

Section I

1. Terms and Definitions

- 1.1. **Insurer** – Insurance Joint Stock Company "Gjensidige Baltic" which operates in compliance with the Articles of Association.
- 1.2. **Policyholder** – a legal entity or an individual who has concluded the Insurance Contract in favour of oneself or another person.
- 1.3. **Insured** – a legal entity or an individual specified in the Insurance Policy and in favour of whom the Insurance Contract has been concluded.
- 1.4. **Insurable Object** – the real estate and/or movable property specified in the Insurance Policy and its appendix in accordance with the regulations of Section II of these Terms and Conditions.
- 1.5. **Sum Insured** – the sum of money to the extent of which the property is insured.
- 1.6. **Insured Risk** – the event specified in the Insurance Policy, independent from the insured person's will, the occurrence of which is possible in the future.
- 1.7. **Insurance Premium** – the specified payment for the insurance.
- 1.8. **Insurable Event** – a sudden and unexpected event having causal relationship to the Insured Risk upon the occurrence of which the Insurance Indemnity is provided in compliance with the Insurance Contract.
- 1.9. **Insurance Indemnity** – the amount of money payable for the Insurable Event or a compensation of expenses for services to be rendered in accordance with the Insurance Contract.
- 1.10. **Coverable Losses** – the amount of money payable for the Insurable Event or a compensation of expenses for services to be rendered in accordance with the Insurance Contract before withholding of the deductible.
- 1.11. **Deductible** – a fixed amount or a percentage from the Sum Insured or losses specified in the Insurance Policy that is deducted from the Insurance Indemnity for each Insurable Event.
- 1.12. **Insurance Policy** – a document which verifies the conclusion of the Insurance Contract and includes Terms and Conditions of the Insurance Contract, as well as all amendments and additions to this Contract upon which the Insurer and the Policyholder have agreed upon in writing.
- 1.13. **Insurance Contract** – this insurance contract which includes terms and conditions of the Insurance Contract, and also all amendments and supplements thereof which the Insurer and the Policyholder have agreed upon in writing. The Insurance Contract may be concluded in person or by means of distance communication. In case of choosing means of distance communication, a distance insurance contract shall be concluded.
- 1.14. **Distance Insurance Contract** – an insurance contract concluded by the Insurer and the Policyholder based on the Insurer's written offer that has been sent to the Policyholder by fax, via internet, or by e-mail (means of distance communication). An electronic printout of insurance policy shall serve as a proof of conclusion of the Distance Insurance Contract.
- 1.15. **Insurance Place** – the place where the insured property is located and is indicated in the Insurance Policy.
- 1.16. **Restoration Value** – the amount of the required minimum restoration expenses in order to restore the Insurable Object to the former quality and extent including all costs of construction and the related costs of the materials used and design.
- 1.17. **Actual Value** – the restoration cost of the Insurable Object after deduction of depreciation value of the Insurable Object.
- 1.18. **Market Value** – the value of the Insurable Object set by a certified property appraiser in compliance with the approved standards of the Latvian Association of Property Appraisers for establishing market value of the property.
- 1.19. **Acquisition Value** – the lowest acquisition costs of goods, raw materials and other property of the same type and equal quality.
- 1.20. **Third Person** – any individual or a legal entity, except persons who have concluded this Insurance Contract, related persons or persons who have liabilities with regard to the execution of the Terms and Conditions of this Insurance Contract.
- 1.21. **Related person** – employees, family members or persons of the Insured or the Policyholder with whom the Insured or the Policyholder has a common household or persons who have signed an agreement of lease, rental, lending, loan or other type of agreement of the insured property or its part with the Insured or the Policyholder that entitles to right to use the insured property, as well as the custodial services agreement. The family members of the Insured or the Policyholder shall be considered: a spouse, close relatives and in-laws up to third level in regard to close relatives and the second level to in-laws, the members of foster families, guardians and wards.

