

# COMMERCIAL PROPERTY INSURANCE

## Terms and conditions No. 4A



Approved 17.08.2010 by Decision No. 67 of the Board of BTA.

**Translation. Text on Latvian has priority to this translation.**

In accordance with BTA General Insurance Terms and Conditions and these Terms and Conditions BTA and Policyholders enter into insurance contracts regarding insurance of real estate and moveable property.

### 1. Insurance Object

1.1. Only insurance objects clearly indicated in the concluded insurance contract are insured.

1.2. When insuring real estate, the insurance object may be:

1.2.1. Building – a structure that is used in economic activity 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:

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

1.2.1.2. doors, gates, elevators, stairs, windows and glazing;

1.2.1.3. interior and exterior decoration;

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

1.2.1.5. built-in air conditioning and ventilation equipment;

1.2.1.6. external engineering and technical communications located at the place the insurance contract is valid, branch off from the insurance object to the connection to public networks and which are the subject to legal liability of the Insured as regards operation and repair of these communications;

1.2.1.7. other integral parts of the building construction;

1.2.2. Part of the building – actual share of the joint ownership used in the economic activity.

1.2.3. Premises – parts of the building used in economic activity. The premises are insured including all essential parts thereof in accordance with the description provided in sub-clause 1.2.1, which border these premises or are located therein. In addition, the insurance covers the buildings located in the insured premises, deemed shares of the joint ownership to the extent to which the premises space is insured in proportion to the total space of the building;

1.2.4. Improvement construction – a structure that is permanently fixed to the land plot, on which the insured real estate referred to in Articles 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 sprinkler systems, outdoor lighting, flag poles, advertising stands), unless it is stipulated otherwise in the concluded insurance contract. If the insurance object – improvement construction is not indicated in the insurance contract, BTA will reimburse for losses as regards improvement constructions up to 5% (five per cent) of the insurance amount of the building, but no more than 10 000 LVL (ten thousand lats) for one insurable event. Such losses are indemnified provided that the insurance object specified in the insurance contract is a building. Insurance covers only the improvement constructions that are located on the insured building land plot in accordance with the boundary plan;

1.2.5. Repair investments – exterior and interior decoration of buildings or building parts (including water supply, heating, sewage, electricity supply and communication systems with all stationary elements attached thereto).

1.3. Pursuant to these Terms and Conditions land is not insured as real estate.

1.4. Unless stipulated otherwise in the insurance contract, when insuring real estate the concluded insurance contract is not valid as regards:

1.4.1. items attached to external walls of the insurance object that are not obligatory necessary for use of the insurance object or installation of which was not provided for in the insurance object construction design, i.e. such items that have been installed during use of the insurance object (e.g. window covers, satellite antennas, video surveillance systems);

However, BTA will indemnify for losses as regards stationary items attached to the insured real estate – building. The indemnity limit of 5 000 LVL (five thousand lats) for one insurable event is set as regards such losses. Such losses are indemnified provided that the insurance object specified in the insurance contract is a building;

1.4.2. engineering cables from distribution network to the building connection shutting-off device or connection distribution;

However, BTA will indemnify for the damages of external engineering communications (e.g. pipes, cables) branching off from the insured real estate to main connections, repair and operation of which is the responsibility of the Insured. The indemnity limit of 5 000 LVL (five thousand lats) for one insurable event is set as regards such losses. Such losses are indemnified provided that the insurance object specified in the insurance contract is a building;

1.4.3. water basins outside the insurance object (e.g. ponds, fountains, pools, reservoirs);

1.4.4. pumps submerged in water basins, boreholes and wells;

1.4.5. water or other liquids in pipes or pools of the insurance object;

1.4.6. sculptures, sports grounds;

1.4.7. greenhouses;

1.4.8. bridges, footbridges, berths, anchorages, structures on the water (in the water);

1.4.9. 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 unauthorized 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 or is considered not suitable for use, or unauthorized construction has been carried out in the insurance object).

