

# COMMERCIAL PROPERTY INSURANCE

Terms and Conditions No. 4A-1



Approved by AAS BTA Baltic Insurance Company  
Board Decision No. LVB\_0002/02-03-03-2017-128 of 19.12.2017.

In accordance with the General Insurance Terms and Conditions, effective at the moment of concluding insurance contract, and these Terms and Conditions, AAS BTA Baltic Insurance Company (hereinafter – BTA) and Policyholders enter into insurance contracts regarding insurance of real estate and moveable property.

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## DEFINITIONS OF USED TERMS AND ABBREVIATIONS

**Effective area of contract** - the territory, specified in the insurance contract, where the insured object is located, where the insurance cover according to the insurance contract is valid

**Authorized User** - a person, who is not the owner of the insured object, but who is using the insurance object, based on a rent or lease contract or any other legal grounds.

**Replacement value principle** - assessment method of insured moveable property, whereby the value of the moveable property is established as the value of equal (by properties and application) new moveable property

**Employee** - a private individual, having labour relationship with the Policyholder, Insured, or providing services to the Policyholder, Insured, or performing its assignments based on a concluded services contract, authorization or other type of contract.

## 1. INSURANCE OBJECT

**1.1. Insurance object** - only insurance objects clearly indicated in the concluded insurance contract are insured.

**1.2.** In real estate insurance, insurance object can be:

**1.2.1. Building** – a structure that is used for living and is permanently fixed to the land, including all its integral parts permanently attached thereto.

A building is insured together with all its essential parts, which are:

**a)** integrated elements (e.g. building foundation, external walls, inner walls, floor decks, roof constructions and surfacing);

**b)** doors, gates, elevators, stairs, windows and glazing;

**c)** interior and exterior decoration;

**d)** water supply, heating, sewerage, electricity supply and communication systems with all stationary elements attached thereto (including sanitary equipment, boilers (including heating pumps) and radiators, hot water boilers, pumps, filters, built-in lightning fittings, underfloor heating, stationary stoves, chimneys, fire and security alarm systems, stationary fire safety equipment, advertising materials, signboards and installations on the external walls of the building),

**e)** built-in air conditioning and ventilation equipment,

**f)** external engineering and technical communications which branch off from the insurance object to the connection to public networks and which are subject to legal liability of the Insured as regards to operation and repair of these communications,

**g)** other integral parts of the building construction;

**1.2.2. A part of building (to include twin-houses and row houses), Room** – premises, designated for business operation in accordance with the contract of communal use of the real estate, including all integral parts as described in Article 1.2.1, constituting the boundaries of these premises, released for separate use. Insurance of a part of building or room shall also include the deemed part of joint ownership property, in the scope as the ratio of its area to the total area of the building;

**1.2.3. Improvement construction** – a structure that is permanently fixed to the land plot on which the insured real estate referred to in Article 1.2.1 and 1.2.2 of these Terms and Conditions is located (e. g. barriers, walls, fencing, sheds, elevated roads, access roads and pedestrian roads, stationary irrigation sprinkler systems, outdoor lightning, flag poles, advertising stands, wells, lawn, garden greenery), unless it is stipulated otherwise in the concluded insurance contract;

**1.2.4. Repair investments** – exterior and interior decoration of buildings or building parts (including water supply, heating, sewerage, electricity supply and communication systems with all stationary elements attached thereto). This insurance object is insured in accordance with the first-loss compensation principle also in cases where no special note was made about it in the insurance contract.

**1.3. Land** - pursuant to these Terms and Conditions land is not insured as real estate.

**1.4. Immoveable property, which is not insured, unless a special agreement is made-** Unless otherwise stated in the concluded insurance contract, i.e., the insurance contract has an indication of relevance of the insurance object to any criteria listed in subsections of this Article, then concluded insurance contract, when insuring real estate, shall not be in effect with respect to:

**1.4.1.** water basins outside the insurance object and outside the effective area of contract (e.g. ponds, fountains, pools, reservoirs);

**1.4.2.** water or other liquids in pipes, pools or wells of the insurance object;

**1.4.3.** greenhouses;

**1.4.4.** bridges, footbridges, piers, anchorages, structures on water (in water);

**1.4.5.** real estate (or parts thereof) that have not been put into operation in accordance with the procedure set forth in regulatory enactments of the Republic of Latvia, are in critical condition or are considered as not suitable for use, or have been built without meeting requirements of the regulatory enactments of the Republic of Latvia, including unauthorised construction (prior to signing the insurance contract the Policyholder is obliged to inform BTA if the real estate to be insured is in critical condition, is considered not suitable for use, or unauthorised construction has been carried out in the insurance object).

#### **Moveable property**

**1.5.** In accordance with these Terms and Conditions, the moveable property and the insurance object is any moveable property items legally obtained and possessed or managed by the Insured or the Policyholder, located in the effective area of the insurance contract, and:

**1.5.1.** are carried by the accounting as:

**a)** movable fixed assets (for instance, office equipment, workbenches, tools, etc.);

**b)** technological equipment - mechanisms or a set of them, an essential component of which is complete drive executive systems and a management and control system, for performing a definite consecutive set of technological operations to transform raw materials, thus generating increase in the value of raw materials;

**c)** current assets – inventory/stocks (raw materials, unfinished and finished products, packaging material, goods for sale);

**1.5.2.** not carried in accounting;

**a)** leasehold property - moveable property, owned by third parties and used by the Policyholder on a legal basis. In this case, the owner of the moveable property shall be regarded as the Insured;

**b)** accepted property - moveable property items, owned by third parties and temporarily are located in the effective area of the insurance contract (for instance, third-party-owned utility appliances, temporarily transferring for repair at a insured's repair shop), the transfer of which can be supported by documented evidence. BTA will compensate for losses occurring to the moveable property, owned, operated, controlled or kept by third parties, when it is situated in the address of the Insurance object specified in the insurance contract. In this case, the owner of the moveable property shall be regarded as the Insured.