2. Insurable Risks

- 2.1. **Fire:**
- 2.1.1. **fire** – unforeseen and uncontrolled burning with open flames. Damage caused to the Insurable Object due to soot, smoke and fire fighting activities, if the cause has been fire;
- 2.1.2. **lighting stroke** – direct effect of lighting on the insured property;
- 2.1.3. **explosion** – instantaneous (explosive) chemical transformation of a substance or mixture that causes increased pressure (shock wave). Explosion of a reservoir shall mean a sudden destructive expression of pressure force when the walls of the reservoir are destroyed to the

- extent that the pressure within and outside of the reservoir levels off. Sudden levelling of the pressure (implosion) due to low pressure shall not be deemed an explosion;
- 2.1.4. **falling of a controllable aircraft, its parts or cargo carried by it** on the insured property;
- 2.2. **Natural disasters:**
- 2.2.1. **storm** – wind velocity above 15 m/s;
- 2.2.2. **flood** – an overflowing of water on the territory that has run over the boundaries of reservoirs or natural water basins. Overflowing of the territory (places) of a periodical (seasonal) nature and if it takes place more than once in 5 years shall not be deemed flood;
- 2.2.3. **hail** – direct effect of precipitation in the form of ice grains on the insured property;
- 2.2.4. **continuous snowing** – a sudden increase of snow layer by at least 100 mm in the period of 24 hours if the damages have occurred during snowing;
- 2.2.5. **earthquake** from 4 to 6 balls according to the Richter scale;
- 2.2.6. **falling of trees, masts and poles** that has not been caused by the activity of people.
- 2.3. **Fluid leakage or steam escape:**
- 2.3.1. a sudden and unforeseen breach or fracture of pipelines, their devices and equipment except the one caused by frost;
- 2.3.2. the action taken or failure to act by the third persons which has caused the fluid leakage or steam escape from the internal communication systems of the building;
- 2.3.3. fluid leakage caused by automatic reaction of correctly operated fixed automatic fire extinguishing systems and equipment;
- 2.3.4. fluid leakage due to failure of pipelines that branch off the insured building to the main pipeline and supplies water, heating etc. to the insured building.
- 2.4. **Illegal activities of the Third Persons:**
- 2.4.1. **burglary** – a deliberate, illegal theft, damage or ruin of property if it is committed by third persons by means of illegal entering into locked premises with evident traces of a burglary. Fraud, appropriation, extortion of property shall not be deemed as a theft;
- 2.4.2. **robbery** – an attack to the Insured that is connected with violence or threats of violence and that is dangerous to the life or health with an aim to obtain the insured property;
- 2.4.3. **malicious damage** – a deliberate destruction or damage of the insured property;
- 2.4.4. **collision** – any direct impact to the insured property caused by any type of a land vehicle, loading or unloading mechanisms due to activities or failure to act by the third persons.
- 2.5. **Rental expenses of replacement housing** for the period of repairs of the damaged property if it is not suitable for living as a result of occurrence of the Insurable Event (for example, fully destroyed due to fire, explosion etc.) by covering rental expenses of no more than EUR 300,00 per month and no longer than 6 months.
- 2.6. **In addition the following risks may be insured:**
- 2.6.1. **current pulse or overvoltage due to lighting** resulting into damages to the property. The Insurance Indemnity for this risk shall not exceed EUR 1500,00, unless specified otherwise in the Insurance Policy;
- 2.6.2. **break or fracture of pipelines, their devices and equipment caused by frost.** Losses are covered once during the period of validity of the Insurance Contract and the Insurance Indemnity shall not exceed EUR 3500,00, unless specified otherwise in the Insurance Policy. Losses and damages shall not be indemnified if the building is not permanently inhabited.
- 2.7. Additionally insured risks (Clause 2.6.1 – 2.6.2) shall be valid only if it is specified in the Special Conditions of the Insurance Policy.

Section II. Insurable Object

3. The Insurable Object shall mean the real estate and/or movable property specified in the Insurance Policy:

- 3.1. **Buildings** with the built-in communications, construction elements (heating boilers, electric systems, water supply and sewerage systems, built-in ventilation and dust exhauster systems) that form an integral part of the building.
- 3.2. **Apartment** with its construction elements and interior decoration that is an integral part of the apartment (floors, walls, ceilings, windows, doors, sanitary equipment, electrical installation, fireplaces etc.).
- 3.3. **Property** – technological equipment and machinery, workbenches, equipment and inventory, stocks, the leased and accepted items, furniture, radio, television, video and other electronic devices, household ware, sports, housekeeping and farming equipment, etc.
- 3.4. **Repair costs of rented premises and materials** (covering of floors, walls and ceilings, windows, doors, sanitary equipment, electric installation, fireplaces etc.).
- 3.5. **The following objects shall not be deemed as the Insurable Object without a separate agreement:**
- 3.5.1. constructions – pools, gates, fences, surfacing of yards and territories, sheds, safety walls that are not parts of the buildings, piers;
- 3.5.2. equipment and facilities (antennas, signboards, advertising facilities etc.) in buildings or premises or next to them that are not parts of the buildings;
- 3.5.3. external pipelines that fall in the territory of the company and branch off the insured building to the main pipeline and the Insured is responsible for their operation;