1.5. In accordance with these Terms and Conditions moveable property is any legally acquired moveable asset owned or managed by the Insured or the Policyholder, which is located in the insurance contract validity place and are included in the accounting records of the Insured. Moveable property may be also managed by a third party. When insuring the moveable property, the insurance object may be:

1.5.1. moveable fixed assets (e.g. office equipment, technological equipment, machines);

1.5.2. current assets – stocks (raw materials, work in progress and finished goods, packing materials, goods for sale);

1.5.3. rented property – moveable property owned by third parties and used by the Insured or the Policyholder on the legal basis;

1.5.4. accepted property – moveable assets owned by third parties and temporarily located at the insurance contract validity place (e.g. household equipment owned by a third party that is temporarily delivered to a repair shop), unless it is stipulated otherwise in the concluded insurance contract. BTA will indemnify for damages of moveable property owned, used, possessed or kept by third parties when this property is at the address specified in the insurance contract. If the insurance object – the accepted property is not specified in the insurance contract, BTA will indemnify for the accepted property damages up to 5 000 LVL (five thousand lats) for one insurable event. In this case the Insured is considered the owner of the moveable property. Such losses are indemnified provided that the insurance object specified in the insurance contract is moveable property;

1.6. 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 an additional insurance protection is provided – moveable equipment insurance.

However, BTA indemnifies for the damages 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. Third party illegal activity risk as regards the property outside the buildings or premises is only insured provided that the insured property is in a compound with a 24 hours security.

1.7. Except for the property referred to in Article 1.11 of these Terms and Conditions that can be only insured as separate items, upon decision of the Policyholder moveable property may be insured:

1.7.1. as aggregation of items;

1.7.2. as separate items.

Unless it is stipulated otherwise in the insurance contract, moveable property is insured as separate items.

1.8. When insuring moveable property as aggregation of items, apart from current assets – stocks, it is insured in accordance with the first-loss compensation principle, i.e. the insurance contract does not separately specify each insurance object, the insurance contract only specifies the insured moveable property and the insurance amount – loss compensation limit for each insurance group of the insured moveable property, and upon occurrence of an insurable event BTA will indemnify for the incurred losses without exceeding the insurance amount – loss compensation limit set for a respective moveable property insurance group. In such case the under-insurance principle is not applied.

1.9. Unless it is stipulated otherwise in the insurance contract, when insuring current assets – stocks, the total insurance amount is specified and such assets are insured as aggregation of items setting one insurance amount – limit for this aggregation. If upon occurrence of the insurable event the value of the insured current assets – stocks in the insurance contract territory exceeds the insurance amount, when calculating the insurance indemnity, the loss amount is multiplied by the proportion of the insurance amount and this value upon occurrence of the insurable event, less deductible.

1.10. When insuring moveable property as separate items, each insured item is specified in the insurance contract and for each insured item the insurance amount is specified; in such case the under-insurance principle can be applied.

1.11. Unless stipulated otherwise in the insurance contract, when insuring moveable property the concluded insurance contract is not valid as regards:

1.11.1. plants, animals;

1.11.2. constructions and structures not intended for long-term operation (e.g. tents, sheds, inflated constructions);

1.11.3. land, water and air vehicles and belongings thereof;

1.11.4. construction materials;

1.11.5. guns, ammunition, explosives;

1.11.6. computer software, licences, electronic information, databases;

1.11.7. cash, securities, bonds, documents, manuscripts, drawings, paintings, plans, card files, accounting registers, payment cards and other means of payment;

1.11.8. jewellery, precious metals and articles thereof, precious and semiprecious stone;

1.11.9. paintings, unique items, prototypes and collections;

For the purpose of these Terms and Conditions collections is 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;

1.11.10. antique items.

For the purposes of these Terms and Conditions antique items are considered the items made before 1940.

## 2. Insurance Protection

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

### 2.1.1. Fire Risk.

(1) BTA compensates the losses for the damage of moveable property or real estate if it is caused by:

Fire – fire ignition at places not meant for fire, also 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 the fire; Explosion – gas or steam outburst based on a sudden surge of pressure. Occurrence of a container (e.g. boiler, pipe) explosion is considered to have happened if its walls are broken to the extent that suddenly pressure between inside and outside of the container is the same; Lightning strike (including ball lightning) – direct impact of lightning on the insurance object causing damage or fire; Downfall of a piloted aircraft, its parts or cargo – manned aircraft, parts or cargo thereof falling directly on the insurance object.

