

ALL RISKS HOME INSURANCE

Conditions No. 3E-2



Approved by "BTA Insurance Company" SE Board Decision No. 58 of 12 July 2011.
Translation. Text on Latvian has priority to this translation.

In accordance with BTA General Insurance Terms and Conditions No. 2 approved by Board Decision No. 49 of 7 June 2011 and these Terms and Conditions, BTA and Policyholders enter into insurance contracts regarding insurance of real estate and moveable property and civil liability insurance for real estate owners.

I. PROPERTY INSURANCE

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 for living and is permanently fixed to the land, including all its integral parts permanently attached thereto.

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

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

(2) doors, gates, elevators, stairs, windows and glazing;

(3) interior and exterior decoration;

(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, underfloor heating, stationary stoves, chimneys, fire and security alarm systems, stationary fire safety equipment, advertising materials, signboards and installations on the external walls of the building);

(5) built-in air conditioning and ventilation equipment;

(6) external engineering and technical communications located at the place where 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;

(7) other integral parts of the building construction;

1.2.2. Part of the building (including in row houses) – actual share of the joint ownership used for dwelling;

1.2.3. Apartment – residential premises or the complex of premises of the apartment house separated from the other part of the building and marked in the building inventory plan. The apartment is insured including all its significant component parts that make boundaries of this apartment in accordance with Article 1.2.1. Apartment insurance also includes insurance of common property share legally related thereto.

1.2.4. Auxiliary building – a separate non-residential construction (e.g. a sauna, garage, cellar, cattle-she, barn, shed);

1.2.5. Improvement construction – a structure that is permanently fixed to the land plot on which the insured real estate referred to in Article 1.2.1, 1.2.2 and 1.2.4 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 to constructions up to 5 % (five per cent) of the sum insured of the building, but no more than LVL 5 000 (five thousand lats) for one insurable event. Such losses are indemnified provided that the insurance object specified in the insurance contract is a building or a part of the building. Insurance covers only the improvement constructions that are located on the insured building land plot in accordance with the boundary plan;

1.2.6. 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 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. 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 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 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 or a part of 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 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, which is located in the insurance contract validity place.

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 additional insurance coverage is provided – Insurance of Moveable Property outside the House.

However, BTA will indemnify 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 hour security.

1.7. Except for the property referred to in Article 1.10 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 an aggregation of items 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 groups of the insured moveable property and the sum insured – 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 – loss compensation limit set for a respective moveable property insurance group. In such case the under-insurance principle is not applied. In accordance with these Terms and Conditions the moveable property is grouped into the following groups:

1.8.1. electronic appliances (including radio, television, video appliances, communication devices, photo and movie devices, non-built-in household appliances);

1.8.2. furniture and working tables (including built-in household appliances, carpets, work tools);

1.8.3. computers and their peripherals (including printers, scanners, computer audio equipment, external data memory blocks, modems);

1.8.4. sport and recreational equipment (including bicycles, exercise equipment, skis);

1.8.5. shoes and clothes (including, furs, glasses, watches);

1.8.6. other moveable belongings not included in the listed groups.

1.9. 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.

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

1.10.1. plants, animals;

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

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

1.10.4. construction materials;

1.10.5. guns, ammunition, explosives;

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

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

1.10.8. jewellery, precious metals and articles thereof, precious and semiprecious stones;

1.10.9. 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;

1.10.10. antique items.

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

2. Insurance Coverage

2.1. Upon conclusion of the insurance contract the basic insurance coverage referred to in Article 2.2 of these Terms and Conditions is provided for the insurance object. Upon agreement of the Parties, the insurance coverage referred to in Article 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 impact of sudden and unexpected external circumstances, except for the events referred to in the 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 that it is clearly stipulated in the concluded insurance contract:

2.3.1. Rental expenses of temporary home.

(1) If upon occurrence of an insurable event the insured real estate is lost or damaged to the extent that dwelling 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 expenses for rental of a temporary home, i.e. reasonable expenses that can be proven by documents, which are required to move to temporary home and rental payment for the rent of temporary home;

(2) The sum insured – loss compensation limit is 10 % (ten per cent) of the real estate sum insured; however, no more than LVL 10 000 (ten 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 housing 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 home rental expense insurance the under-insurance principle and deductible are not applied.