- 3.5.4. glazing and its equipment and design (drawings, engraving, etc.) whose seamless surface area is bigger than 3m², against breaking caused by the risks listed in Clause 2.2, 2.3, 2.4, 2.5, 2.6 of these Terms and Conditions;
- 3.5.5. jewellery, collections, paintings, unique and antique items, cash;
- 3.5.6. securities, documents, deeds, designs, original drawings, models, archives;
- 3.5.7. computer programs, data, databases and data carrying media;
- 3.5.8. samples, exhibition items;
- 3.5.9. constructions and structures that are not intended for a long-term operation (mobile carriages, premises built of inflatable constructions, tents etc.);
- 3.5.10. unfinished buildings;
- 3.5.11. slot machines, money exchange and cash withdrawal machines;
- 3.5.12. built-in furniture, including built-in household appliances.
- 3.6. In accordance with these Terms and Conditions the following items shall not be insured:**
- 3.6.1. illegally built buildings or those being under construction, buildings and structures for the construction of which all the required permits and agreements set by the law and other regulations have not been obtained;
- 3.6.2. buildings, constructions and structures being in an emergency state and the property therein;
- 3.6.3. unattended and/or unoccupied buildings, constructions and structures and the property therein;
- 3.6.4. personal property of the legal entity's employees;
- 3.6.5. motor vehicles subject to registration;
- 3.6.6. guns, munitions;
- 3.6.7. water transport and aircrafts;
- 3.6.8. plants, forest, separately growing trees, hedgegrows, land, sowings, animals;
- 3.6.9. transportable cargos beyond the Insurance Place.

Section III. Insurance Contract

4. Sum Insured

- 4.1. The Policyholder shall be responsible for the compliance of the Sum Insured stated in the Insurance Contract with the property value. In case the Sum Insured does not correspond to the value of the property, the conditions of underinsurance or overinsurance shall be applied upon occurrence of the Insurable Event.
- 4.2. The value of buildings, repair costs of premises, technological equipment and machinery, equipment and inventory and household property shall be set according to:
- 4.2.1. the Restoration Value;
- 4.2.2. the Actual Value in case depreciation is more than 40% or if the Policyholder wants to insure the object for its Actual Value.
- 4.3. The value for the sales of goods and the purchased raw materials shall be set according to the Acquisition Value.
- 4.4. The value of unfinished and finished goods shall be set according to the Restoration Value.
- 4.5. The value of leased and accepted goods (for repair, storage, etc.) shall be set according to their Actual Value that is stated in the property rental agreement or in the delivery-acceptance statement or in the accounting documents.

5. Validity period of the Insurance Contract and coming into effect

- 5.1. The period of the Insurance Contract shall be the period of validity stated in the Insurance Policy.
- 5.2. The Contract shall come into effect on the next day following the payment of the Insurance Premium or its first instalment, unless specified otherwise in the Policy.

6. Insurance Premium payment

- 6.1. The Policyholder shall have an obligation to pay the Insurance Premium within the term specified in the Insurance Contract.
- 6.2. If the Insurance Premium is paid by a bank transfer, the day of payment shall be deemed the day when it has been transferred to the bank account of the Insurer.
- 6.3. If the Insurance Premium or its first instalment is not paid within the term set in the Policy, the Insurance Contract shall be deemed null and void as of the moment of its conclusion.
- 6.4. In case the payments, except the first payment, are not paid within the term set in the Contract, the Insurer shall be entitled to terminate the Contract according to the following procedure:
- 6.4.1. Prior to termination of the Insurance Contract the Insurer shall send to the Policyholder a written notification on an incomplete payment of the Insurance Premium requesting to pay the Insurance Premium according to the terms and conditions of the Insurance Contract and indicating the term of payment and the possible consequences of default.
- 6.4.2. The term of payment specified in the notification sent by the Insurer shall not be less than 15 days and longer than 1 month following the day of sending the notification.
- 6.4.3. In case of occurrence of the Insurance Event during the period of time specified in the notification, the Insurer shall pay out the Insurance Indemnity if the Insurance Premium is paid within the term and in the amount specified in the notification.
- 6.4.4. If the Policyholder fails to pay the Insurance Premium in due time

and to the extent specified in the notification, the Insurance Contract shall be deemed as terminated.