(2) An insurable event caused by the fire is not considered damage to the insurance object and the losses are not compensated if it is directly or indirectly caused by:

- 1) intentional subjection of the insurance object to fire or heat;
- 2) overheating, fusing, smouldering or scorching, if it is not caused by a fire;
- 3) electrical device damage caused by electric current impact with or without sparking (e.g. exceeding current intensity or voltage, bad insulation, short circuit, interwinding fault, bad contact, damaged measuring, control or safety devices, secondary facts of bolt of lightning), if it has not caused a fire or there has not been fire risk consequences;
- 4) damage to the internal combustion engine, if it is caused by explosions encountered in combustors;
- 5) impact of explosives.

### 2.1.2. Leakage of liquid or steam.

(1) BTA compensates the losses for the damage of insured moveable property or real estate if it is caused by:

- 1) an accident in communication systems inside the building (e.g. water supply, sewage, 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;
- 2) freezing up of pipes inside the building resulting in pipe fracture;
- 3) activity or failure to act by third parties causing leakage of liquids or steam from internal communication systems;
- 4) leakage of liquid due to automatic reaction of stationary automatic fire-extinguishing systems and devices (e.g. sprinklers).

(2) An insurable event caused by the leakage of liquid or steam is not considered damage to the insurance object and the losses are not compensated if it is directly or indirectly caused by:

- 1) rising groundwater level;
- 2) condensation accumulation;
- 3) atmospheric precipitation penetrating the building through the roof, windows, doors, building seams, foundation and other constructions;
- 4) premises cleaning;
- 5) tests, overload or pressure changes;
- 6) accidents, occlusions, freezing up or failure to drain liquid in pipes outside the building until main pipe resulting in building sewage system being flooded.

(3) BTA does not indemnify losses:

- 1) for communication system repairs caused by liquid or steam leakage;
- 2) for moveable property damages, if such property has been stored less than 10 cm above floor level in a basement.

### 2.1.3. Natural Disasters.

(1) BTA compensates the losses for the damage of insured moveable property or real estate if it is caused by:

Storm – a wind with a speed of at least level 7 (by Beaufort Scale) or 17 m/s. The insurance also covers damages to the insurance object caused by a storm resulting in falling trees, poles, building construction and other objects.

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;

Hail – atmosphere precipitation in form of ice pellets;

(2) An insurable event caused by the natural disasters is not considered damage to the insurance object and the losses are not compensated if it is directly or indirectly caused by:

- 1) penetration of precipitation (e.g. water, hail, snow, mud) into buildings or premises through windows, doors, roof and other openings in building constructions, except for the event when such openings are damages of the insurance object caused by natural disasters;
- 2) leaving moveable property that is not meant to be kept outside, in the open air. Snow impact.

(1) BTA reimburse for losses as regards damage to the moveable property or real estate 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 been made during snow or right away after it.

In accordance with these Terms and Conditions heavy snow is considered a snow fall resulting in a snow layer of 100 mm (one hundred millimetres) or more in 24 (twenty four) hours.

(2) BTA does not compensate the losses if the Policyholder or the Insured fails to ensure cleaning of the building roofing from snow within 24 hours after the snow stops.

Toppling 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 toppling of trees, poles, pillars or parts thereof near the insurance object that has not been caused by human activities, physical depreciation (deterioration) or long-term wear out processes (e.g. corrosion, decomposition, putrefaction

processes).

2.1.4. Unlawful Acts of Third Persons. BTA compensates the losses for the damage of moveable property or real estate if it is caused by:

Intentional damage of property – illegal activities or failure to act by third parties, due to which the insurance object is damaged, becomes partially or completely unusable or worthless.

Once in the insurance period BTA reimburses for losses caused by marking, painting or smearing the insurance object; however, the insurance indemnity does not exceed 2% (two per cent) of the insurance amount fixed for the damaged insurance object in the insurance contract.

Burglary – surreptitious or undisguised 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;

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;

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.

2.2. The insurance object is insured against the following additional risks, if they are specified as insured in the insurance contract:

2.2.1. Smoke impact. BTA indemnifies for the losses as regards damage to moveable property or real estate caused by smoke suddenly emerging from heating, boiling or drying equipment located in the insurance object;

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

2.2.3. Flood – high water.

(1) 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) An insurable event caused by flood – high water is not considered damage to the insurance object and the losses are not compensated if it is directly or indirectly caused by:

- 1) rising groundwater and waste water level, even if it is caused by rising water level in open watercourses;
- 2) impact of waves, gravitational tide and ebb;

3) expected flood – high water. In accordance with these Terms and Conditions the expected flood – high water is considered flood – high water if pursuant to the statistical data flood – high water has appeared at the location of the insurance object more often than 2 (twice) in the last 20 (twenty) years;

2.2.4. Ice on Over-ground Engineering Communication Lines. BTA indemnifies for losses as regards damages to moveable property or real estate if they are caused by overground engineering-technical communication icing 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 macroseismic intensity scale MSK-64.