However, BTA will indemnify for losses if the additional insurance coverage – rental expenses for temporary home is not specified in the insurance contract, up to LVL 300 (three hundred lats) a month but not exceeding the maximum reimbursement period of 9 (nine) months. Such losses are indemnified provided that the insurance object specified in the insurance contract is a building, a part of a building or an apartment.

2.3.2. Damaged caused by tenants and guests.

(1) Not exceeding the sum insured set forth in the insurance contract for this additional insurance coverage – the indemnity limit, BTA pays out the insurance indemnity for damage caused to the insurance object due to illegal activities of third parties.

For the purpose of this Article third parties are considered tenants and guests of the Insured or the Policyholder who have damaged the insurance object intentionally or due to gross negligence. If the insurance object is damaged and there is no clear evidence of breaking-in, the insurance indemnity is paid out only when BTA receives clear evidence proving the fault of tenants 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 clients or guests only if the insurance contract is concluded in favour of the owner of the insurance object.

(2) If an insurance contract is concluded in favour of the tenant, this additional insurance coverage is only valid for damage caused by guests.

2.3.3. Moveable property outside the house.

(1) Pursuant to these Terms and Conditions and not exceeding the sum insured – loss compensation limit set forth in the concluded insurance contract for this additional insurance coverage, BTA pays out the insurance indemnity for damages or loss of the moveable property 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 which 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.

However, BTA will indemnify for losses if the insurance contract does not specify the additional insurance coverage – Moveable Property outside the House up to LVL 300 (three hundred lats) during the validity period of the insurance contract. Such losses are indemnified provided that the insurance object specified in the insurance contract is moveable property.

(4) BTA does not indemnify losses:

- 1) directly or indirectly caused due to the impact of weather conditions 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 – loss compensation limit set forth in the concluded insurance contract for this additional insurance coverage, BTA compensates expenses of key services as regard lock picking, replacement or repair if the owner of legal user of the insured house cannot enter it due to lost or damaged keys or damaged lock mechanism.

The insurance indemnity is paid out in accordance with the payment documents (e.g. receipts, 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. Electricity risks

(1) BTA indemnifies for the losses as regards damage to moveable property or the facilities contained in the real estate that are functioning with electric current (e.g. heating boiler, boiler, switchboard, elevators), caused by:

- 1) the emergency or unannounced interruption of electricity supply;
- 2) the impact of electric current, including damages caused by overvoltage, overload or short circuit, irrespective of whether the damages caused by the electric current have resulted from flame or not;
- 3) secondary phenomena of lighting strike and resulting electrical and magnetic phenomena.

(2) Damages to the moveable property and electric facilities of the building shall not be considered an insurable event resulting from electricity risks if they are caused by:

- 1) running and announced interruption of electricity supply;
- 2) depreciation or gradual lasting process of wearing of the moveable property or electric facilities contained on the real estate (e.g. corrosion, scale).

2.4. Upon agreement of the Parties and clearly stipulating it in the insurance contract, the insurance object may also be 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, dirt, changes in air temperature or humidity, desiccation, vaporisation or evaporation, changes in the material structure or finishing);

However: BTA will reimburse 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 the 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. due to moving ice or snow mass (e.g. by ice or snow moving from a water tank, sliding to the roof sides and falling from them);

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 unauthorised way.

However, BTA will indemnify 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 Article e 5.2.

3.1.8. repairs, reconstruction or construction works at the insurance object.

However, BTA will indemnify 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. bad quality repairs, reconstruction or construction works, errors in calculations, planning or design, use of bad quality or unsuitable construction materials;

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

However, BTA will indemnify for losses if the additional risk – Electricity Risks is insured in accordance with the insurance contract.

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 will indemnify 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 guests, if the insurance contract provides for the additional insurance coverage – Damage Caused by Tenants 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 or poisoning;

3.1.16. impact of asbestos and its compounds.

3.1.17. expected flood. In accordance with these Terms and Conditions an expected flood is considered flood if pursuant to the statistical data a flood 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.

However, BTA will indemnify for losses caused by heavy rainfall, i.e. if the rainfall in one day exceeds the average norm 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 will indemnify for losses due to fire or explosion caused by an earthquake of higher than 4 on the Richter scale or 5 on the international macro-seismic intensity scale MSK-64.

