.11.4. All costs which were necessary in order to receive indemnity mentioned in the Item 4.11.3. should be proportionally divided between the parties concerned (including the Policyholder) in such proportion that constitutes their possible recoverable sums after the final calculations.

4.12. Applicable legislation

The Policyholder is entitled to pursue a claim against the Insurer only in accordance with legislation of the Republic of Latvia.

4.13. Term for submission of claim

Any claim stated later than within 1 year period after the insured accident shall be considered invalid and shall not be indemnified, even though all necessary documents had been provided in accordance with the requirement of the present insurance. The same provision is applied if the Policyholder within 1 year period after the insured accident has not provided the Insurer all required information in accordance with the present insurance Regulations.

4.14. Insurance contract language

In case of discrepancy or ambiguity of this regulation between the Latvian language text and foreign language, the Latvian language text shall prevail.

5. Obligations of the policyholder

5.1. Security maintenance

- 5.1.1. The Policyholder shall (at his/her own expense) take all necessary precautionary measures and comply with all recommendations of the Insurer to prevent loss, damage or liability as well as comply with all legal requirements and manufacturers recommendations.
- 5.1.2. The Policyholder is obliged to notify the Insurer immediately on any changes in security systems in order the Insurer will be able to accept these security measures.

5.2. Change of the risk

- 5.2.1. The Policyholder shall notify the Insurer immediately if:
 - a) the legal address of the Policyholder is changed;
 - b) the initial risk could increase due to any modifications made.
- 5.2.2. The Policyholder shall at his/her own expense send the Insurer written notification immediately and inform on any significant change of the risk.
- 5.2.3. The Policyholder is not entitled to make or accept any signification modifications which could increase the risk without written consent of the Insurer.
- 5.2.4. If the level of risk is increased due to the above mentioned modifications, the Insurer is entitled to require payment of additional premium or to alter particular items of the insurance Contract's conditions.

5.3. Inspections

- 5.3.1. The Insurer is entitled to inspect place of location of the insured property at any time with the purpose to evaluate the extent of risk.
- 5.3.2. The Policyholder shall provide the Insurer all required information necessary for estimation of risk.

5.4. Information provided by the Policyholder

If the Policyholder upon conclusion of the insurance Contract or afterwards provided the Insurer false information the Insurer is entitled to declare the insurance as invalid from the conclusion of the Contract or to suspend the validity of insurance Contract at any time when this fact became established, requiring alterations of insurance premium and conditions in accordance with the risk.

5.5. False and fraudulent claims

If the Policyholder submits any claim knowing that it is false or fraudulent with respect to amount of loss or with any other respect, the present policy is deemed invalid and any claims in respect of the present policy shall be rejected.