

Approved by Insurance Joint Stock Company BTA Board Decision No. 100 of 23.11.2010 with amendments approved by "BTA Insurance Company" SE Board resolution No 50 of 07.06.2011. (relating to change in the company's name)

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

According to the General Insurance Conditions and the present conditions „BTA Insurance Company” SE, hereafter in text – BTA concludes Insurance contracts with the Policyholder on the insurance of real property, movable property and the civil liability of the owner of the real 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, sewerage, 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, under-floor 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);

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 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 make up the boundaries of 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 sub-clauses 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 sum insured of the building, but no more than LVL 10 000 (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, sewerage, 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 indemnifies for losses as regards items stationary attached to the insured real estate – building. The indemnity limit of LVL 5 000 (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 leads from distribution network to the building connection shutting-off device or connection distribution;

However, BTA indemnifies 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 responsibility of the Insured. The indemnity limit of LVL 5 000 (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 estates (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 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 or is considered not suitable for use, or unauthorised 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 and 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 a 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 the 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 LVL 5 000 (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 coverage 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 24 (twenty-four) hour security.

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

1.7.1. as an 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 an 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 sum insured – the 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 sum insured – the loss compensation limit set for a respective moveable property insurance group. In such a 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 sum insured is specified and such assets are insured as an aggregation of items, setting one sum insured – limit for this aggregation. If upon the occurrence of the insurable event the value of the insured current assets – stocks – in the insurance contract territory exceeds the sum insured, the loss amount when calculating the insurance indemnity is multiplied by the proportion of the sum insured 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 sum insured is specified; in such case the under-insurance principle can be applied.

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

2.1. Upon conclusion of the insurance contract, the insurance coverage referred to in Clause 2.2 of these Terms and Conditions is provided for the insurance object. Upon agreement of the Parties, the insurance coverage referred to in Clause 2.3 of these Terms and Conditions can be provided for the insurance object.

2.2. BTA will reimburse for losses related to damages or loss of the insured real estate or moveable property if the damage or loss of the insurance object occurs at the insurance object location specified in the insurance contract due to the sudden and unexpected external impact circumstances, except for the events referred to in Section "Exceptions" of these Terms and Conditions and Section "General Exceptions" of the BTA General Insurance Terms and Conditions.

2.3. The insurance contract can provide for the following additional insurance coverage 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 sum insured – loss compensation limit – set forth in the insurance contract for this additional insurance coverage, 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 equivalent temporary commercial spaces;

(2) The sum insured – the loss compensation limit – is 10 % (ten per cent) of the real estate sum insured; however, no more than LVL 25 000 (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 coverage covers the damage to the insurance object caused by illegal activities of third parties. For the purpose of this Clause 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 coverage 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 sum insured – the loss compensation limit set forth in the concluded insurance contract for this additional insurance coverage – BTA pays out the insurance indemnity for damages or loss of the moveable property (except for the current assets – stocks) located outside the insurance object location caused upon occurrence of the insurable event.

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

(3) The insurance coverage 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 under the open sky;

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 sum insured – the loss compensation limit set forth in the concluded insurance contract for this additional insurance coverage – 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 the 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 coverage – employee property insurance – is

not specified in the insurance contract, BTA will reimburse for damages to the employees' property up to LVL 5 000 (five thousand lats) for one insurable event; however, no more than LVL 500 (five hundred lats) for one person. Such losses are indemnified provided that the insurance object specified in the insurance contract is moveable property.

## 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);

However, BTA indemnifies for damages caused to other objects that are not directly affected by the above-mentioned circumstances (e.g. if the depreciated pipe breaks and the water damages internal finishing of the insured real estate, BTA will reimburse for the internal finishing renovation expenses but not the broken pipe repair expenses).

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 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 authorised way.

However, BTA indemnifies for losses caused by breaching the safety requirements referred to in Section 5 of these Terms and Conditions "Compliance with the Safety Requirements" in compliance with the conditions referred to in Clause 5.2.

3.1.8. repairs, reconstruction or construction works at the insurance object. However, BTA indemnifies for losses caused by repairs that do not require a construction permit in accordance with regulatory enactments of the Republic of Latvia;

3.1.9. poor 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 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 indemnifies for losses caused by malicious intent or fault, which 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 coverage – Damage Caused by Tenants, Clients or Guests;

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 and/or poisoning;

3.1.16. impact of asbestos ant its compounds;

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

3.1.18. soil erosion, sedimentation, landslide, earth crust and earth surface movement (earthquake) or tsunami.

However, BTA indemnifies for losses caused by an earthquake of higher than 4 (four) on the Richter scale or 5 (five) by the international macroseismic intensity scale MSK-64.

3.1.19. atmospheric fall-out inflow into the insured real estate through the roof, windows, doors, building stitches, foundation and other constructions.