7. Obligations of the Policyholder and the Insured

- 7.1. The Policyholder and the Insured shall have the obligation prior to concluding the Insurance Contract to provide all information requested by the Insurer which is necessary for assessment of the Insurable Risk and to ensure the possibility to perform an inspection of the Insurable Object for risk assessment both at the moment of concluding and during the term of validity of the Insurance Contract.
- 7.2. The Policyholder and the Insured shall have the obligation to provide true information.
- 7.3. The Policyholder shall have the obligation to inform the Insured that he/she is insured, and to ensure fulfilment of the contractual obligations of the Insurance Contract by the Insured.
- 7.4. The Policyholder shall assume liability for the consequences of lack of information by covering additional expenses incurred due to failure to inform the Insured.
- 7.5. The Policyholder and the Insured shall have the obligation to inform about other effectual insurance contracts he/she is aware of in regard to the same object.

Section IV. Risk Changes of the Insured

8. Changes in the initial information

- 8.1. The Insured or the Policyholder shall have the obligation during the entire validity period of the Insurance Contract to inform the Insurer in writing about all circumstances he/she is aware of that may increase the probability of occurrence of the Insured Risk or the extent of the potential losses including but not limited to one of the following:
- 8.1.1. changes in the security and/or intrusion prevention and/or fire safety systems of the Insured person's property;
- 8.1.2. any changes in regard to the use of the Insurable Object or qualities of the Insurable Object before occurrence of such changes, including, but not limited to the listed ones, such as temporary suspension or termination of the use, termination of economic activity in the insured property, reconstructions, renovations, repairs;
- 8.1.3. letting out, renting out, pledging of the Insurable Object or any other encumbrance with the rights in rem and/or rights of obligations and/or debts, the loss of possession of the Insurable Object, alienation and other prohibitions imposed on the insured property, making of the Insurable Object a subject of any obligations, and the transfer of property rights and/or rights of use to restrictions of the insurable objects;
- 8.2. If during the validity period of the Contract the value of the property has risen by more than 10%, the Policyholder shall have the obligation to inform the Insurer and by a mutual agreement to make changes in the Insurance Contract.

9. Increase of the Insured Risk

- 9.1. If the probability of occurrence of the Insured Risk has increased during the validity period of the Contract, the Insurer may offer the Policyholder in writing to make amendments to the Terms and Conditions by specifying the day of the amendments coming into effect and set an extra Insurance Premium, or to take a decision on termination of the Insurance Contract.

Section V. Insurable Event

10. Obligations of the Policyholder and the Insured after occurrence of the Insured Risk

- 10.1. Insurance Claim – if losses are incurred, the Insured shall immediately inform:
- 10.1.1. in case of fire – the State Fire and Rescue Service;
- 10.1.2. in case of explosion – the respective emergency service;
- 10.1.3. in case of utilities accident – the respective emergency service and/or to the manager (owner) of the building or to the Municipal Police;
- 10.1.4. in case of illegal activities of the third persons – the Police;
- 10.1.5. in case of collision with a motor vehicle - the Road Traffic Police.
- 10.2. The Insured shall immediately, as soon as it becomes possible, inform the Insurer about the occurred event and take all possible and reasonable measures to reduce losses.
- 10.3. The Insured shall submit to the Insurer a special application form in writing within 3 (three) working days following the day when the event took place and shall agree with the Insurer on the time of an inspection of the place of the accident. If due to objective reasons it is impossible to submit a claim in writing personally, then it shall be done by a representative or an authorised person of the Insured or the Policyholder.
- 10.4. In case the Insured makes a claim knowing that it is untrue and fraudulent, the Insurance Contract shall be deemed invalid and any claim in relation to this Contract shall be refused.
- 10.5. The Insurer shall be entitled to refuse the payment of the Insurance Indemnity in case the institutions listed under Clause 10.1.1 - 10.1.5 do not confirm the fact of occurrence of the respective risks.
- 10.6. Evidence of loss**
- 10.6.1. After the occurred event until the Insurer has carried out an inspection of the damaged or destroyed object, no elimination of damages or moving, removal or restoration of the object or its parts is allowed without a written consent of the Insurer. It is allowed to take

only immediate measures to eliminate any further losses and prevent accidents.

