

Property All Risks Insurance Regulations No 5.3/1

Section 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 physical person or legal entity that has concluded an insurance contract in his/her own or another person's interests.
- 1.3. **Insured** — a physical person or legal entity specified in the insurance policy in which interests insurance Contract has been concluded.
- 1.4. **Insured object** — movable and/or immovable property specified in the insurance policy and its appendix.
- 1.5. **Sum insured** — sum of money for which the property has been insured.
- 1.6. **Insured risk** — an event specified in the insurance policy happening beyond the will of the Insured which occurrence is possible in future.
- 1.7. **Insurance premium** — the stated payment for the insurance.
- 1.8. **Insured accident** — sudden, unexpected event connected with the insured risk on the occurrence of which the payment of insurance indemnity is envisaged, according to the insurance Contract. Separate loss or several losses caused by one occurrence shall be considered one insured accident.
- 1.9. **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.
- 1.10. **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.
- 1.11. **Own risk** — part of the sum insured or loss expressed in money or percentage specified in the insurance policy which is subtracted from the payable losses for any one insured accident.
- 1.12. **Insurance policy** — a document that certifies the conclusion of the insurance Contract and includes terms of insurance Contract as well as all amendments and addendum which have been agreed in written between the Insurer and the Policyholder.
- 1.13. **Insurance location** — place where the insured property is located and which is specified in the insurance policy.
- 1.14. **Underinsurance** — insurance where the sum insured is below the value of the insured object.
- 1.15. **Overinsurance** — insurance where the sum insured exceeds the value of the insured object.

2. Insured risks

Insured risks are physical damage or loss of any kind of the insured object due to the sudden, unexpected event occurred during the insurance period specified in the policy but with the exclusion of the events specified in the Section 4.

Section 2. Insured object

3. Insurance covers movable and/or immovable property specified in the insurance policy:

- 3.1. **buildings** — with built-in network, equipment, facilities, structural elements which are integral part of the building;
- 3.2. **leased premises repair expenses and materials** (flooring, walling and ceiling coverings, windows, doors, sanitary equipment, electric installations, fireplaces, built-in furniture, etc);
- 3.3. **property** — technological equipment and machinery, machine tools, furnishings and tools, stock, leased and borrowed property, furniture, radio, TV, video sets, other electronic equipment, domestic and household items, sports, household and agriculture stock, etc.
- 3.4. **The following insurance objects are not insured unless otherwise agreed:**
 - 3.4.1. edifices — swimming pools, gates, fencing, coverings of yards and territories, sheds, protective walls which are not integral part of the buildings, moors, piers, bridges, aerial electric distribution lines;

- 3.4.2. equipment and devices installed in the buildings and premises (aerials, signboards, advertising boards, etc.) which are not integral part of the building;
- 3.4.3. external pipelines located in the enterprise's territory, branching off the insured building till the main pipeline and for which maintenance the Policyholder is liable;
- 3.4.4. glass, its accessories and decorations (drawings, engravings, etc.) if its overall area exceeds 3 m² against breaking or cracking including inattentive activity of the Insured but excluding fire risk;
- 3.4.5. jewellery, collections, paintings, unique and antique articles, money in cash;
- 3.4.6. securities, documents, acts, plans, blue-prints, models, archive documents;
- 3.4.7. software, data, databases and data carriers;
- 3.4.8. samples, exhibition specimens;
- 3.4.9. buildings and edifices which are not foreseen for long maintenance (mobile carriages, premises made from inflatable constructions, tents, etc.);
- 3.4.10. unfinished buildings;
- 3.4.11. slot machines, coin changing machines, ATMs.
- 3.4.12. property of any third party in the storage, use, repair, etc.
- 3.5. **The present Regulations do not cover:**
 - 3.5.1. illegally built buildings, edifices, constructions or buildings, edifices, constructions being under construction for which the necessary permits and approvals required by law and other normative acts have not been received;
 - 3.5.2. dilapidated buildings, edifices, constructions and property located inside;
 - 3.5.3. buildings, edifices, constructions without corresponding supervision and/or uninhabited and property located inside;
 - 3.5.4. personal property of the employees of a legal entity;
 - 3.5.5. motor vehicles subject to registration;
 - 3.5.6. arms, ammunition;
 - 3.5.7. water-borne transport and aircraft;
 - 3.5.8. engineering edifices of any kind located in the coastal water;
 - 3.5.9. breakdown risk of machinery, equipment and mechanisms;
 - 3.5.10. indoor plants, forest, individually standing trees, green fences, land, sowings, animals;
 - 3.5.9. cargoes conveyed outside insurance location.