3.1.19. atmosphere fall-out or melting snow, ice water inflow into the insured real estate through the roof and roofing, windows, doors, building stitches, foundation and other constructions;

However, BTA will indemnify for losses if the damages to the construction are caused due to the impact of sudden and unexpected external circumstances.

3.1.20. by accumulating condensate due to cleaning or managing of premises;

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

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 evidence of breaking in is established. For the purpose of these Terms and Conditions robbery is

considered robbery of the property by using violence or threatening with assault;
3.1.22. due to snow impact on the insurance object;
However, BTA will indemnify 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, strong snow and the damage to roofing or constructions has been made no later than 24 (twenty-four) hours counting from the end of the day the strong snowfall takes place at the location of the insurance object. In accordance with these Terms and Conditions strong snow is considered a snow fall resulting in a snow layer of 100 mm (one hundred millimetres) or more in 24 (twenty-four) hours.

3.2. BTA does not indemnify:

- 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 the insurance object and equipment of its construction, including replacement works of worn out parts;
 - 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 rental expenses of temporary home and moving expenses, lost profit and income.
- However, BTA will indemnify indirect losses referred to in Article 2.3.1 of these Terms and Conditions if the concluded insurance contract provided for the additional insurance coverage – Rental Expenses of Temporary Home;
- 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. losses for communication system repairs caused by liquid or steam leakage;
 - 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 – 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 – loss compensation limit remain constant, except for the events when the insured moveable property is lost.

4.5. Unless stipulated otherwise in the insurance contract, when insuring the moveable property as an aggregation of items:

4.5.1. the sum insured is the indemnity limit or each group of property referred to in Article 1.8 of these Terms and Conditions is set LVL 5 000 (five thousand lats) or a corresponding amount in another currency in accordance with the exchange rate of the Bank of Latvia on the day of the conclusion of the insurance contract;

4.5.2. each item of the moveable property the value of which exceeds LVL 2 000 (two thousand lats) or a corresponding amount in another currency according to the exchange rate of the Bank of Latvia on the day of the conclusion of the insurance contract shall be specially indicated in the insurance contract. If not, the insurance indemnity for damages, loss or ruin of such item will be paid out in an amount not exceeding LVL 2 000 (two thousand lats) or a corresponding amount in another currency according to the exchange rate of the Bank of Latvia on the day the decision to pay out the insurance indemnity is made.

4.6. In the event that any total value of the items included in the group of moveable items referred to in Article 1.8 exceeds LVL 5 000 (five thousand lats) or a corresponding amount in another currency according to the exchange rate of the Bank of Latvia on the insurance contract conclusion day and the Policyholder wants to insure the said items for their full value, the moveable property shall be insured as separate items.

5. Compliance with Safety Requirements

5.1. During the entire validity period of the insurance contract the Policyholder, the Insured and 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 the following requirements as regards ensuring fire safety:

- 1) chimneys and flues shall be cleaned at least once a year;
- 2) use of open fire, burning of waste and debris is permitted only in places specially insulated and equipped for such purposes. After finishing the work, the fire 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

come 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 a 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 the 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 set fire to the grass near the insurance object;
- 12) it is forbidden to leave a 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 to 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 that 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, on the building balcony and other unsuitable places;

5.1.2. there are the following requirements as regards plumbing and pipes:

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

5.1.3. there are the following requirements as regards 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 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 a place and in a 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, when leaving the real estate, it shall be in working order and activated.

5.2. In the event of failure to comply with the above-mentioned safety requirements which results in occurrence of an insurable event, the insurance indemnity calculated in accordance with the procedure set forth in the concluded insurance contract is reduced by 20 % (twenty per cent).