10.6.2. After submission of an application the Insured shall ensure the possibility for the Insurer to perform an inspection of the place of the accident and the damaged property, and shall ensure a possibility to carry out investigation to detect causes and extent of any damage.

10.6.3. After inspection of the place of the accident the representative of the Insurer shall draw up a specific inspection report on the detected damages and shall provide instructions the execution of which shall be compulsory for the Insured. Restoration of the object, moving or removal of its parts shall not be allowed without a written consent of the Insurer.

10.6.4. In case the Insurer does not perform an inspection within 3 (three) working days following the day when the application was submitted, the Insured shall be entitled to commence elimination of damages and repairs.

10.6.5. The Insured shall have the obligation to prove the occurrence fact and extent of the loss and submit all verifying information and documents requested by the Insurer.

10.6.6. Information on measurements taken by the Latvian Environment, Geology and Meteorology Centre in the station nearest to the Insurance Object shall be deemed as the certification of the occurrence of the Insured Risks specified in Clause 2.2.

10.6.7. If the Insured is entitled to claim compensation of rental expenses of housing in accordance with Clause 2.7, the Insured shall submit to the Insurer the rental contract and documents certifying housing rental payments during the period of elimination of the damages.

10.6.8. Upon the Insurer's request a list of the damaged, stolen or destroyed items shall be provided. The date of purchase, value, description and condition of the item before the occurrence of the Insurable Event shall be included in the list. The Insurer shall be entitled to request documents certifying the purchase of items.

10.7. Consequences of default of obligations of the Policyholder and the Insured

10.7.1. The Insurer shall be entitled to refuse to pay out the Insurance Indemnity if the Policyholder or the Insured:

10.7.1.1. fails to fulfil obligations provided under Clause 10.1 – 10.4, 10.6.1., 10.6.2., 10.6.3, 10.6.5, 10.6.6, 10.6.7;

10.7.1.2. fails to fulfil obligations provided under these Terms and Conditions due to malicious intent or gross negligence, except obligations listed under Clause 10.7.1.1;

10.7.1.3. fails to show the remains of the damaged objects, except the cases when they are fully destroyed;

10.7.1.4. fails to submit to the Police a list of the stolen or robbed items, or if the Police does not certify the theft or robbery of particular items;

10.7.2. The Insurer shall be entitled to reduce the Insurance Indemnity up to 50% if the Insured has failed to fulfil obligations provided under these Terms and Conditions as a result of minor negligence, except obligations listed under Clause 10.7.1.1.

10.7.3. If upon the conclusion of the Insurance Contract or during the validity period of it or after the occurrence of the Insurable Event the Policyholder, the Insured, the owner or the user of the Insurable Object provides false information or refuses to submit the information requested by the Insurer, the Insurer shall be entitled to refuse the payment of the Insurance Indemnity and to terminate the Insurance Contract.

11. The Insurer's obligation to pay out the Insurance Indemnity

11.1. The Insurer shall make a decision on the payment of or a refusal to pay the Insurance Indemnity within 7 (seven) days following the day of the receipt of all required documents.

11.2. In case an administrative case or a criminal case on the damage or destruction of the property is brought in action, the Insurer shall be entitled by informing the Insured in writing to postpone the decision making in regard to the respective insurance claim until the end of investigation or until the Insurer receives the effectual court judgement or decision on the dismissal of the administrative or criminal case.

11.3. Upon agreement of the parties, before a complete calculation of losses is carried out, the Insurer may pay out a part of the Insurance Indemnity to the extent that is not contested by either of the parties.