**1.6.** BTA indemnifies for the damages or loss of the property outside buildings and premises if it is provided for by the insured moveable property usage specifics and this property is insured in accordance with the insurance contract. Moveable property is only insured if it is located in the insured real estate, except for the events when pursuant to the concluded insurance contract additional insurance cover is provided – Mobile Equipment Insurance.

Third party illegal activity risk as regards the moveable property outside the buildings or premises is only insured provided that the insured property is in a fenced compound with 24 hour physical security.

- 1.7.** Upon decision of the Policyholder moveable property may be insured:
- 1.7.1.** as an aggregate of items;
  - 1.7.2.** as separate items.
- 1.8.** Unless otherwise provided in the insurance contract, the moveable property shall be insured as an aggregate of items.  
When moveable property is insured as an aggregate of items. first-loss compensation principle is adhered.  
When insuring moveable property as separate items, each insured item is specified in the insurance contract and for each insured item the sum insured is specified; in such case the under-insurance principle can be applied.
- 1.9. Moveable property, not covered** - In accordance with these Terms and Conditions, when insuring moveable property the concluded insurance contract is not valid as regards to:
- 1.9.1.** plants, animals;
  - 1.9.2.** land, water and air vehicles and their equipment;
  - 1.9.3.** construction materials, including not installed utility mains, except, when they are insured as Current assets - inventory;
  - 1.9.4.** guns, their components and equipment, ammunition, explosives;
  - 1.9.5.** computer software, licences, digitally preserved information, databases;
  - 1.9.6.** cash, securities, bonds, documents, manuscripts, drawings, paintings, plans, card files, payment cards and other means of payment;
  - 1.9.7.** jewellery, precious metals and articles made of them, precious and semiprecious stones;
  - 1.9.8.** paintings, unique items, prototypes and collections.  
For the purpose of these Terms and Conditions, collections are considered several homogeneous items (e.g. stamps, postcards, calendars, labels, coins) grouped together having scientific, cultural historical or artistic value or that are gathered for non-commercial purposes;
  - 1.9.9.** antique items.  
For the purposes of these Terms and Conditions antique items are considered items produced minimum 70 years ago counting from the day of concluding the insurance contract;
  - 1.9.10.** pumps submerged in water basins, in boreholes in wells.

## **2. INSURANCE COVER**

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**2.1. Basic risks** - the insurance object is insured against the following basic risks, if they are specified as insured in the insurance contract:

### **2.1.1. Fire**

BTA indemnifies the losses for the damage of moveable property or real estate if it is caused by:

- a)** Fire – fire ignition at places not meant for fire, including fire going beyond the place meant for fire and being able to spread by itself. The insurance also covers soot, smoke and fire-fighting result damage to the insurance object, if it has been caused by a fire;
- b)** Explosion – gas or steam outburst based on a sudden force expression. Occurrence of a container (e.g. boiler, pipe) explosion is considered an explosion if its walls are broken to the extent that a sudden pressure equalization between the inside and outside of the container has occurred;
- c)** Bolt of lightning (also ball lightning) – direct impact of lightning on the insurance object causing damage or fire;
- d)** Fall of a manned or unmanned aircraft, its parts or cargo – direct fall of the manned or unmanned aircraft, its parts or cargo on the insurance object.

### **2.1.2. Leakage of liquid or steam**

BTA indemnifies for losses for the damage of insured moveable property or real estate if it is caused by:

- a)** an accident in communication systems inside the building (e.g. water supply, sewerage, heating, waste water, ventilation, conditioning and fire extinguishing system pipes, sanitary ware or household devices), i.e. their sudden and unexpected break, fracture or blocking resulting in leakage of liquid or steam;
- b)** freezing up of pipes inside the building resulting in pipe fracture;
- c)** activity or failure to act by third parties causing leakage of liquids or steam from internal communication systems;
- d)** leakage of liquid due to automatic reaction of stationary automatic fire-extinguishing systems and devices (e.g. sprinklers).

### **2.1.3. Natural disasters**

BTA indemnifies for losses for the damage of insured moveable property or real estate if it is caused by:

**a) Storm** – wind with at least wind force 7 (seven) Beaufort or 17 m/s (seventeen meters per second). Losses from damage to the insurance object due to the storm by downfall of trees, poles, building constructions and other items are also indemnified.

If the wind speed cannot be estimated at the location of the insurance object, it is considered that the storm took place if the wind has caused damage to buildings and objects near the insurance object that were in excellent condition.

**b) Hail** – atmosphere precipitation in a form of ice pellets.

**c) Snow impact**

BTA indemnifies for losses as regards damage to the moveable or real property caused by snow impact on the building roofing or constructions, provided that the sheet of snow has been caused by continuous, heavy snow and the damage to roofing or constructions has occurred no later than 24 (twenty-four) hours counting from the end of the day the heavy snowfall takes place at the location of the insurance object.

In accordance with these Terms and Conditions, heavy snow is considered a snow fall resulting in a snow layer of 10 cm (ten centimetres) or more in 24 (twenty-four) hours;

**d) Falling down of trees, poles, pillars and their parts**

BTA indemnifies for losses as regards sudden and unexpected physical damage to the insurance object caused by free falling down of trees, poles, pillars or their parts near the insurance object that has not been caused by human activities, physical depreciation (deterioration) or long-term degradation processes (e.g. corrosion, decomposition, putrefaction processes).

Also, BTA indemnifies losses, if damage of trees, poles or pillars has occurred due to continuous degradation processes, if it was undetectable by external signs.

**2.1.4. Illegal activities of third parties**

BTA indemnifies the losses for the damage of moveable property or real estate if it is caused by:

**a) Property damages** – illegal activities or failure to act by third parties, due to which the insurance object gets damaged, becomes partially or completely useless or not valuable, and it is not related to Fire Risk, Risk of Leakage of liquid or steam, Risk of Burglary or Robbery,

**b) Burglary** – secret or exposed theft of moveable property or real estate belongings if it is committed by third parties illegally entering closed premises with evident burglary signs – by breaking, mechanically damaging obstacles or breaking the locks installed to restrict unauthorized access to the premises.