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, and it is also the precondition for receiving the insurance indemnity, to fulfil the obligations set forth in the BTA General Insurance Terms and Conditions Section "Measures to be Taken upon Occurrence of the Insured Risk" and the following obligations:

6.1.1. take all the measures in order to prevent or reduce further damages, as well as comply with BTA instructions as regards reducing the damage caused by the occurrence of a possible insurable event;

6.1.2. to immediately inform the Fire and Rescue Service if the possible insurable event has occurred due to a fire, as well as inform other state authorities in the events set forth in the effective regulatory enactments of the Republic of Latvia (e. g., the State Police, the Gas Service);

6.1.3. to immediately inform the building manager (if such exists) or responsible services in the event of liquid or steam leakage;

6.1.4. as much as possible to preserve the site 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;

6.1.5. 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 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 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 in 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. The 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 even if they will not ensure the expected result. The maximum insurance indemnity for such expenses amounts to 10 % (ten per cent) of the property sum insured; however, no more than LVL 10 000 (ten 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, is established, 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 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 Article 7.1.1 of these Terms and Conditions less the depreciation amount;

7.1.5. if it is not possible to determine the value of the insurance object, actually compensated losses are calculated by determining the proportion of the lost elements of the insured real estate and multiplying it by the sum insured. This procedure is not applied in the event of over-insurance.

7.2. If the insured real estate is the joint ownership of several persons and is not divided into actual shares, i.e. each of the persons owns certain share of property rights, the losses as regards damages or losses of the property of joint ownership are reimbursed in proportion to the joint ownership share owned by the Insured.

7.3. When paying out the insurance indemnity the value of the moveable property is determined in accordance with the following procedure – the value of the immovable property is determined 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.

7.4. 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 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:

2) 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, not collecting the remains of the insurance object;

7.5. The amount of actual losses to be compensated for the insured moveable property that is no older than 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 Articles 7.3, 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 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 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 – loss compensation limit set forth in the insurance contract.

If all items included in any of the property groups are lost or ruined, the insurance indemnity cannot exceed the sum insured – the indemnity limit set for a respective property group.

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 value 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 vehicles. In the event when paying out the indemnity BTA is entitled to collect the loss in full from an insurance company registered abroad, the deductible is deducted until the losses are compensated in full, then the deductible is refunded to the Insured.

II. CIVIL LIABILITY INSURANCE

8. Insurance Object

8.1. The insurance object is legal civil liability of the Insured or Co-insured for the losses caused to third parties due to the management (possession or use) of the real estate specified in the insurance contract.

8.2. For the purposes of these Terms and Conditions:

8.2.1. The Insured is the owner of the real estate specified in the insurance contract whose civil liability is insured in accordance with the concluded insurance contract;

8.2.2. Co-insured is an individual who legally resides or dwells upon the consent of the owner in the insured real estate whose civil liability is insured in accordance with the concluded insurance contract;

8.2.3. A third party is any individual or legal entity who incurs losses due to activity or failure to act by the Insured or the Co-insured. The Policyholder, the Insured, Co-insured, relatives thereof to the third generation, the spouse and in-laws to the second generation, as well as companies related to the Policyholder, the Insured, Co-insured and their relatives to the third generation, the spouse or in-laws to the second generation in terms of the Law on Corporate Income Tax shall not be considered a third party.

9. Extent of the Insurance Coverage

9.1. If the parties have agreed upon the civil liability insurance and it is clearly stated in the concluded insurance contract, the following direct losses are indemnified in compliance with the compensation principles within the liability limits set forth in the insurance contract that have been caused by illegal activities or failure to act by the Insured or the Co-insured during the insurance validity period to third parties at the location of the insurance object:

9.1.1. damage to life or health of a third party:

1) losses related to medical treatment of the injured third party;

2) losses related to temporary or permanent incapacity for work of the injured third party;

3) losses related to death of the injured third party.

9.1.2. damages or loss of the third party property.

9.2. Court and case settlement expenses agreed upon with BTA that have been incurred in regard to consideration and adjustment of the action brought by third parties against the Insured or the Co-insured are indemnified not exceeding the liability limits. Expenses of the Insured or the Co-insured for the appeal against the decision taken by BTA are not indemnified.

10. Exceptions

10.1. BTA does not indemnify:

10.1.1. indirect losses, including decrease in anticipated profit and unearned income;

10.1.2. losses incurred due to damages to the property owned or managed by the Insured or the Co-insured;

10.1.3. losses for which the Insured or the Co-insured is liable in accordance with the contract or exceeding the extent of legal civil liability;

10.1.4. losses caused by construction, repair, renovation or reconstruction works

subject to a respective permit;