2.2.6. Landslide, 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 the corrosive gas and chemical fumes on the insurance object.

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

### 2.3.1. Rent of temporary premises:

(1) If upon occurrence of an insurable event the insured real estate is lost or damaged to the extent that commercial activity is therein is not possible, BTA, without exceeding the insurance amount – loss compensation limit, set forth in the insurance contract for this additional insurance protection, will indemnify the Insured for the rental expenses of temporary premises, i.e. reasonable expenses that can be proved by documents, which are required to move to temporary premises and rental payment for the rent of temporary commercial spaces;

(2) The insurance amount – loss compensation limit is 10% (ten per cent) of the real estate insurance amount; however, no more than 25 000 LVL (twenty five thousand lats) or an equivalent amount in another currency in accordance with the exchange rate set by the Bank of Latvia on the insurance contract conclusion day, unless it is stipulated otherwise in the insurance contract;

(3) Rental expenses for temporary premises are compensated starting from the occurrence of the insurable event until the insured real estate is completely restored or BTA pays out the entire insurance indemnity for the lost insurance object; however, no more than for 12 (twelve) months following the occurrence of the insurable event;

(4) In temporary premises rental expense insurance the under-insurance principle and deductible are not applied.

2.3.2. Damage caused by tenants, clients or guests – this additional insurance protection covers the damage to the insurance object caused by illegal activities of third parties. For the purpose of this Article third parties are considered tenants, clients or guests of the Insured or the Policyholder who has damaged the insurance object intentionally or due to gross negligence. If the insurance object is damaged and there is no clear breaking-in evidence are, the insurance indemnity is paid out only when BTA receives clear evidences proving the fault of tenants, clients or guests in causing the said damage. The said additional insurance protection will be valid to the full extent as regards compensation of damage caused by tenants, clients or guests only if the insurance contract is concluded in favour of the owner of the insurance object.

### 2.3.3. Moveable equipment insurance.

(1) Pursuant to these Terms and Conditions and not exceeding the insurance amount – loss compensation limit set forth in the concluded insurance contract for

this additional insurance protection, BTA pays out the insurance indemnity for damages or loss of the moveable property (except for the stocks of current assets) located outside the insurance object location caused upon occurrence of the insurable event.

(2) The insurance protection is valid within the entire territory of the Republic of Latvia that is considered location of the insurance object as regards this moveable property, unless it is stipulated otherwise in the insurance contract.

(3) The insurance protection is valid only when the moveable property is under supervision of the Policyholder, the Insured or related persons or in closed premises, or places.

(4) BTA does not indemnify losses:

1) directly or indirectly caused due to weather condition impact on the moveable property, that is not meant to be kept outside, left in the open air;

2) as regards damage or loss of the moveable property if it was not under the supervision of the Policyholder, the Insured or related persons, or this property was not kept in closed premises or places;

3) as regards damage or loss of the moveable property if it was left unattended in a vehicle.

#### 2.3.4. Key service.

(1) Without exceeding the insurance amount – loss compensation limit set forth in the concluded insurance contract for this additional insurance protection, BTA compensates expenses of the key services as regard lock picking, replacement or repair if the owner of legal user of the insured house cannot enter it due to the lost or damaged keys or damaged lock mechanism.

The insurance indemnity is paid out in accordance with the payment documents (e.g. receipts, strict accountability cover notes) specifying the information on the received key services and the price thereof.

(2) The under-insurance principle and deductible are not applied to the key service insurance.