**c) Robbery** – stealing of moveable property or real estate belongings if it is related to violence or threat of violence to persons who are legally in the insurance object;

**d) Impact of a land vehicle** – damage to the insurance object due to direct mechanical impact of a land vehicle, including railway transport, on the insurance object.

**e) Risk of glass fracture** – fractured or broken glazing of the insured property, caused by any reasons. The risk of glass fracture occurs, if due to the insurable event the only damage to the insured property is fractured or broken glazing.

**2.2. Additional risks** - The insurance object is insured against the additional risks, provided below, if these are indicated in the insurance contract as insured:

**2.2.1. Smoke impact**

BTA indemnifies for the losses as regards damage to moveable property or real estate caused by smoke which has suddenly broken out from heating, boiling or drying equipment located at the insurance object.

**2.2.2. Supersonic jet shock wave.**

BTA indemnifies for the losses as regards damage to moveable property or real estate caused by direct impact of the supersonic jet shock wave on the insurance object.

**2.2.3. Flood – high water**

BTA compensates losses for the damage to moveable property or real estate if it is caused by a certain territory being flooded with water run over the open watercourses or reservoirs, broken through barricades, dams or banks.

**2.2.4. Overground engineering-technical communication icing.**

BTA indemnifies for losses as regards damages to moveable property or real estate if they are caused by icing on overground utility mains exceeding 10 mm (ten millimetres).

**2.2.5. Earthquake**

BTA indemnifies for losses as regards damage to moveable property or real estate if it is caused by an earthquake, i.e. sudden release of energy in the Earth's crust that creates seismic waves with magnitude of at least 4 (four) by Richter scale or 5 (five) by the international macro-seismic intensity scale MSK-64.

**2.2.6. Landfall, subsidence**

BTA indemnifies for losses as regards damage to moveable property or real estate if it is caused by motion of the Earth's crust in horizontal or vertical plane that is not related to seismic activities.

### **2.2.7. Caustic gases**

BTA indemnifies for the losses as regards damage to moveable property or real estate caused by sudden impact of caustic gases and chemical fumes on the insurance object.

### **2.2.8. Electricity risks**

**a)** BTA indemnifies for the losses as regards damage to moveable property or the machinery that is part of the real estate structure, powered by electric current (e.g. boiler, switchboard, lift), except for replaceable parts subject to normally expected wear and tear (e.g., lamps, valves, electronic lamps and cathode ray tubes, conveyor belts, fuses, seals, belts, ropes, wires, chains, blades, bearings, rubber tires, replaceable tools, cylinders, glass, porcelain or ceramic objects, sieves or miscellaneous production substances (e.g. lubricants, fuel, chemicals), when caused by:

- 1)** emergency or unannounced power outage;
- 2)** impact of electric current, including damages caused by overvoltage, overload or short circuit, power outage, irrespective of whether the damages caused by the electric current have resulted from flame or not;
- 3)** secondary phenomena of lightning strike and subsequent electrical and magnetic phenomena,

**b)** only equipment released for operation may be covered;

**c)** upon insuring this additional risk, Articles 3.1.2 and 3.2.8 of these Terms and Conditions shall not be valid.

### **2.2.9. Equipment breakdown**

**a)** BTA will compensate losses from damage to moveable property or fittings appurtenant to real estate, occurring as a result of a sudden and unexpected condition, necessitating their repair or replacement, when it is caused by:

- 1)** disintegration as a result of centrifugal forces;
- 2)** improper handling, errors in operation, staff-made errors;
- 3)** falling in of foreign objects;
- 4)** dysfunction of protective devices;
- 5)** material or manufacturing defects;
- 6)** defects of pouring, material or production, design errors, errors made during the process of manufacturing or installation, errors made during the process of production, insufficient experience, carelessness, insufficient amount of water in boilers, physical explosion, breach as a result of centrifugal forces.

**b)** the insurance does not cover the below listed items of moveable property or fittings appurtenant to real estate:

- 1)** replacement parts, such as replacement tools, die blocks, cast moulds, rotogravure cylinders;
- 2)** operation, or equipment parts or tool parts that by their nature are much subjected to wear and tear or amortisation, for instance, fire-clay lining, demolition hammer, drill bits, milling cutters, knives, glassware, bands, wire ropes, wires, hydraulic pipes, rubber tyres or production disposables (such as lubricants, technical liquids, fuel, chemicals),

**c)** only equipment released for operation may be covered;

**d)** upon insuring this additional risk, Articles 3.1.2 and 3.2.8 of these Terms and Conditions shall not be valid.

**2.3.** The insurance contract can provide for the following additional insurance cover that is valid only if it is clearly stipulated in the concluded insurance contract:

#### **2.3.1. Temporary premises lease**

**a)** In case, upon occurrence of an insured event, the insured property has perished or damaged to the point that running business therein is impossible, then BTA will compensate the temporary premises lease expenses- reasonable and necessary moving expenses to temporary premises and lease fee for leasing other equal premises for business operation, which are supported by documented evidence, not exceeding the sum insured defined in the concluded insurance contract for this complementary insurance cover – loss compensation limit;

**b)** temporary premises lease expenses are compensated, starting with the moment of occurrence of the insured event until the moment, when the insured real estate is fully renovated or BTA has paid full insurance indemnity for the perished insurance object, but no longer than a period of 12 (twelve) months since the moment of occurrence of the insured event;

**c)** Compensating temporary premises lease costs is stopped at the moment, when BTA receives information that the insured object is not going to be restored;

**d)** In temporary premises lease expense insurance the under-insurance principle and deductible are not applied

### **2.3.2. Damages caused by tenants, clients and guests**

- a)** Not exceeding the sum insured set forth in the insurance contract for this additional insurance cover – the indemnity limit, BTA pays out the insurance indemnity for damage caused to the insurance object as a result of malicious intent or gross negligence of tenants, clients or guests of insured real estate,
- b)** In order to admit the accident to be the insurable event in the result of the damage risk done by the tenant and to pay out the indemnity, there must be a written lease contract valid at the moment of occurrence of the probable insurable event,
- c)** When damage has been done to the insurance object and there are no clear signs of break in, then insurance indemnity shall be paid only after BTA has obtained clear evidence of tenants, clients or guests being at blame for inflicting this damage.