Section VI

12. Exceptions

The insurance shall not reimburse the losses incurred as a result of:

12.1. exposing the property to processing or other processes where fire or heat is used and boiling with an insufficient amount of liquid;

12.2. overheating, melting or smouldering if such has not been caused by the Insured Risks;

12.3. installation of heating boilers and similar devices, leakage from the joints of their pipelines and/or crack of welded joints;

12.4. explosion caused by guns and other devices where the explosion energy is deliberately used;

12.5. blast caused by using substances and equipment the aim of which is to use explosion energy;

12.6. water, hail or snow penetration into building or premises through windows, doors, roof, seams of building, foundations, external walls, drainage pipes and other construction elements of the building, and also from streets, pavements, squares and inner yards;

12.7. leaving movable property under open sky unless it has been

provided by the specifics of property use and specified in the Insurance Policy;

12.8. rising of groundwater and sewage water level or overflowing of water collection systems and roof drainage pipes;

12.9. flood if the property is flooded more than once in the period of 5 (five) years;

12.10. accumulation of condensate;

12.11. leakage of utility waters, except in cases caused by emergency situations;

12.12. sudden leakages of cooling agents in refrigerators unless they have been caused by the Insured Risks;

12.13. to goods if they are not placed on a hard pallet at least 10 cm above the floor level;

12.14. if no measures have been taken against the entry of third persons into the Insurance Place (unlocked door, windows etc.);

12.15. in case goods are left in display windows in the shops outside the working time, unless specified otherwise in the Insurance Policy;

12.16. in case the loss of items or deficiency is discovered during stocktaking;

12.17. activities or failure to act by such persons who have concluded rental, hire, lending or other type of contracts of the Insurable Object or a part thereof with the Insured or the Policyholder which grant the right to use the Insurable Object;

12.18. war, invasion, external enemy activity, insurrection, revolution, uprising, military operation or illegally attained power, terrorist activity and property arrest performed by any state institution of the Republic of Latvia, and due to changes in administrative regulations and the legislation;

12.19. errors, damages caused by microprocessor equipment of any type (computer, technological devices, control systems etc.) and its software and by electric or electronic devices of any type and their insulators due to short circuit, other electric occurrence or lightning that has not caused fire;

12.20. malicious intent, gross negligence or criminal activity by the Insured and/or the Policyholder, and/or their Related Persons;

12.21. breach of normative regulations, construction standards, regulations on technical operation and fire safety and administrative decisions of the Republic of Latvia by the Insured and/or the Policyholder, and/or their Related Persons;

12.22. low-quality works or services performed by the Insured or the Policyholder or persons hired by them;

12.23. blasting sanctioned by the state or municipal governmental institutions or performed by the Insured;

12.24. reconstruction, repairs, relocation or reorganisation of the insured property;

12.25. depreciation, corrosion, wear and tear, testing of the property or due to similar processes;

12.26. dry and wet rot, mould, fungi or bacteria, insects, worms, rodents or due to effects of other animals;

12.27. nuclear explosion, radiation or radioactive pollution as well as environmental pollution and poisoning;

12.28. third party liability, lost profit, delayed supplies, breaks in production and trade, default of contractual obligations, contractual penalties and other indirect losses or losses of financial nature even though they have been caused by the Insurable Event;

12.29. to objects specified in Clause 3.5.1 - 3.5.12 of these Terms and Conditions if the agreement between the Policyholder and the Insurer on the insurance of these objects has not been made in writing.

Section VII. Insurance Indemnity

13. Calculation of losses and the Insurance Indemnity

13.1. The total amount of Insurance Indemnity and the coverable expenses according to Clause 14 shall not exceed the Sum Insured of the respective object specified in the Insurance Contract.

13.2. The Insurer shall have the right to determine the calculation method of losses according to costs estimate of renovation and repairs that has been made according to the effectual construction standards of the Republic of Latvia or in accordance with the value ratio of certain constructive elements of the damaged object to the Sum Insured of the respective object.

13.3. Complete loss of the Insured Object shall be deemed the event when damages exceed 70% of the object value at the moment of occurrence of the damage.

