

# IJSC BALTA COMMERCIAL PROPERTY INSURANCE TERMS AND CONDITIONS NO. 1201.06



This is the English translation of insurance terms and conditions and can be used for informational purposes only. In case of conclusion of insurance contract only insurance terms and conditions in Latvian are binding.

## 1. THE TERMINOLOGY USED IN THE TERMS AND CONDITIONS

- 1.1. **Sum insured** – The amount of money for which the insurance object is insured.
- 1.2. **Insured object** – the immovable and/or movable property (movables) indicated in the insurance policy.
- 1.3. **Insured's employee** – a natural person employed and/or acting on behalf of the Insured under an employment or services contract.
- 1.4. **Insured** – the person indicated in the insurance policy, for the benefit of whom the insurance agreement is concluded and who has the insured interest.
- 1.5. **Beneficiary** – the individual indicated in the insurance policy for the pay-out of the insurance indemnity or a part thereof in the cases stipulated in the policy.
- 1.6. **Indemnity limit** – the maximum total amount of disburseable insurance indemnities within an insurance period, which is intended for the indemnification of the particular types of losses. The indemnity limit is included in the sum insured under the insurance agreement unless the insurance agreement provides otherwise. The under-insurance terms and conditions do not apply when an indemnity limit is determined.
- 1.7. **Indemnified losses** – the losses calculated in accordance with these Terms and Conditions that are the direct result of the occurred insured event before deducting the deductible.
- 1.8. **Deductible** – part of losses indicated in the insurance policy, expressed as a fixed amount or as percentage, deductible from the covered losses, calculating the indemnity for each insured event. In the event of indemnity limit, deductible is the part of losses that are deducted from total losses before applying the indemnity limit. Regardless of the number and type of damaged objects only one highest deductible shall apply in respect of one insured event.
- 1.9. **Improvement of the territory** – fencing, gates and/or a barrier, squares, access roads and pedestrian paths, outdoor lighting, permanent watering systems, flagpoles, separately located and permanently fixed advertising pylons, benches and tables permanently fixed to the ground, children playgrounds, decorative landscape architecture elements (sculptures, fountains, ponds, etc.).
- 1.10. **Market value** – market value of the immovable property calculated by a certified valuator in accordance with the standards approved by the Latvian Association of Property Appraisers.
- 1.11. **Third party** – any individual or legal entity except the policyholder, the insured, the employees of the policyholder or the insured.
- 1.12. **Over-insurance** – a case when the sum insured exceeds the value of the insured object.
- 1.13. **Under-insurance** – The case when the sum insured is lower than the value of the insurance object.

## 2. INSURED OBJECT

- 2.1. Immovable property shall be buildings, premises, repairs of premises, improvement of the territory and engineering constructions.

- 2.2. **Buildings** are insured including all their principal components, i.e., the structural elements, interior and exterior finish, glazing, awnings (marquees) of buildings, blinds, video cameras, built-in communication lines and equipment which are integral parts of the buildings, are connected with the building in a fixed manner and are intended for the exploitation thereof (heating, water supply, sewerage, power supply, communication, ventilation, air conditioning systems and equipment, plumbing, fire extinguishing equipment and anti-burglary devices, lifts, and alike), as well as external utility lines (pipelines, cables, etc.) which are branch lines between the building and the point of connection to the main line, operated and maintained by the insured.
- 2.3. **Premises**, including apartments, are insured including all their principal elements described in Paragraph 2.2 which establish the borders of such premises or are located within the premises; in addition the undivided share of the joint property of the building in which the insured premises are situated is insured in the scope of the area of the insured premises in proportion to the total area of the building.
- 2.4. **Repairs of premises** are insured including the finish of the indoor walls, ceilings and floors up to load-bearing structural elements, glazing, windows, doors and other inbuilt communications and equipment as described in Paragraph 2.2.
- 2.5. The **movable property - movables** shall be **technological equipment, machinery, equipment, inventory, stock** (goods, raw materials and packaging materials, unfinished and finished production) and other movable material objects not specified in Paragraphs 6 and 7.1 hereof. The movables are insured in accordance with the list attached to the policy or, if no such list has been attached, it is deemed that all the movables which are to be included in the fixed assets and the inventory according to the applicable laws and regulations and, based on their application or functionality, belong to the groups of movables indicated in the policy are insured.
- 2.6. Movables are insured only if they are located at the address or in the territory indicated in the policy and are located in buildings or premises. Any movables left outside buildings and premises at the address or within the territory specified in the policy are insured if the specifics of the use of such movables allows it. However, the risk of malicious acts by third parties for such movables is covered only if the movables are located in a fenced territory with round-the-clock security guarding as stipulated in Paragraphs 8.1.6 - 8.1.7. Warehouse forklifts with lifting capacity up to 3.5 tons used indoors are insured when they are not in use, are not in motion and with engine off.
- 2.7. Only the real property commissioned following the procedures established in the laws and regulations applicable in the Republic of Latvia shall be insured, save any of the cases specified in Paragraph 6.1.10.