### **2.3.3. Mobile Equipment Insurance**

- a)** Pursuant to these Terms and Conditions and not exceeding the sum insured – loss compensation limit set forth in the concluded insurance contract for this additional insurance cover, BTA pays out the insurance indemnity for damages or loss of the moveable property (except for current assets – inventory) located outside the insurance object location caused by occurrence of the insurable event. Sum insured - loss compensation limit is established as annual limit, which means that the limit will reduce for the insurance indemnity amount disbursed.
- b)** The insurance cover is valid within the entire territory of the Republic of Latvia, unless it is stipulated otherwise in the insurance contract,
- c)** The insurance cover is valid only when the moveable property is under direct supervision of the Policyholder, Insured, Authorized User or Employee, located in closed premises or places, or is left unattended in a public place, provided that it is locked with a special lock to a firmly installed safe construction.

### **2.3.4. Emergency lock service**

- a)** Without exceeding the sum insured – loss compensation limit set forth in the concluded insurance contract for this additional insurance cover, BTA compensates expenses of lock services as regard lock picking, replacement or repair if the owner or Authorized User of the insured real estate cannot enter or exit it due to lost or damaged keys or damaged lock mechanism. The insurance indemnity is paid out in accordance with the payment documents (e.g. receipts, SRS-registered receipts) specifying the information on the received lock services and the price thereof,
- b)** The under-insurance principle and deductible are not applied to the lock service insurance.

### **2.3.5. Insurance of the property of employees**

- a)** BTA will pay insurance indemnity for damage or loss of moveable property belonging to Employees while it is located within the effective area of insurance contract, when the reason for that is occurrence of an insured risk specified in the insurance contract.
- b)** These losses are indemnified, provided that the insurance object according to the insurance contract is moveable property;
- c)** Insurance will also indemnify for losses within the territory of the Republic of Latvia, where the Employee performs job duties upon the Policyholder's orders.

### **2.3.6. Losses caused by employees**

- a)** BTA will indemnify for losses in case the insured moveable property or real estate sustains physical damage, is lost or perishes, when this is caused by an Employee (except for company management officials. For the purposes of these Terms and Conditions, company management officials shall be members of supervisory and management boards, procurators, executive directors, production managers, technical directors, heads of sales units, heads of finance units, employees in charge of labour safety), making an error or being negligent, breaching their scope of authority or disregarding a management official's instructions, orders, duty instructions, etc., or conducting activities that management officials were not aware of.

## **2.4. Additional losses to be indemnified:**

- 2.4.1.** If the insurance contract does not provide that the insurance object is Improvement Construction, then BTA indemnifies for losses incurred due to damage or loss of improvement construction in the amount of up to 5% (five per cent) of total sum insured of the insured real estate at the address of the insurance object's location, but not exceeding 15,000 EUR (fifteen thousand euros) per one insurance case. These losses are indemnified, provided that the insurance object according to the insurance contract is a building or a part of building. Only the improvement constructions, which are located on the piece of land, on which the insured building or part of building is located in accordance with the boundary plan, are insured;
- 2.4.2.** When the insurance object according to the insurance contract is Moveable Property, then BTA indemnifies for losses incurred due to loss of moveable property from the fenced territory without signs of breaking in, in the amount up to 500 EUR (five hundred euros) during the validity period of the

insurance contract; Insurance cover shall be in effect, when the moveable property is located at the specified insurance address;

- 2.4.3.** If Fire risk is insured under the insurance contract, BTA indemnifies for losses incurred due to overvoltage, caused by lightning strike, in the amount up to 1,000 EUR (one thousand euros) during the validity period of the insurance contract;
  - 2.4.4.** BTA indemnifies for losses incurred due to repair of communication systems, damaged by leakage of liquid or steam, in the amount up to 500 EUR (five hundred euros) per one insurance case;
  - 2.4.5.** BTA indemnifies for reasonable expenses, that can be proved by documents, which were necessary for finding the cause of the damage, in the amount of up to 500 EUR (five hundred euros) per one insurance case;
  - 2.4.6.** If pursuant to the insurance contract the insurance object is moveable property, but according to the contract the additional insurance cover – Insurance of Moveable Property, is not insured, then BTA indemnifies for losses incurred due to damage or loss of moveable property, which is outside the location of validity of insurance contract, in the amount up to 500 EUR (five hundred euros) during the validity period of insurance contract;
  - 2.4.7.** BTA indemnifies losses up to 5,000 EUR (five thousand euros), which occurred due to renovation works, which require construction permit in accordance with the procedure set forth in regulatory enactments of the Republic of Latvia. In such case deductible of 500 EUR (five hundred euros) is applied, if larger amount of deductible is not provided in the insurance contract. In this case Article 3.1.8 of these Terms and Conditions is not valid.
  - 2.4.8.** If the complementary insurance cover – Insurance of the property of employees, is not specified in the insurance contract, then BTA will compensate for losses with regard to damage, destruction or loss of the property of employees within the amount of up to EUR 5,000 (five thousand euros) per a single insured event, though not more than EUR 500 (five hundred euros) to one person, when the insured event has occurred as a result of insured risks specified in the insurance contract;
  - 2.4.9.** If the insurance contract does not specify Accepted property as the insurance object, then BTA indemnifies for losses incurred to Accepted property in the amount of up to 10% (ten per cent) of total sum insured for the moveable property, but not exceeding 5,000 EUR (five thousand euros) per one insured event. These losses are indemnified, provided that the insurance object according to the insurance contract is moveable property;
  - 2.4.10.** If additional moveable property is acquired during the effective term of the insurance contract and the insurance contract is not amended with this respect (increase in the sum insured), then BTA will compensate for losses with regard to damage, destruction or loss of the additionally acquired moveable property for up to 5% (five per cent) of the total sum insured of the moveable property, but not exceeding 5,000 EUR (five thousand euros) per one insured event.
- 2.5.** If the Parties agree and clearly state it in the insurance contract, additional insurance cover may be provided also for other insurance risks, which are not provided in these Terms and Conditions.