2.3.5. Employee property insurance – pursuant to these Terms and Conditions BTA pays out the insurance indemnity for damages or loss of the moveable property of the employees at the place of validity of the insurance contract caused by occurrence of the insured risk specified in the insurance contract, unless it is stipulated otherwise in the concluded insurance contract. BTA will indemnify for damages of moveable property owned, used, possessed or kept by employees of the Insured when this property is at the address specified in the insurance contract. If the additional insurance protection – employee property insurance, is not specified in the insurance contract, BTA will reimburse for damages to the employees' property up to 5 000 LVL (five thousand lats) for one insurable event; however, no more than 500 LVL (five hundred lats) for one person. Such losses are indemnified provided that the insurance object specified in the insurance contract is moveable property.

2.4. Upon agreement of the Parties and clearly stipulating it in the insurance contract, the insurance object may be also insured against other risks not stipulated in these Terms and Conditions (e.g. avalanches, high tides).

### 3. Exceptions

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, smut, changes in air temperature or humidity, desiccation, vaporization 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 insurable event;

3.1.3. soil freezing;

3.1.4. continuous temperature fluctuations, continuous impact of atmosphere conditions or chemicals;

3.1.5. moving ice, ice or snow weight impact;

3.1.6. impact of vermin, rodents or other animals;

3.1.7. violation of insurance object utilization requirements set forth in the insurance object utilization instructions or regulatory enactments of the Republic of Latvia;

3.1.8. repairs, reconstruction or construction works at the insurance object. However, BTA will compensate losses caused by repairs that do not require a construction permit in accordance with 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 sub-standard or unsuitable construction materials;

3.1.10. interruptions in water, gas, electricity, fuel or other energy resource supply, if such interruptions have not been cause due to the occurrence of the insurable event;

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 (e.g. accident or electricity supply interruptions), electrical contact, including damages caused due to overvoltage, overload, short circuit or secondary effects of lighting 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 legal user of the property. However, BTA reimburses for losses caused by malicious intent or fault, that in terms of reimbursement for losses and other civil liability consequences is considered as malicious intent, of tenants or clients, if the insurance contract provides for the additional insurance protection – damage caused by tenants or clients;

3.1.14. changes in the groundwater level or overflow in waste water collection systems, or roof waste-pipes;

3.1.15. environment pollution, littering or poisoning;

3.1.16. impact of asbestos and its compounds.

3.2. BTA does not compensate:

3.2.1. losses for the damages or loss of the insurance object incurred prior to signing the insurance contract;

3.2.2. losses for damages of the insurance object that must be compensated by a manufacturer or supplier in accordance with regulatory enactments or a contract (e.g. manufacturer's warranty);

3.2.3. expenses for regular maintenance, repairs, cleaning, regular or extraordinary servicing of insurance object and equipment of its construction, including worn out parts replacement works;

3.2.4. losses related to damage or loss of moveable property caused without impact of external force or due to operation, maintenance, transportation or repair of the moveable property;

3.2.5. indirect losses, including temporary rent expenses and moving expenses, lost profit and income.

However, BTA compensates indirect losses referred to in sub-clause 2.3.1 of these Terms and Conditions, if the concluded insurance contract provided for the additional insurance protection – rent of temporary premises.

3.2.6. losses related to environmental damage;

3.2.7. losses, if economic activity not agreed upon with BTA is carried out at the insured real estate;

3.2.8. expenses of the Policyholder or the Insured related to expert examinations or any other inspection.

### 4. Insurance Amount

4.1. The insurance amount is determined by the Policyholder. When concluding the insurance contract, the Policyholder assumes full liability for determining the insurance amount and conformity thereof with the value of the insurance object. If, upon occurrence of an insurable event, it is established that the insurance amount 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. Upon agreement of the Parties and clearly stipulating it in the insurance contract, the insurance object may be insured in accordance with the first-loss compensation principle, pursuant to which BTA will compensate all losses incurred due to the occurrence of an insurable event without exceeding the insurance amount – loss compensation limit set forth in the insurance contract. In such case the under-insurance principle is not applied.

4.3. If the insured moveable property is less than 5 (five) years old, the insurance amount specified in the insurance contract may be determined in accordance with a new value principle, i.e. the set value of the insured moveable property is equivalent (in accordance with specifics and use) to the value of a new moveable property.

4.4. After paying out the insurance indemnity the insurance amount and the insurance amount – loss compensation limit remain constant, except for the events when the insured moveable property is lost.