Section 3. Insurance contract

4. Sum insured

- 4.1. The sum insured is fixed by mutual agreement between the Policyholder and the Insurer and taking into account the value of property. The Policyholder is liable for the correspondence of the specified sum insured to the value of property. If the sum insured does not correspond to the value of property the provisions of underinsurance or overinsurance are applied in case the insured accident occurs.
- 4.2. The amount of repair expenses for buildings, edifices and premises are determined in the following manner:
 - 4.2.1. as renewal value which is equal to the lowest necessary renewal expenses to renovate the lost or damaged building or premises to equal quality and amount as they were exactly prior to the occurrence of the insured accident;
 - 4.2.2. as actual value which is renewal value less wear and tear. The actual value is used if wear and tear exceeds 40% or if the Policyholder wishes to insure repair expenses of buildings, edifices and premises at their actual value.
- 4.3. The sum insured for property — technological equipment and machinery, machine tools, furnishings and tools as well as for domestic (household) items is determined in the following manner:
 - 4.3.1. as purchase or renewal value. Renewal value is equal to the lowest necessary renewal expenses to renovate the property to equal quality and amount as it was exactly prior to the occurrence of the insured accident;

- 4.3.2. as actual value which is purchase or renewal value less wear and tear. The actual value is used if wear and tear exceeds 40% or if the Policyholder wishes to insure property at its actual value.
- 4.4. The sum insured for property – stock (raw materials, materials, unfinished and ready-made products, goods for sale, packing materials) is determined in the following manner:
 - 4.4.1. for goods for sale and purchased raw materials as purchase value which is equal to the lowest expenses for purchasing of goods and raw materials of the same type and quality;
 - 4.4.2. for unfinished and ready-made products as renewal value which is equal to the lowest necessary renewal expenses to renovate the products to equal quality and amount as they were exactly prior to the occurrence of the insured accident;
- 4.5. The sum insured for leased and borrowed property (for repair, storage, etc.) is determined according to its actual value which is specified in the leasing agreement or in the act of transfer and acceptance or in the accounting documents.

5. Period and effective date of the insurance Contract

- 5.1. The period of the insurance Contract is the period of time specified in the insurance policy.
- 5.2. The Contract enters into force the next day after the insurance premium or part of it has been paid unless otherwise specified by the insurance policy.

6. Payment of insurance premium

- 6.1. The Policyholder is obliged to pay the insurance premium in the terms specified in the insurance Contract.
- 6.2. 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.
- 6.3. 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.
- 6.4. If the premium payments except the first one instalment are not paid in the terms specified in the insurance Contract the validity of the Contract is suspended:
 - 6.4.1. suspending the validity of the Contract the Insurer sends to the Policyholder a written notice informing about incomplete premium's payment, stating terms of payment and consequences if the payment will not be done;
 - 6.4.2. suspending the validity of the Contract ceases at the moment when the premium is paid in accordance with the term specified in the notice;
 - 6.4.3. if the Policyholder fails to make premium payment within 15 days from the sending of notice, the Insurer has a right to terminate the insurance Contract and not repay back premium previously paid.

7. Mutual responsibilities of the Policyholder and the Insured

- 7.1. Prior to the conclusion of the insurance Contract the Policyholder and the Insured are obliged to provide to the Insurer all required information which is necessary for evaluation of risk as well as to provide possibility to carry out survey of the insured object as during the conclusion of insurance Contract as well as during its validity.
- 7.2. The Policyholder and the Insured are liable for the truth of the provided information.
- 7.3. The Policyholder is obliged to inform the Insured that he is insured and assure the compliance with contractual commitments on behalf of the Insured.
- 7.4. The Policyholder is liable for the consequences caused by his failure to inform the Insured and shall cover any additional expenses caused due to such failure to inform.
- 7.5. The Policyholder and the Insured are obliged to inform about other known insurance Contracts being in force referring to the same object.