## 3. SUM INSURED

- 3.1. The sum insured shall be determined by the policyholder. The policyholder assumes full liability for the correspondence of the sum insured to the value of the insured object in compliance with Paragraphs 3.2 and 3.3 hereof. If the insured is entitled to deduct the value added tax (VAT) charged when acquiring the insured object, the sum insured excludes VAT. In case when the

insured is entitled to partly deduct the VAT, the sum insured includes the VAT share that was not deducted. If the sum insured does not correspond to the value of the insured object, the over-insurance or underinsurance conditions shall apply upon occurrence of an insured event.

- 3.2. The **value of immovable property** shall be determined based on:
- 3.2.1. the replacement value which shall be equal to the lowest restoration costs for repairing the insured real property (in the event of total loss as per Paragraph 9.6) to the quality and scope the immovable property had immediately before the occurrence of the insured event;
  - 3.2.2. the actual value which shall be equal to the replacement value, less the depreciation. The actual value shall be used if the physical wear of the insured immovable property exceeds 40%.
- 3.3. The **value of movables** shall be determined:
- 3.3.1. for technological equipment, machinery, equipment and inventory, based on the replacement value which shall be equal to the lowest costs for the purchase (including transportation, designing and installation/assemblage costs) of movables of the same type and the same quality or the lowest necessary expenditure to restore the insured movables to the quality and scope they had immediately before the occurrence of the insured event. Unless otherwise agreed in the insurance policy, the purchase value of these objects shall be considered to be the purchase value;
  - 3.3.2. for goods, raw materials and packaging materials (except the finished products of the insured company), based on the replacement value which shall be equal to the lowest costs for the purchase of goods and raw materials of the same type and quality;
  - 3.3.3. for unfinished and finished products, based on the prime cost of the produce which shall be equal to the lowest expenditure necessary to restore the products to the quality and scope they had immediately before the occurrence of the insured event.
- 3.4. If the sum insured is specified as the indemnity limit, the underinsurance provisions shall not apply in such cases.

#### 4. INSURED RISKS

The insurance covers sudden and unforeseeable direct damage to the insured object or total loss of the same, provided that such damage or loss has occurred as a result of the insured risks stipulated in the insurance policy, has not been specified as an exception in the contract and has occurred within the effective period of the insurance contract.

- 4.1. **The risk of fire.** For the purposes of this insurance contract, risk of fire shall be:
- 4.1.1. **Fire** – unforeseen and uncontrollable burning with open flames originating from a place either intended or unintended for fire, wherefrom it continues spreading further independently, including impact of smoke, soot and fire extinguishers (water, foam, and alike) resulting from fire;
  - 4.1.2. **Stroke of lightning** – direct impact of lightning onto the insured object resulting in external physical damage to the insured object;
  - 4.1.3. **Explosion** – instantaneous (explosive) substance or mixture transformation that causes increased pressure (shock wave). An explosion of a container (a boiler, pipeline, etc.) shall be a sudden ripping expression of the pressure force when the walls of the container being

destroyed to the extent that the pressure inside and outside the container levels off;