### 5. Compliance with Safety Requirements

5.1. During the entire validity period of the insurance contract the Policyholder, the Insured or legal user of the insured property is obliged to carefully manage and use the insured property in due manner, comply with the safety requirements set forth in regulatory enactments, safety enactments listed below and additional safety requirements set by BTA.

5.1.1. there are following requirements as regards ensuring fire safety:

1) chimneys and funnels shall be cleaned at least once a year;

2) use of a naked flame, burning of waste and debris is permitted only in places specially insulated and equipped for such purposes. After finishing the work, the fire shall be carefully extinguished;

3) only respectively qualified persons are entitled to work with a naked flame 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 make contact with inflammable materials and substances. When working with a naked flame or performing fire-hazardous work, inflammable substances at the work place shall be covered with fire-proof materials;

4) wiring works and electric equipment repairs may be carried out only by respectively qualified persons;

5) when leaving the insurance object, temporary electric wires shall be insulated;

6) 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;

7) it is forbidden to leave the burning fireplace, convector, candles or other fire-hazardous sources without supervision or under supervision of minors;

8) 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;

9) it is forbidden to keep matches or other devices for lighting a fire in places that can be reached by children;

10) it is forbidden to use gas equipment with possible leakage. In the event of gas leakage, the gas valves shall be immediately closed and premises shall be ventilated. In such case it is forbidden to use a naked flame, smoke, switch on or off electric equipment;

11) it is forbidden to burn grass near the insurance object;

12) it is forbidden to leave the burning stove, range, fireplace or furnace, except for central heating boilers, unattended;

13) it is forbidden to cover switched on electric radiators, as well as place items on them;

14) it is forbidden to use electric wires with damaged insulation, damaged sockets and switches, as well as non-standard fuses and fuses than do not meet the network voltage;

15) it is forbidden to dry firewood, clothing and other inflammable items on heating devices;

16) it is forbidden to use inappropriate fuel for heating equipment;



- 17) it is forbidden to use firewood that is longer than the stove;
- 18) it is forbidden to use a naked flame to defrost frozen pipes;
- 19) it is forbidden to cook meal using a naked flame, in the building balcony and other unsuitable places;

5.1.2. the following requirements refer to plumbing and pipes:

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

5.1.3. the following requirements refer to safety measures (locks, keys, alarm system):

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

5.2. If the event of failure to comply with the above-mentioned safety requirements, which results in occurrence of the 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).

If the safety requirements specified in this Section are not complied with due to malicious intent or gross negligence, the insurance indemnity is not paid out.

## 6. Behaviour of the Policyholder, the Insured and Legal Users of the Property upon Occurrence of the Possible Insurable Event

6.1. Upon establishing the occurrence of a possible insurable event, the Policyholder, the Insured or legal user of the insured property is obliged, as well as it is 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. to immediately call the police if there is a possibility that the possible insurable event has been caused by third parties;
  - 6.1.2. to immediately inform building manager (if such exists) or responsible services in the event of liquid or steam leakage;
  - 6.1.3. as far as possible to leave the area untouched and immediately inform BTA of the time and place, when and where a BTA representative could arrive and inspect the damaged insurance object in order to assess the incurred damages, as well as to check on the possible insurable event and its circumstances;
  - 6.1.4. 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. By immediately calling the BTA hotline +371 26121212 from the place of accident and providing the information on the accident the Policyholder, the Insured or legal users of the insured property will receive BTA instruction on how to fulfil the aforesaid preconditions correctly and in detail in order to receive the insurance indemnity.

## 7. Insurance Indemnity

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 before the occurrence of the insurable event, including demolition, construction waste collection and storage expenses.

In accordance with these Terms and Conditions 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. Maximum insurance indemnity for such expenses amounts to 10% (ten per cent) of the property insurance amount; however no more than 50 000 LVL (fifty thousand lats) or an equivalent amount in another currency in accordance with the exchange rate set by the Bank of Latvia on the day the decision regarding payment of the insurance indemnity is taken.

In accordance with these Terms and Conditions storage expenses 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 event if they will not ensure the expected result. Maximum insurance indemnity for such expenses amounts to 10% (ten per cent) of the property insurance amount; however no more than 50 000 LVL (fifty thousand lats) or an equivalent amount in another currency in accordance with the exchange rate set by the Bank of Latvia on the day the decision regarding payment of the insurance indemnity is taken.