### **3. EXCEPTIONS**

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- 3.1.** The losses are not considered an insurable event and are not indemnified if they are directly or indirectly caused by:
- 3.1.1.** continued gradual processes (e.g. natural depreciation, corrosion, deterioration, oxidation, scale, putrefaction, mould formation, fungus damage, natural impact of humidity or light, changes in colour, odour, dust, waste, soot, dirt, changes in air temperature or humidity, desiccation, vaporisation or evaporation, changes in the material structure or finishing);
  - 3.1.2.** insured real estate foundation settling, bulging or insured real estate cracking, if the said processes has not been caused by occurrence of an insured basic risk or additional risk, which is indicated as insured in the concluded insurance contract;
  - 3.1.3.** soil freezing;
  - 3.1.4.** continuous temperature fluctuations, continuous impact of atmosphere conditions or chemicals;
  - 3.1.5.** due to moving volumes of ice or snow (e.g. by ice or snow sliding to the roof sides and falling from them);
  - 3.1.6.** impact of vermin, rodents or other animals, if the insurable event is not related to risk of fire or fracturing of glass;
  - 3.1.7.** violation of insurance object utilisation requirements set forth in the insurance object utilisation instructions or regulatory enactments of the Republic of Latvia using the insurance object for unauthorised purposes or in an unauthorised way;
  - 3.1.8.** repairs, reconstruction or construction works at the insurance object, which require a construction permit in accordance with the regulatory enactments of the Republic of Latvia;
  - 3.1.9.** bad quality repairs, reconstruction or construction works, errors in calculations, planning or design, use of bad quality or unsuitable construction materials;

- 3.1.10.** interruptions in water, gas, electricity, fuel or other energy resource supply, if such interruptions have not been caused due to the occurrence of insured basic risk or additional insurance cover, which is indicated as insured in the concluded insurance contract;
- 3.1.11.** damage or loss of computer files and software;
- 3.1.12.** damages in electrical equipment (e.g. boiler, pump) at the insured real estate due to electricity supply interruptions (accident or electricity supply interruptions), electrical contact, including damages caused due to overvoltage, overload, bad contact, damage of meters, regulators or safety equipment, short circuit or secondary effects of lightning and consequent electromagnetic fluctuations;
- 3.1.13.** malicious intent or fault, that in terms of reimbursement for losses and other civil liability consequences is considered as malicious intent, of the Insured, the Policyholder or Authorized User of the property;
- 3.1.14.** changes in the groundwater level or overflow in waste water collection systems, or roof waste-pipes;
- 3.1.15.** as a result of environment pollution, littering or poisoning, as well as with respect to environmental damage;
- 3.1.16.** impact of asbestos and its compounds;
- 3.1.17.** decisions of state and municipal authorities;
- 3.1.18.** events, having occurred before the insurance contract was concluded;
- 3.1.19.** to moveable property without application of external force;
- 3.1.20.** indirect expenses, including expenses for lease of temporary premises and moving costs, lost profit and unearned income;
- 3.1.21.** losses, if economic activity not agreed upon with BTA is carried out at the insured real estate;
- 3.1.22.** damage or loss of property or part of property, which is intentionally subjected to treatment or processes, which involve the use of heat or fire, when the production process does not require it;
- 3.1.23.** overheating, melting, smouldering or scorching, when that has not occurred as a result of Fire risk;
- 3.1.24.** damage of internal combustion engine, if caused by the explosions, occurring in the combustion chamber;
- 3.1.25.** due to explosion of explosives or explosive materials, kept at the insured object;
- 3.1.26.** atmosphere fall-out (for example, water, hail, snow) penetration into the insured real estate through the roof, windows, doors, building stitches, foundation, water-proof finish and other constructions, when not occurred as a result of insured risks;
- 3.1.27.** leakage of liquid or steam, caused by tests, overload or pressure changes;
- 3.1.28.** accidents, clogging, freezing up of pipes outside the building or failure to drain liquid;
- 3.1.29.** Current assets – stocks, which have been kept lower than 10 cm (ten centimetres) above floor level;
- 3.1.30.** damage caused due to leaving the moveable property, which is not meant to be kept outside, under the open sky;
- 3.1.31.** losses, if the Insured or Policyholder fails to maintain roofs of the buildings/constructions in technical order by regularly cleaning the roofs from snow or ice and preventing accumulation of snow and/or ice;
- 3.1.32.** caused by waves in the result of tides and ebbs, as well as from expected flood – high water. In accordance with these Terms and Conditions an expected flood – high water is considered flood – high water, if pursuant to the statistical data a flood – high water has appeared at the location of the insurance object more often than twice in the last 20 (twenty) years;
- 3.1.33.** regular and announced interruption of electricity supply;
- 3.1.34.** machinery overloading, or its operation not in compliance with manufacturer’s instructions;
- 3.1.35.** during testing of machinery;
- 3.1.36.** as a result of moveable property operation, maintenance, modification or repair.