13.4. In case the Sum Insured specified in the Insurance Contract corresponds to the Renovation Value of repairs of buildings, constructions or rented premises:

13.4.1. the amount of loss shall be the smallest renovation expenses required for the repairs of buildings, constructions and rented premises;

13.4.2. in case of complete loss of a building, which in the Insurable Object shall be considered as the main building in regard to its use, it is not renovated – the loss shall be calculated to the amount of the Market Value of the building but not exceeding the renovation costs of the building. A decision on the renovation and/or non-renovation of the building shall be taken by the Insured and it shall be confirmed by a written application of the Insured;

13.5. In case the Sum Insured specified in the Insurance Contract corresponds to the Actual Value of repairs of buildings, constructions and rented premises:

- 13.5.1. the amount of loss shall be the smallest renovation expenses required for the repairs of the object less depreciation;
- 13.5.2. in case of complete loss of the Insurable Object the loss shall be calculated in the amount of the Market Value of the object but not exceeding the amount of the Actual Value.
- 13.6. The value of damages of household property (household ware and household appliances), technological equipment and machinery, workbenches, equipment and inventory, stocks (raw materials, materials, goods) shall be equal to the lowest purchase, replacement or renovation costs of the items of the same type and quality. The Insurer shall have the right to replace the lost item with an equal one.
- 13.7. Losses for finished products or products that are in the production process shall be assessed by calculating direct production and material costs, direct labour, production and administrative costs. These costs shall not exceed the amount for which the finished products could have been sold in the given period of time.
- 13.8. Losses for damages to glazing shall be assessed only in the case if the glass is broken, melted or cracked throughout the entire depth of the glass, and shall be calculated to the extent of costs related to the replacement of glazing and its equipment and renovation of frames of the glazed surfaces.
- 13.9. Losses calculated in compliance with the procedure set in Clause 13.1 – 13.8 may be adjusted in accordance with the conditions of underinsurance or overinsurance. In case of underinsurance the losses are calculated according to the ratio of the amount of actual losses that is totalled by the Sum Insured as specified in the Policy against the value of the insured property. In case of overinsurance the losses are calculated not exceeding the actual losses and the value of the insured property.
- 13.10. When calculating the Insurance Indemnity in case of complete loss of the Insurable Object:
- 13.10.1. if the salvage is kept by the Insured, the value of the salvage is deducted from the Insurance Indemnity;
- 13.10.2. if upon the Insurer's request and the consent of the Insured the salvage is transferred to the possession of the Insurer, then the value of salvage shall not be deducted from the Insurance Indemnity.
- 13.11. After calculation of the Insurance Indemnity amount, the Insured shall be entitled to decide upon:
- 13.11.1. direct payment of renovation, repairs or replacement costs to the construction company or other company approved by the Insurer to the amount that does not exceed the calculated amount of the Insurance Indemnity. In this case before the Coverable Losses are paid the Insured shall pay the Deductible to the Insurer as specified in the Policy;
- 13.11.2. the payment of the Insurance Indemnity in cash. In such case, except the cases of a complete loss, the calculated amount of the Insurance Indemnity shall be reduced by the sum of the value added tax. The Deductible shall be deducted from the calculated amount of the Insurance Indemnity. The Insurer shall be entitled to deduct all outstanding Insurance Premium payments from the payable Insurance Indemnity amount for the whole validity period of the Policy.
- 13.12. The Deductible shall not be deducted if the Insurable Object is damaged as a result of a road traffic accident caused due to the fault of the third person that is reported in a respective decision of the Road Traffic Police or in the agreed statement.

14. Insured expenses

In relation to the Insurable Event occurred, the Insurer shall cover up to 10% of the amount of losses of:

- 14.1. all reasonable expenses claimed and proved by the Insured for emergency elimination of damages and reduction of losses, and for rescue measures;
- 14.2. fire fighting expenses that are reasonable and required to prevent the loss of the insured property or to reduce the losses, except labour costs and suchlike payments;
- 14.3. expenses for removal of ruins and cleaning works, and the removal and destruction of the damaged property, dismantling of equipment, breaking down of parts of buildings or enlarging openings.

Section VIII. Termination of the Insurance Contract

15. Sum Insured after the Insurance Indemnity payout

- 15.1. If the covered (paid out) Insurance Indemnity does not exceed 10% of the total amount of the Sum Insured, the initial amount of the Sum Insured shall not be reduced.
- 15.2. In case the covered (paid out) Insurance Indemnity exceeds 10% of the total Sum Insured specified in the Policy, the Policyholder shall pay additional premium specified by the Insurer. In case of non-payment of the additional premium the Contract remains in force until the expiry date specified in the Policy in the amount of the difference between the Sum Insured as specified in the Contract and the paid Insurance Indemnity.
- 15.3. In case the Insurance Indemnity is paid out for one insured part of the Object (an independent unit or a group of units of the Insurable Object that are separately specified in the Insurance Policy or its Appendix) to the full extent of the Sum Insured as specified for that particular part in the Policy, the Contract shall be terminated in regard to that part of the Object.