Section 4. Changes in the insured risk

8. Changes in initial information

- 8.1. The Insured or the Policyholder during the validity of the insurance Contract shall be obliged to notify the Insurer in written form of any known circumstances which may considerably increase the possibility of occurrence of the insured risk or amount of possible losses, i.e. changes in the security systems of the insured property, functional changes, reconstruction, rebuilding and repair before their commencement, leasing or mortgaging of the property.
- 8.2. If during the validity of the insurance Contract the value of the property has changed by more than 10%, the Policyholder shall be obliged to inform the Insurer and having mutually agreed to make the according alterations in the insurance Contract.

9. Increase of the insured risk

If during the validity of the insurance Contract the possibility of occurrence of the insured risk has increased the Insurer may offer the Policyholder to make amendments to the Regulations and indicate the date of their effectiveness or take the decision on termination of the insurance Contract.

Section 5. Insured accident

10. Duties of the Insured after the insured accident has occurred

- 10.1. **Loss application** — if the losses have occurred the Insured must immediately notify:
 - 10.1.1. fire department and rescue service in case of fire;
 - 10.1.2. respective emergency service in case of explosion;
 - 10.1.3. respective emergency service or/and manager (owner) of the building in case of engineering network accident;
 - 10.1.4. police in case of third party's illegal action.
- 10.2. The Insured immediately as soon as it becomes possible should notify the Insurer about the occurred accident and take all possible and reasonable measures to decrease the losses.
- 10.3. The Insured within 2 working days from the moment when the occurrence was disclosed should present the Insurer a certain form of sample written application and submit with the representative of Insurer the time for surveying the place of occurrence. If due to the objective reasons it is not possible to submit a written application personally then it should be done by the representative or authorised person of the Insured or the Policyholder.
- 10.4. If the Insured submits a claim knowing that it is false or fraudulent the insurance Contract shall be deemed invalid and any claims in respect of this Contract shall be rejected.
- 10.5. The Insurer has a right to reject payment of insurance indemnity if the authorities mentioned in the Items 10.1.1.-10.1.4. of the present Regulations do not confirm the fact of occurrence of the respective risks.
- 10.6. **Burden of proof**
 - 10.6.1. After the occurrence of the insured accident, while the Insurer has not made the survey of the damaged or destroyed object, no damage removal or taking away or renewal of the object or its parts may take place without a written consent of the Insurer. It is only allowed to perform emergency measures in order to avoid further losses and avert insured accidents.
 - 10.6.2. After the submission of application the Insured has to provide the Insurer's representative possibility to make a survey of the place of occurrence of the insured accident and damaged insured property as well as to provide a possibility to carry out examination of the causes of the insured accident and the amount of loss.
 - 10.6.3. After the survey of the place of occurrence the Insurer's representative shall draft survey report of a certain form in respect of ascertained losses as well as shall give the instructions whose fulfilment is compulsory to the Insured. Without written consent of the Insurer the renewal of the object, removal or transfer of its parts is prohibited.