### **3.2. BTA does not indemnify the losses:**

- 3.2.1.** for damages to insured object, compensation of which is the duty of the manufacturer or supplier in accordance with regulatory enactments or a contract (e.g., manufacturer’s warranty);
- 3.2.2.** for regular maintenance, repairs, cleaning, regular or extraordinary servicing of the insurance object and equipment of its construction, including replacement works of worn out parts;
- 3.2.3.** occurring to the Policyholder or the Insured with respect to expert examinations or any other inspections, compensation of which is not directly provided in these Terms and Conditions or in the concluded insurance contract;
- 3.2.4.** for utility services, including expenses for electricity, gas, telecommunications, when unrelated to insurance object rescue costs;
- 3.2.5.** damage, destruction or loss of moveable property, if it is left unattended in a vehicle. The losses with respect to loss of a moveable property item will be indemnified, if the vehicle, where the moveable property is left, is stolen or hijacked;
- 3.2.6.** occurring as a result of malicious intent or criminal activity of a company management official, Employee, including when losses have occurred due to theft or damage of the insured property by a



company management official or Employee in charge of the insured property, who has taken part in such activity or has been aware of preparing or conducting it;

- 3.2.7.** for missing moveable property discovered in stock-taking, or mysterious disappearance of moveable property;
- 3.2.8.** internal electric, mechanical damages or equipment malfunction;
- 3.2.9.** for damages, directly or indirectly caused or facilitated by any use of computer, computer system, software, computer code, or any other electronic system as means to cause harm, as well as losses caused by computer viruses.

#### **4. SUM INSURED**

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##### **Determining sum insured**

- 4.1.** The sum insured is determined by the Policyholder. When concluding the insurance contract, the Policyholder assumes full liability for determining the sum insured and conformity thereof with the value of the insurance object. If, upon occurrence of an insurable event, it is established that the sum insured differs from the value of the insurance object, when calculating the amount of the insurance indemnity, conditions regarding under-insurance or over-insurance are applied.
- 4.2.** In addition to cases specified in these Terms and Conditions, the insurance object may be insured according to first-loss compensation principle, with parties agreeing thereupon and explicitly indicating it in the insurance contract.
- 4.3. Replacement value principle** - the insured moveable property, which is not older than 2 (two) years at the moment of insured event occurrence, is insured according to replacement value principle.  
If the Parties agree and clearly state it in the insurance contract, a moveable property, which is not older than 5 (five) years can be insured in accordance with a replacement value principle.
- 4.4. Sum insured after insurance indemnity payment** - After insurance indemnity has been paid, the sum insured as well as the sum insured – loss compensation limit, shall remain constant, except for cases, when the insured real estate or moveable property have perished.

#### **5. COMPLIANCE WITH SAFETY REQUIREMENTS**

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- 5.1. Compliance with statutory safety requirements** - During the entire effective period of the insurance contract, the Policyholder, the Insured and Authorized User of the insured property and the Employee shall exercise due care in managing and using the insured property, comply with the safety requirements set forth in regulatory enactments, safety requirements listed below and additional safety requirements established by BTA:

##### **Compliance with fire safety requirements**

###### **5.1.1. to ensure fire safety:**

- a)** chimneys and flues shall be cleaned at least once a year,
- b)** use of open fire, burning of waste and debris is permitted only in places specially insulated and equipped for such purposes. After finishing the work, the fire must be carefully extinguished,
- c)** only respectively qualified persons are entitled to work with open fire and perform fire-hazardous work. When performing fire-hazardous work and working with tools causing sparks when using them, it shall be ensured that sparks do not come into contact with inflammable materials and substances. When working with an open fire or performing fire-hazardous work, inflammable substances, objects at the work place shall be covered with fire-proof materials,
- d)** wiring works and electric equipment repairs may be carried out only by respectively qualified persons,
- e)** when leaving the insurance object, temporary electric wires shall be insulated,
- f)** heating, electric and technical systems shall be used in accordance with the requirements of regulatory enactments of the Republic of Latvia and usage instructions of the said equipment,
- g)** it is forbidden to leave a burning fireplace, convector, candles or other fire-hazardous sources without supervision or under supervision of minors,
- h)** it is forbidden to smoke in a bed or premises with inflammable items or materials, or in places where inflammable liquids, gas, substances or explosives are stored,
- i)** it is forbidden to keep matches or other devices for lighting a fire at places that can be reached by children,
- j)** it is forbidden to use gas equipment with possible leakage. In the event of gas leakage, the gas valves must be immediately closed and the premises must be ventilated. In such case it is forbidden to use open fire, smoke, switch on or off electric equipment,
- k)** it is forbidden to set fire to dead grass near the insurance object,
- l)** it is forbidden to leave a burning stove, range, fireplace or furnace, except for central heating boilers, unattended,

- m)** it is forbidden to cover switched on electric radiators, as well as to place items on them,
- n)** it is forbidden to use electric wires with damaged insulation, damaged sockets and switches, as well as non-standard fuses and fuses that do not meet the network voltage,
- o)** it is forbidden to dry firewood, clothing and other inflammable items on heating devices,
- p)** it is forbidden to use inappropriate fuel for heating equipment,
- q)** it is forbidden to use firewood that is longer than the stove,
- r)** it is forbidden to use open fire to defrost frozen pipes,
- s)** it is forbidden to cook a meal using open fire on the building balcony and other unsuitable places.

#### **Plumbing and Piping Requirements:**

##### **5.1.2. plumbing and pipelines**

- a)** the water must be drained from the water supply, heating and pumping system in the real estate that is not heated during the heating season or where the air temperature is below 0 °C,
- b)** as regards pipes inside or outside the insured real estate, in order to prevent bursting of pipes due to freezing, their technical mode usage standards must be complied with in accordance with climatic conditions.

#### **Compliance with safety requirements**

##### **5.1.3. safety measures - locks, keys, alarm**

- a)** when leaving the real estate, windows, doors, manholes and other openings must be closed or locked so that access to the real estate could not be gained without break-in, i.e. without damaging windows, doors, constructions, locks or fencing,
- b)** when there are no people in the real estate, the street doors must be locked,
- c)** the street door keys (including alarm system codes) cannot be kept at a place and in a way they could become available to third parties,
- d)** if a key is lost or is illegally acquired by a third party, the lock shall be immediately changed,
- e)** if there is an alarm system, when leaving the real estate, it must be in working order and activated.