- 10.1.5. losses caused due to exploitation of a motorised land, water or air vehicle;
- 10.1.6. losses caused by durable circumstances, such as vibration, heat, stench, radiation, light, smoke, soot, vapour, humidity, gas, mould, toxic mould, mould fungus, stone bacilli;
- 10.1.7. losses caused by air, soil or water pollution;
- 10.1.8. losses caused due to the presence of use of asbestos;
- 10.1.9. losses caused by the Insured or the Co-insured as the owner, holder or supervisor of pets or animals held for commercial purposes;
- 10.1.10. penalties, fines, delayed interest, interest, as well as other legal or legitimate sanctions;
- 10.1.11. losses resulting in from a causal relationship of the Insured or the Co-insured being under the influence of alcohol, narcotic or toxic substances;
- 10.1.12. losses caused by the denigration of honour and dignity;
- 10.1.13. losses related to moral damage;
- 10.1.14. losses to be indemnified from the State social insurance budget according to regulatory enactments of the Republic of Latvia by granting pensions and benefits or from the State or municipal budget by receiving benefits;
- 10.1.15. losses caused due to professional activity or failure to act by the Insured or the Co-insured.

11. Insurable Event and Insurance Compensation Payment Procedure

11.1. For the purpose of the Terms and Conditions an insurable event is an event caused by activity or failure to act by the Insured or the Co-insured caused losses to a third party to be reimbursed in accordance with these Terms and Conditions provided that:

11.1.1. the said event is related to the management of the real estate specified in the insurance contract;

11.1.2. the said event takes place during the insurance period;

11.1.3. the said event takes place at the location of the insured object;

11.1.4. the loss recovery claim regarding this event is submitted to BTA no later than within a period of 3 (three) years after the expiry of the insurance contract.

11.2. All losses caused by the same reason or circumstances, continuous or repeated impact are considered one insurable event that has occurred during the insurance period in which the first loss recovery claim has been submitted.

11.3. Upon the occurrence of an insurable event, BTA pays out the insurance indemnity in the amount that corresponds to the amount of direct losses caused to a third party and the amount of the expenses referred to in Article 9.2 of these Terms and Conditions deducting the deductible specified in the insurance contract.

11.4. The insurance indemnity is paid out to a third party that incurs losses due to an insurable event or to the Insured or Co-insured if he or she reimburses the third party for the caused damages prior to disbursement of the insurance indemnity in accordance with the procedure set forth in the insurance contract or regulatory enactments.

11.5. The following conditions are applied to claim adjustment:

11.5.1. in the event that the Insured, Co-insured or another person on his or her behalf without written agreement with BTA gives a promise to a third party regarding claim settlement, such promise is not binding on BTA;

11.5.2. if, contrary to BTA recommendations, the Insured or the Co-insured refuses to settle claims of a third party for the amount recommended by BTA, BTA is entitled to pay out the insurance indemnity only in the amount recommended by BTA for the claim settlement.

11.6. Upon agreement of the parties, BTA is entitled to take over and examine and settle on behalf of the Insured or the Co-insured any claim or complaint, or to find an amicable solution stage or instance of its consideration, as well as to bring an action and represent the interest of the Insured or the Co-insured in court. BTA is free to choose the way and strategy of settlement of a claim, but the Insured and the Co-insured are obliged to provide BTA with all required information or assistance to settle this procedure, including granting BTA the required authorisation.

11.7. If loss prevention or minimisation measures are not taken due illegal activities of the Insured, the Co-insured or the Policyholder and therefore the amount of losses increases, BTA is entitled to respectively reduce the insurance indemnity when calculating it.

11.8. If other persons reimburse third parties for the caused loss, BTA only pays out the difference between the amount of insurance indemnity to be paid out in accordance with the insurance contract and the amount reimbursed by other persons. The Insured or the Co-insured is obliged to inform BTA of such reimbursement, also in the event when such reimbursement is received after BTA has already paid out the insurance indemnity or after the expiry of the insurance contract, then the Insured or the Co-insured shall pay back to BTA the part of the insurance indemnity amounting to the amount reimbursed by other parties.

11.9. If it is established that several persons are jointly liable for the losses, the insurance indemnity is paid out to the third parties in proportion to the level of liability of the Insured or the Co-insured.

III. OTHER TERMS AND CONDITIONS

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

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

14. The BTA General Insurance Terms and Conditions and these Terms and Conditions are published at the BTA website on the Internet <http://www.bta.lv>.

15. These Terms and Conditions take effect when the BTA Board approves them.