- 10.6.4. The Insurer having mutually agreement with the Insured makes survey of the place of occurrence as soon as possible. If the Insurer fails to perform survey at the day agreed by the parties the Insured is entitled to start readjustment and repair works within 3 working days.
- 10.6.5. The Insured is obliged to prove the fact of occurrence of the insured accident and amount of loss as well as to provide the Insurer with all necessary documents and information which affirm it.
- 10.6.7. At the Insurer's request the list of the damaged, stolen or lost property has to be presented. The list should indicate the value and condition of the property as it was directly prior to the occurrence of the insured accident.
- 10.7. **Consequences of the Insured's failure to meet his obligations.**
- 10.7.1. The Insurer is entitled to refuse the payment of the insurance indemnity if the Insured:
- 10.7.1.1. maliciously or due gross negligence has failed to fulfil any of the obligations specified in the present Regulations;
- 10.7.1.2. fails to present remains of the damages articles, except the cases when they are fully destroyed;
- 10.7.1.3. has failed to provide the police corresponding list of stolen or robbed property or the police does not confirm theft or robbery of some articles;
- 10.7.2. The Insurer may decrease insurance indemnity by 50% if the Insured due to carelessness has failed to fulfil any of the obligations specified in the present Regulations.
- 10.7.3. If upon the conclusion of the insurance Contract, during its validity or after occurrence of loss the Policyholder, Insured, owner or user of the insured object provides false information or refuses to provide the Insurer the requested information, the Insurer is entitled to refuse the payment of insurance indemnity and terminate the insurance Contract.
11. **The Insurer's duty to pay the claim**
- 11.1. The Insurer takes a decision on payment of insurance indemnity or refusal to do it within one month from the date of receipt of all the necessary documents.
- 11.2. If an administrative or criminal proceeding is instigated against the Policyholder or the Insured for damage or destroy of property, the Insurer takes the decision on payment of insurance indemnity only after the receipt of court judgement legally entered into force or decision on termination of criminal proceeding.
- 11.3. Upon mutual agreement of the parties the Insurer before the final and total calculation of losses may pay out the part of indemnity in the amount which is not disputed by any of the parties.
- 12.7. due to sudden leakage of cooling agent in refrigerators unless it was not caused by the insured risks;
- 12.8. to the goods if they were not located on hard pallet at least 10 cm above floor's level;
- 12.9. if no measures have been taken against the entry of third persons into the insurance location (the doors, windows, etc. are not closed);
- 12.10. if the property is left in show-windows outside the working hours unless otherwise specified in the insurance policy;
- 12.11. by dishonest, fraudulent action of the Policyholder or his employee or other persons to whom the property was delivered or entrusted, by property shortage, deficiency or mysterious disappearance;
- 12.12. by persons who concluded with the Insured or the Policyholder leasing, hire, borrowing or other kind of agreement in respect of the insured object or its part and which grants the rights to use the insured object;
- 12.13. by war, invasion, military hostilities, riot, revolution, commotion, military or usurped power, terrorism, arrest of the property carried out by state authorities of the Republic of Latvia due to administrative and legislative changes;
- 12.14. by errors and failures in any type of microprocessor equipment (computers, technological equipment, management systems, etc.) and its software as well as in electrical and electronic equipment and their insulating materials due to short circuit or other electrical facts which have not caused fire;
- 12.15. by malicious intent, gross negligence or illegal action of the Insured, the Policyholder or their employees;
- 12.16. if the Insured, the Policyholder or their employees deliberately or due to gross negligence violate normative acts of the Republic of Latvia, construction, technical maintenance and fire protection rules and administrative decisions;
- 12.17. due to non-qualitative works and services performed by the Insured or the Policyholder or the persons hired by them;
- 12.18. due to bursting works carried out by state authorities, municipalities or the Insured;
- 12.19. due to reconstruction of the insured object, carrying out of repair works, removal or reorganization of the insured object;
- 12.20. by wear and tear of the property, gradual deterioration, corrosion, testing, pollution, impact of dry and wet decay, mildew, insects, rodents and pests, dampness of atmosphere, frost, fog or by the extremes of temperature or which origin is natural, inherent flaws or hidden defects of the goods and products;
- 12.21. due to nuclear explosion, radiation or radioactive contamination as well as due to environmental pollution and contamination;
- 12.22. in connection with the third party's liability, loss of profit, undue deliveries, interruptions in production, trade, contractual default, contractual penalties and other financial nature or indirect losses although caused by the insured accident;
- 12.23. to the property mentioned in Items 3.5.1.-3.5.11. of the present Regulations.

Section 6.