#### **Potential reduction of insurance indemnity**

- 5.2.** In the event of failure to comply with the above-mentioned safety requirements which results in occurrence of an insurable event, the insurance indemnity calculated in accordance with the procedure set forth in the concluded insurance contract is reduced by 20% (twenty per cent).
- 5.3.** If the safety requirements specified in this Section are not complied with with due to malicious intent or gross negligence, the insurance indemnity is not paid out.

## **6. CONDUCT OF THE POLICYHOLDER, THE INSURED AND THE AUTHORIZED USER OF THE PROPERTY UPON OCCURRENCE OF THE POSSIBLE INSURED EVENT**

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- 6.1.** Upon detecting an occurrence of probable insurable event, the Policyholder, the Insured or Authorized User of the insured property is obliged, and it is also the precondition for receiving the insurance indemnity, to fulfil the obligations set forth in the BTA General Insurance Terms and Conditions Section "Measures to be Taken upon Occurrence of the Insured Risk" and the following obligations:
  - 6.1.1.** take all the measures in order to prevent or reduce further damages, as well as comply with BTA instructions as regards reducing the damage caused by the occurrence of a possible insurable event;
  - 6.1.2.** to immediately inform the Fire and Rescue Service if the possible insurable event has occurred due to a fire, as well as inform other state authorities in the events set forth in the effective regulatory enactments of the Republic of Latvia (e.g., the State Police, the Gas Service);
  - 6.1.3.** to immediately inform the building manager (if there is one) or responsible services in the event of liquid or steam leakage;
  - 6.1.4.** to keep the accident site as untouched as possible, and to inform BTA immediately;
  - 6.1.5.** to preserve useful remains of the damaged insurance object and, upon request of BTA, submit them to BTA for the examination period (if such examination will be required).
- 6.2.** Upon occurrence of a potential insured event and calling BTA Customer Support Service hotline +371 26121212, one can receive instructions regarding the conduct of Policyholder, Insured or Authorized user. Strict following these instructions is precondition to being granted insurance indemnity.

## **7. INSURANCE INDEMNITY**

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#### **Determining amount of insurance indemnity for real estate in case of damage or loss**

- 7.1.** The amount of the insurance indemnity for real estate insurance is determined by defining the amount of losses to be compensated less the deductible specified in the insurance contract and taking into account the following:
  - 7.1.1.** the amount of actual losses to be compensated is determined, i.e. the amount required to restore the insurance object to the condition it was in before the occurrence of the insurable event, including

demolition, construction waste collection and storage expenses. Loss assessment is carried out in accordance with the actual renovation work estimate, costs and prices no later than 6 (six) months after the occurrence of the insurable event. Overtime hours, working hours on holidays and other similar expenses are not taken into consideration.

In accordance with these Terms and Conditions:

**a)** demolition and construction waste collection expenses are considered justified expenses for real estate demolition, construction waste collection and territory cleaning works related to the insurable event,

**b)** expenses on saving the insured object are considered justified expenses that have been incurred to prevent or reduce further damages or losses of the insurance object upon occurrence of the insurable event. BTA will compensate such expenses even if they did not ensure the expected result.

The maximum insurance indemnity for such expenses will be 10% (ten per cent), but not more than 100 000 (one hundred thousand *euro*) of the sum insured of the damaged real estate or the value of the damaged real estate, whichever of these amounts is lower. The amount of these expenses shall not be included in the sum insured;

- 7.1.2.** if a case of under-insurance is established, i.e. case when the sum insured is at least by 15% (fifteen per cent) lower than the value of the insurance object, the amount of the losses to be compensated is multiplied by the proportion between the sum insured and this value;
- 7.1.3.** if a case of over-insurance is established, i.e. a case when the sum insured exceeds the value of the insurance object, the insurance indemnity is paid out in the amount it would be payable, if the sum insured were equal to the value of the insurance object;
- 7.1.4.** the amount of actual losses to be compensated for insured real estate in a state of depreciation of more than 40% (forty per cent) is set in the amount of insurance object renovation expenses calculated in accordance with the procedure set forth in Article 7.1.1 of these Terms and Conditions less the depreciation amount;
- 7.1.5.** if it is not possible to determine the value of the insurance object, actually compensated losses are calculated by determining the proportion of the lost elements of the insured real estate and multiplying it by the sum insured. This procedure is not applied in the event of over-insurance;
- 7.1.6.** In case of total loss of Insurance object, when it is impossible to restore the Insurance object or it is not going to be restored, BTA may set the limit of insurance indemnity, based on the market value of an equal object as it was directly prior to insured event.
- 7.2.** If the insured real estate is the joint ownership of several persons and is not divided into actual shares, i.e. each of the persons owns certain share of property rights, the losses as regards damages or losses of the property of joint ownership are reimbursed in proportion to the joint ownership share owned by the Insured.
- 7.3. Amount of indemnity for movable fixed assets** - the scope of actual losses for damage, destruction or loss of moveable property shall be established as follows:
- 7.3.1.** For moveable fixed assets (for instance, office equipment, workbenches, instruments), Technological equipment, Leasehold property, Accepted property - in accordance with the following procedure – the value of the immovable property is determined in accordance with its replacement cost that is equal to the lowest acquisition costs of the same type and similar quality moveable property (including transportation, design and installation/assembly costs) or the lowest costs required to restore the insured moveable property in the quality and to the extent it was just before the occurrence of an insurable event, unless defined otherwise in the concluded insurance contract.
- 7.3.2. Amount of indemnity for current assets** - Current assets – stocks, the amount of which is calculated at the moment of insured event occurrence according to accounting data:
- a)** for current assets – raw materials, unfinished and finished products, packaging material, goods for sale (except for own produce of the insured company) in accordance with its replacement cost that is equal to the lowest acquisition costs of the same type and similar quality products and raw materials (including transportation costs);
- b)** for current assets – unfinished and finished products, goods - according to production costs, which are equal to the lowest costs required to restore the products in the same quality and amount, as they were just prior to the occurrence of the insured event.
- 7.4. Amount of indemnity for movable property in case of damages** - the amount of insurance indemnity for insurance of movable property shall be established as follows:
- 7.4.1.** in the event of damages to moveable property if it is possible to restore it:
- a)** the actual amount of loss is determined;
- b)** the insurance indemnity is equal to the actual loss amount less deductible;
- c)** if moveable property is insured as separate items and it is established that the sum insured is lower than the value of the insured property, the under-insurance principle is applied, i.e. the actual loss amount is multiplied by the proportion between the sum insured and the value of the insurance object, less the deductible;