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;

7.1.2. if an under-insurance event, i.e. event when the insurance amount is at least 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 insurance amount and this value;

7.1.3. if an over-insurance event, i.e. the event when the insurance amount exceeds the value of the insurance object, is established, the insurance indemnity is paid out

in the amount it would be paid out if the insurance amount were equal to the value of the insurance object;

7.1.4. the amount of actual losses to be compensated for the insured real estate older than 40 (forty) years is set in the amount of insurance object renovation expenses calculated in accordance with the procedure set forth in sub-clause 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 insurance amount. This procedure is not applied in the event of over-insurance.

7.2. If the insured real estate is 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. When paying out the insurance indemnity the value of the moveable property is determined in accordance with the following procedure:

7.3.1. for moveable fixed assets (e.g. technological equipment, machines, equipment and inventory) – in accordance with the restoration 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 it is stipulated otherwise in the insurance contract;

7.3.2. for current assets, if they were not insured in accordance with the first-loss principle, – the amount and value thereof in accordance with the accounting data is calculated at the moment of the occurrence of the insurable event; if under-insurance is established, the insurance indemnity is calculated in proportion to the relation between the insurance amount and the calculated value of the insured current assets:

- 1) for current assets – raw materials, work in progress and finished goods, packing materials and goods for sale (except for finished goods of the insured company itself) – in accordance with the replacement cost which is equal to the lowest acquisition costs of the same type and similar quality goods and raw materials;
- 2) for current assets – work in progress and finished goods – in accordance with the actual cost of production, which is equal to the lowest costs required to restore the production in the same quality and to the same extent it was just before the occurrence of the insurable event.

7.4. The amount of the insurance indemnity for moveable property insurance in determined in accordance with the following procedure:

- 7.4.1. in the event of damages to moveable property if it is possible to restore it:
  - 1) the actual amount of losses is determined, i.e. the amount required to restore the insurance object to the condition it was just before the insurable event;
  - 2) the insurance indemnity is equal to the actual loss amount less deductible;
  - 3) if moveable property is insured as separate items and it is established that the insurance amount 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 insurance amount and the value of the insurance object, less the deductible;

7.4.2. in the event the moveable property 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.

If BTA acknowledges the insured moveable property as lost, in compliance with the terms and conditions of the concluded insurance contract regarding the deductible, BTA is entitled:

- 1) 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;
- 2) to pay out the insurance indemnity amounting to the value of the insurance object and collect the remains of the insurance object;
- 3) to pay out the insurance indemnity as a difference between the value of the insurance object before and after the insurable event and to not collect 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 5 (five) years and when it is specified in the insurance contract that the insurance amount is determined in accordance with the new value principle, is equal to the amount of insurance object restoration costs calculated in accordance with the procedure set forth in sub-clauses 7.3.1, 7.4.1 or 7.4.2 of these Terms and Conditions without reducing it by the amount of depreciation.

7.6. If BTA takes a decision to reimburse the Insured for the losses caused due to the insurable event by covering 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.

7.7. The insurance indemnity is reduced by the amount paid to the Insured for the 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 case are reimbursed in full, 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.

7.8. BTA pays out the insurance indemnity without exceeding the insurance amount and the insurance amount – loss compensation limit set forth in the insurance contract.

7.9. At its own discretion BTA pays out the insurance indemnity:

- 7.9.1. by paying the calculated loss amount in cash;
  - 7.9.2. by paying for the repair of the damaged insurance object.
- 7.10. If the insurance indemnity is paid out to the Insured in cash, when disbursing

it VAT (value added tax) is not compensated.

7.11. The deductible is not deducted if, when paying out the indemnity, BTA is entitled to collect the loss in full from the insurance company registered in the Republic of Latvia in accordance with the compulsory civil liability insurance of owners of motor vehicle. 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 deducted deductible is refunded to the Insured.

## **8. Other Terms and Conditions**

8.1. All disputes arising between the Parties of the insurance contract shall be settled by means of negotiations. If mutual agreement can not 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 finally settled in court of the Republic of Latvia in accordance with regulatory enactments of the Republic of Latvia.

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

8.3. General Insurance Terms and Conditions approved by BTA Board Decision No.10 on 18 March 2008 and these Terms and Conditions are published on the BTA website <http://www.bta.lv>.

8.4. These Terms and Conditions take effect from the moment the BTA Board approve them.