12. Exclusions

The present insurance does not cover losses caused:

- 12.1. if the property was subjected to treatment or other processes which use flame or heat as well as boiling with insufficient amount of liquid;
- 12.2. by blast or explosion caused in case of the Insured dealing with substances and tools whose purpose is to use the energy of explosion including explosions occurred in firearms and other appliances which intentionally use the energy of explosion;
- 12.3. by penetration of water, hail or snow into the building or premises through windows, doors, roof and other openings if it was not caused by the insured risks;
- 12.4. if movable property was left in open air unless it is prescribed by the specific of maintenance and it has been specifically stated in the insurance policy;
- 12.5. due to rise of the ground and sewage water's level, accumulation of the condensed water or settling of foundation;
- 12.6. due to water's leak in engineering network unless the cases caused by engineering network breakdown;

Section 7. Insurance indemnity

13. Calculation of losses and insurance indemnity

The losses are fixed in the amount which is equal to the difference between the value of the insured property directly prior the insured accident and afterwards.

- 13.1. Value of the property directly at the moment of the occurrence of the insured accident is set before the calculation of losses.
- 13.2. The Insurer is entitled to state the method of loss calculation according to the renewal or repair costs estimate which is prepared in accordance with construction norms or as a ratio of the value of the object's damaged structural elements to the sum insured of the corresponding object.

- 13.3. If the value of the insured property at the moment of the occurrence of the insured accident corresponds to the renewal or purchase value, then the payable losses are:
- 13.3.1. the lowest necessary renewal costs for repair of buildings, edifices, leased premises;
- 13.3.2. if in case of total loss of building which is deemed to be the principal building in the insured object according to its type of maintenance and the building is not renewed, the loss is fixed in amount of the market's value of the building but not exceeding the renewal value. After commencement of renewal construction works of the building the assessed losses should be adjusted according to the volume of renewal works carried out and the difference in indemnity has to be paid to the Insured. The Insured takes the decision on renewal and/or non-renewal of the building and confirms it with written application;
- 13.3.3. the lowest purchase, substitution by equivalent one or the same type and quality or renewal expenses of domestic property (domestic and household items), technological equipment and machinery, machine tools, furnishings and tools, stock (raw materials, materials, goods). The Insurer is entitled to substitute lost property with equal one. Before the substitution of the property the Insured has to pay its own risk specified in the insurance policy;
- 13.3.4. the losses of ready-made products or goods in process are assessed by calculation of direct production and materials costs, direct labour costs, production and administrative costs. The above mentioned costs shall not exceed the amount for which ready-made products could be sold in the respective period of time;
- 13.3.5. the losses of glass are assessed only if glass was broken, melted or the crack goes over the thickness of whole glass. The following costs are indemnified:
- 13.3.5.1. the change of glass and its accessories;
- 13.3.5.2. the change of frames of the glass surface.
- 13.4. If the value of the insured property corresponds to the actual value, the losses are equal to renewal, replacement or purchase value less deduction connected with wear and tear and deterioration of the property.
- 13.5. In case of underinsurance the amount of losses shall be calculated as a percentage from actual amount of losses which corresponds to the percentage between the sum insured specified in the insurance policy and actual value of the property.
- 13.6. In case of overinsurance the losses shall not exceed actual losses and value of the insured property.
- 13.7. In case of total loss of the property the value of usable remains shall be subtracted from the value of property. The object is considered to be total lost if the damages exceed 70% of the value of the object at the moment of loss occurrence.
- 13.7.1. if the Insured keeps usable remains the insurance indemnity is reduced by the value of usable remains;
- 13.7.2. if at the Insurer's request and the Insured's consent the Insurer keeps usable remains, the insurance indemnity is calculated without any reductions for the value of usable remains.
- 13.8. After calculation of insurance indemnity the Insured is entitled to resolve issue:
- 13.8.1. on direct payment for renewal, repair or replacement costs to the construction company or other enterprise approved by the Insurer on the bases of the approved by the Insurer invoice, estimate or expert conclusion. In such a case the Insured has to pay the Insurer his own risk specified in the insurance policy before the indemnification of payable losses;
- 13.8.2. on payment of insurance indemnity in cash.
- 13.9. The Insurer is entitled to deduct the unpaid insurance premium for the whole period of insurance policy from the payable insurance indemnity.