**7.4.2. Amount of indemnity for movable property in case of loss or total loss** - in the event the moveable property perishes or is lost (the insured moveable property is considered lost if the damage elimination costs exceed the difference between the values of the insured moveable property before and after the insurable event), in compliance with the terms and conditions of the concluded insurance contract regarding the deductible, BTA is entitled:

- a)** to replace the lost insurance object with an equivalent by taking over the remains of the insurance object – in such case, before replacing the property, the Insured shall submit to BTA the remains of the lost insurance object and pay the deductible specified in the concluded insurance contract,
- b)** to pay out the insurance indemnity amounting to the value of the insurance object and collect the remains of the insurance object,
- c)** to pay out the insurance indemnity as a difference between the value of the insurance object before and after the insurable event and, not collecting the remains of the insurance object.

**7.5.** The amount of actual losses to be compensated for the insured moveable property that is no older than 2 (two) years, as well as insured moveable property that is no older than 5 (five) years, when it is specified in the insurance contract that the sum insured is determined in accordance with the replacement value principle, is equal to the amount of insurance object restoration costs calculated in accordance with the procedure set forth in Articles 7.3 or 7.4 of these Terms and Conditions without reducing it by the amount of depreciation.

**7.6.** The amount of actual losses determined by BTA for the damage or loss of the insurance object or a part thereof that was built from materials which at the moment of calculating the loss are not available on the market or use of which pursuant to the effective regulatory enactments is forbidden (e.g., slate with admixture of asbestos) is equal to the minimum amount required to restore the damages or lost insurance object or a part thereof using materials equivalent to the damages or lost material in terms of construction characteristics and shape.

**7.7.** If BTA make a decision to reimburse the Insured for the losses caused due to the insurable event by compensating for the moveable property repair costs and the Insured refuses to receive repair services at the service centre offered by BTA or to replace the lost or damaged moveable property with the equivalent, BTA is entitled to pay out the insurance indemnity in the amount of moveable property repair or replacement costs it would have cost to BTA.

**7.8.** The insurance indemnity is reduced by the amount paid to the Insured for damages due to the insurable event by the third party responsible for these damages in accordance with the procedure set forth in regulatory enactments of the Republic of Latvia. The Insured is obliged to notify BTA if such amounts are received.

If damages caused in such event are completely indemnified, the Insured is not entitled to claim for the insurance indemnity for a respective insurable event.

If such amount is paid after receiving the insurance indemnity, the received insurance indemnity shall be paid back by the Insured to BTA.

#### **Payment of indemnity**

**7.9.** BTA pays out the insurance indemnity without exceeding the sum insured and the sum insured – loss compensation limit set forth in the insurance contract.

**7.10.** At its own discretion, BTA pays out the insurance indemnity:

- 7.10.1.** by paying the calculated loss amount in cash;
- 7.10.2.** by paying for the repair of the damaged insurance object;
- 7.10.3.** replacing the insurance object with another object in kind.

**7.11.** BTA is entitled to appoint the provider of restoration services for the insured object. Upon written consent of BTA the Insured can choose a different service provider, who will perform restoration works on the insured object. If the Insured wants the restoration of insured object to be done by the service provided, chosen by the Insured, and the calculated costs of restoration of the insured object exceed the costs, offered by the service provider, appointed by BTA, for the restoration services, then BTA is entitled to determine the indemnity, based on the cheapest offer of the provider of restoration services.

**7.12.** When determining the insurance indemnity, the construction organisation related costs are included in the insurance indemnity, including taxes, which are applied to the renovation or restoration works on the insurance object, only in cases, if BTA receives evidence of that the Insured had incurred such expenses.

**7.13. Deductible** - the deductible is not deducted if, when paying out the indemnity, BTA is entitled to collect the loss in full from an insurance company registered in the Republic of Latvia or a branch of a foreign insurance company registered in the Republic of Latvia under the compulsory civil liability insurance of owners of motor vehicles. In the event when paying out the indemnity BTA is entitled to collect the loss in full from an insurance company registered abroad, the deductible is deducted until the losses are compensated in full, then the deductible is refunded to the Insured.

**7.14.** If in the result of one insurance event several insured objects are damaged, then BTA applies one largest deductible, which is provided in the insurance contract.

**7.15.** If the damage is caused by continuous Natural disasters, which are occurring for 72 (seventy two) hours or longer without interruptions, and has resulted in damage of several insured objects, then BTA applies one biggest deductible, which is provided in the insurance contract.

**7.16.** BTA is entitled to withhold the unpaid insurance premium from the calculated insurance indemnity.

## **8. OTHER PROVISIONS**

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**8.1. Dispute settlement** - All disputes arising between the parties to the insurance contract shall be settled by means of negotiation. If agreement between parties cannot be reached, any dispute, disagreement or claim ensuing from the insurance contract that is related to it or its violation, termination or invalidity, shall be settled in a court of the Republic of Latvia in accordance with the effective regulatory enactments of the Republic of Latvia.

The Insured has the right to lodge a complaint to the Ombudsman of the Association of Latvian Insurers, if such settlement of dispute is provided by its regulations.

**8.2. BTA General Insurance Terms and Conditions** - the General Insurance Terms and Conditions are published at BTA's website at <http://www.bta.lv>.

All issues not stipulated in these Terms and Conditions shall be settled in accordance with BTA General Insurance Terms and Conditions and effective regulatory enactments of the Republic of Latvia.

**8.3. Applicable regulatory enactments** - these Terms and Conditions are applicable to insurance contracts, concluded as of 01 february 2018, unless the parties have agreed otherwise in the insurance contract.