However, BTA indemnifies for the losses of the damages to the construction are caused due to sudden and unexpected external impact circumstances;

3.1.20. accumulating condensate;

3.1.21. related to loss of the moveable property due to other reasons, which is not burglary or robbery.

However, BTA indemnifies for losses related to loss of the moveable property due to fire, lightning, explosion, collision of controllable or self-driven aircraft and vehicles. Losses related to loss of the insurance object – moveable property will not be indemnified when in it is established during stocktaking. For the purposes of these Terms and Conditions, burglary is considered breaking into the insured real estate by damaging its constructions or locks if clear breaking in evidence is established. For the purpose of these Terms and Conditions robbery is considered robbery of the property by using violence or by threatening by assault;

3.1.22. weather conditions to the moveable property left under the open sky or due to the loss or theft thereof.

However, BTA indemnifies for the said losses, if, pursuant to the insurance contract the additional insurance coverage – Moveable Equipment Insurance – is provided for the insurance object.

- 3.1.23. decisions of State or municipal authorities;
  - 3.1.24. not using external force on the devices and technical equipment or due to the operation, exploitation, modification and repair thereof;
  - 3.1.25. processing the insured goods in the production or processing process by heat or open fire during the production process, including fire damage;
  - 3.1.26. overheating, fusing, smouldering or scorching, if it is not caused by a fire;
  - 3.1.27. the wind with a speed of at least level 7 (by Beaufort Scale) or 17 m/s;
  - 3.1.28. impact of collision of ships, vessels, barges or other water vehicles;
  - 3.1.29. volcano eruption or similar natural disaster;
  - 3.1.30. direct or indirect nuclear explosion, impact of nuclear energy or radioactive substances or radiation of the said substances.
- 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 or damages caused to the moveable property without external impact or due to exploitation, maintenance, modification or repair of the moveable property;
  - 3.2.5. penalties, fines, delay interest, interest, as well as other legal or legitimate sanctions;
  - 3.2.6. 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 coverage – Rent of Temporary Premises.
- 3.2.7. losses related to environmental damage;
  - 3.2.8. losses, if economic activity not agreed upon with BTA is carried out at the insured real estate;
  - 3.2.9. expenses of the Policyholder or the Insured related to expert examinations or any other inspection.

#### 4. 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. 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 sum insured – the 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 not older than 5 (five) years, the sum insured 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 sum insured and the sum insured – the 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. the following are requirements as regards ensuring fire safety:
  - 1) chimneys and funnels shall be cleaned at least once a year;
  - 2) use of open fire, burning of waste and mote 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 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 get into contact with inflammable materials and substances. When working with an open fire 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 at 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 open fire, smoke, switch on or off

- electric equipment;
  - 11) it is forbidden to burn the 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, or 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 open fire to defrost frozen pipes;
  - 19) it is forbidden to cook a meal using open fire, in the building balcony and other not suitable places;
- 5.1.2. the following are requirements as regards 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 are requirements as regards safety measures (locks, keys, alarm systems):
- 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 an alarm system, it shall be in working order and activated upon leaving the real estate.
- 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. take all the measures to prevent or reduce further damages, as well as comply with BTA instructions as regards reducing the damage caused by occurrence of the insured risk;
  - 6.1.2. to immediately inform the Fire and Rescue Service if the possible insurable event has occurred due to the fire, as well as inform other states 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 such exists) or responsible services in the event of liquid or steam leakage;
  - 6.1.4. within the possibilities, to keep the site untouched and immediately inform BTA of the time and place, when and where a BTA representative can arrive and inspect the damaged insurance object to assess the incurred damages, as well as to check on the possible insurable event and its circumstances;
  - 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. By immediately calling the BTA Assistance Service hotline +371 26121212 from the place of the 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 above-said preconditions correctly and in details 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 sum insured; however no more than LVL 50 000 (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 sum insured; however no more than LVL 50 000 (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 sum insured 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 sum insured and this value;

7.1.3. if an over-insurance event, i.e. the event when the sum insured 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 sum insured 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 sum insured. 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 sum insured 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 production actual cost, 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 is 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 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. 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 values of the insurance object before and after the insurable event and do 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 sum insured 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. 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 the 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 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.

7.8. 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 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.

7.9. BTA pays out the insurance indemnity without exceeding the sum insured and the sum insured – the 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.

7.11. When calculating the insurance indemnity, the value added tax (VAT) is not included in the amount of losses. If BTA makes a decision to indemnify the Insured for the losses incurred due to the insurable event by covering the moveable property repair expenses, the said repair expenses are covered with the valued added tax (VAT) included.

7.12. 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 BTA is entitled to collect the loss in full from an insurance company registered abroad when paying out the indemnity, the deductible is deducted until the losses are compensated in full, then the 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; these Terms and Conditions are also published on the BTA website <http://www.bta.lv>.

8.4. These Terms and Conditions enter into force from the moment the BTA Board approves them.