14. Insured expenses

- 14.1. In connection with the insured accident the Insurer covers up to 10% from the sum insured but not exceeding EUR 711.440.- the follows:
- 14.1.1. all reported and provable reasonable expenses of the Insured connected with protection and minimization of loss as well as with salvage measures;
- 14.1.2. fire extinguishing expenses which reasonably occurred and were necessary in order to avoid the total loss of the insured property or reduce losses excluding salaries and similar payments;
- 14.1.3. costs connected with removal of debris and cleaning works, as well as with removal and destroying of damaged property, disassembling of equipment, breaking of the parts of the buildings, demolishing or enlargement of openings.

Section 8. Termination of the insurance contract

15. Sum insured after the payment of indemnity

- 15.1. If insurance indemnity paid does not exceed 10% from the sum insured the amount of initial sum insured is not reduced.
- 15.2. If insurance indemnity paid exceeds 10% from the total sum insured specified in the insurance policy the Policyholder is to pay an additional premium set by the Insurer. If the above mentioned additional premium is not paid insurance Contract remains in force until the term specified in the policy amounting to the difference between the sum insured specified in the Contract and amount of indemnity paid.
- 15.3. If insurance indemnity for any part of the insured object (constant unit of the insured object or group of units which is specified separately in the insurance policy or its appendix) has been paid in full amount of the sum insured specified in the policy for this part the Contract's validity with respect to this part of the object is terminated.

16. Termination of the Insurance contract

- 16.1. The Insurer is entitled to terminate the Insurance contract and not to pay back insurance premium paid if the Insured or the Policyholder due to malicious intent or gross negligence carried out activities or inactivity which have increased the insured risk.
- 16.2. If the insured accident occurred due to the malicious intent of the Policyholder or the Insured the Contract is considered terminated from the moment when the above mentioned fact was notified. In this case the Insurer is entitled not to pay insurance indemnity.
- 16.3. Any of the contractual parties is entitled to terminate the Contract after assessment of the losses caused by the insured accident or payment of the insurance indemnity. The Contract is terminated in 15 days period after the respective contractual party has sent notice on the Contract's cancellation.

17. Repayment of the premium on the termination of the Contract

- 17.1. If the insurance Contract is terminated prior to its expiration the Policyholder is repaid the unused part of insurance premium which could be reduced by 25% from the insurance premium as the Insurer's expenses connected with the conclusion of insurance Contract.
- 17.2. The Policyholder is obliged to present the Insur written application on the non-existence of the insured interests not later than within 1 month after such insured interests cease.
- 17.3. The insurance premium is not repaid if the insurance indemnity has been paid and amount of the indemnity has exceeded the amount of insurance premium.

18. Change of owner

- 18.1. If the owner of the insured immovable property changes the insurance Contract on behalf of new owner is valid during 1 month period after all the documents supporting the change of ownership are settled.
- 18.2. If the owner of the insured movable property changes and there is not any other agreement with the Insurer the insurance Contract is terminated at the moment when movable property is handed over to the new owner.

19. Term for submission of complaint

Any complaints brought by the Policyholder in respect of the concluded insurance Contract shall be accepted by the Insurer within 1 year period starting from the date when the Insurer has taken a decision on payment of insurance indemnity or on refusal to pay it.

20. Recourse claim

The Insured with the receipt of insurance indemnity transfers to the Insurer his rights towards the person guilty for occurrence of losses in amount of insurance indemnity paid.

21. Recovery of claim paid

- 21.1. If the Insured recovers insured property stolen or robbed he is obliged to give a prompt notice to the Insurer and to repay the Insurer insurance indemnity received within 1 month from such recovery.
- 21.2. In case the provisions specified in Item 21.1. are not fulfilled the Insured is obliged to transfer the recovered property to the Insurer and to register rights of ownership on behalf of the Insurer within 1 month after the expiry of the above mentioned period.

22. Laws regulating contractual relationships

The relationships arising from the insurance Contract shall be regulated by normative acts of the Republic of Latvia.

23. Settlement of disputes

- 23.1. All disputed arising from the insurance Contract shall be settled by way of negotiations. If the parties cannot agree the dispute shall be considered in accordance with normative acts of the Republic of Latvia being in force by the Court of civil case jurisdiction.
- 23.2. In case of discrepancy or ambiguity of this regulation between the Latvian language text and foreign language, the Latvian language text shall prevail.