16. Termination of the Insurance Contract

- 16.1. If the Insured or the Policyholder due to malicious intent or gross negligence has performed activities or has admitted failure to act that has increased the Insured Risk, the Insurer shall be entitled to terminate the Insurance Contract and not to reimburse the Insurance Premium paid.
- 16.2. If the Insured Risk occurs due to malicious intent or gross negligence of the Policyholder or the Insured, the Insurance Contract shall be deemed as terminated as of the moment of establishing the aforesaid facts. In such case the Insurer shall be entitled not to pay out the Insurance Indemnity.
- 16.3. Any contracting party shall be entitled to terminate the Contract after defining the losses caused by the Insurable Event or after the payout of the Insurance Indemnity. The Contract shall be deemed as terminated after 15 days from the day when the respective contracting party has sent a notification on the termination of the Contract.
- 16.4. If this Insurance Contract represents a Distance Insurance Contract, the Policyholder shall be entitled to exercise the right of withdrawal and to unilaterally withdraw from this Insurance Contract within 14 (fourteen) days after conclusion of this Insurance Contract by notifying the Insurer thereof in writing. In such case the entire Insurance Contract shall become null and void with regard to the whole Insured Object on the date of sending the Policyholder's notice of withdrawal. The Insurer shall refund the Policyholder that part of the received Insurance Premium payment which is calculated proportionally to the actual period of validity of the Insurance Contract comparing it to the period of validity specified in the Insurance Contract.

17. Terms of the Premium payback after the termination of the Contract

- 17.1. If the Insurance Contract is terminated upon early termination, the Insurer shall pay to the Policyholder the unused part of the Insurance Premium from which the Insurer may deduct the expenses related to the conclusion of the Insurance Contract in the amount of 25% of the Insurance Premium.
- 17.2. The Policyholder shall have the obligation to inform the Insurer in writing about the non-existence of the insurable interest no later than 1 (one) month after the end of existence of the insurable interest.
- 17.3. The Insurance Premium shall not be paid back if the Insurance Indemnity is paid out and it exceeds the amount of Insurance Premium.

18. Change of the owner

- 18.1. In case of change of the owner of the insured real property, the Insurance Contract shall be in force in favour of the new owner one month after all the documents on the change of ownership rights are drawn up.
- 18.2. In case of change of the owner of the insured movable property and if there is no other agreement with the Insurer, the Contract shall be terminated as of the moment when the movable property is transferred to its new owner.

19. Term of submission of complaints

- 19.1. The Insurer shall accept complaints made by the Policyholder in regard to this concluded Insurance Contract within the period of one year starting from the day when the Insurer has made a decision on the payment of the Insurance Indemnity or refusal to pay out the Insurance Indemnity.
- All claims or complaints of the Policyholder or the Insured which have been submitted in writing, the Insurer shall consider and provide a written answer within 30 (thirty) days following the receipt of the claim or complaint.

20. Subrogation claim

- 20.1. As of the moment of the receipt of the Insurance Indemnity the Insured shall transfer to the Insurer his/her right of claim against the person responsible for loss or damage in the amount of the paid indemnity.

21. Retrieval of the Insurance Indemnity paid

- 21.1. In case the Insured has retrieved the stolen or robbed property that has been insured, he/she shall have the obligation to inform the Insurer immediately and no later than in the period of 1 (one) month from the moment of retrieval to pay back the received Insurance Indemnity to the Insurer.
- 21.2. In case of failure to fulfil the obligations provided for in Clause 21.1 the Insured shall have the obligation no later than within the period of 1 (one) month following the expiry of the above mentioned period to hand over the retrieved property to the Insurer and to reregister the ownership rights of the property on the Insurer's name.

22. Laws regulating the contractual relations

- 22.1. The contractual relations arising from the Insurance Contract shall be subject to the laws and regulations of the Republic of Latvia.

23. Procedure of settlement of disputes

- 23.1. All disputes arising from the Insurance Contract shall be settled by means of negotiations. Should the Parties be unable to settle the dispute by means of negotiations it shall be subject to the procedure provided for in the effectual laws and regulations of the Republic of Latvia.