- 4.1.4. **Falling of a piloted aircraft, its parts or any freight carried by an aircraft** onto the insurance object, regardless of whether this event has or has not caused fire
- 4.2. **The risk of Acts of God.** For the purposes of this insurance agreement the risk of Acts of God shall be:
- 4.2.1. **Storm** – wind (incl., gusts) with speeds exceeding 17.2 m/sec. or force 8 on Beaufort's scale (according to the data reported by the weather station located nearest to the insured object or when there is damage and destruction found in the immediate vicinity of the insured object which clearly indicates such a natural phenomenon);
  - 4.2.2. **Flooding** – inundation of the land plot on which the insurance object is located with water flowing over the boundaries of any natural watercourses;
  - 4.2.3. **Hail** – the direct impact of the solid precipitation in form of hailstones on the insurance object
  - 4.2.4. **Earthquake** – fluctuations of the earth's crust of at least magnitude 4 on Richter scale or at least magnitude 5 on the international earthquake intensity scale MSK-64;
  - 4.2.5. **Continuous snowing** – sudden increase of the snow layer by at least 100 mm over 12 hours (according to data provided by the nearest meteorological station or when other evidence is obtained which clearly indicates such a natural phenomenon in the immediate vicinity of the insured object) if damage has occurred during the time of snowing or within 48 hours after the snowing;
  - 4.2.6. **Falling of trees** (including branches), **masts, poles** onto the insured object;
  - 4.2.7. **Falling of items** on the insured object due to storm as explained in Paragraph 4.2.1.
- 4.3. **The risk of liquid or steam leakage.** For the purposes of this insurance contract, the risk of liquid or steam leakage shall be:
- 4.3.1. Breakage of the pipelines of the building, their appliances and equipment, i.e., sudden or unforeseen rupture or burst thereof, including due to freezing of the pipelines;
  - 4.3.2. Acts or omission by a person which result in leakage of liquid or steam from the utility lines of the building;
  - 4.3.3. Leakage of liquid resulting from automatic reaction of the stationary automatic fire extinguishing systems and equipment (sprinklers and alike).
- 4.4. **The risk of malicious acts by third parties.** For the purposes of this insurance contract, the risk of malicious acts by third parties shall be:
- 4.4.1. **Burglary** – intentional, unlawful taking of other's property when a third party unlawfully enters the insured immovable property or the immovable property where the insured movables are located. Unlawful entry has occurred if there are clear signs of breaking in, i.e., locks have been opened forcibly or any barriers have been removed to enter the locked immovable property (building, premises or territory) through windows, doors, walls, roof etc.;
  - 4.4.2. **Robbery** – attack on the Insured's employees or persons providing the security guarding of the insured object related to violence or threats of violence and being dangerous to one's life or health with an aim to acquire the insured property;
  - 4.4.3. **Malicious damage** – deliberate unlawful destruction or damage of the insured property (in the meaning of Section 185 of the Criminal Law);
- 4.5. **The risk of glazing damage.** For the purposes of this insurance contract, damage of glazing shall be accidental

damage of the insured property's glazing resulting from actions of or omission by an individual. For the purposes hereof, glazing shall be the glass surfaces which are part of the structure of the immovable property (windows, doors, glass walls, and alike), as well as separately standing glass showcases intended for display or storage of goods.

- 4.6. **The risk of collision.** For the purposes of this insurance contract, a collision shall be a direct impact made by any land vehicle, loading or unloading mechanism on the insured object.

## 5. ADDITIONAL INDEMNIFIABLE LOSSES

In addition to the insurance objects and sums insured specified in the policy, the Insurer indemnifies the losses described in Paragraphs 5.1 – 5.6 of these Terms and Conditions, provided that they are the consequences of the onset of the risk covered by the policy.

- 5.1. Expenses of rescue and clean-up operations. The indemnity limit of up to 10% of the sum insured for the affected object shall apply to such expenses, but not more than EUR 70,000 (seventy thousand Euro). Expenses for rescue and clean-up operations shall be:
- 5.1.1. All claimed and proved reasonable costs incurred by the insured for emergency liquidation of damages to the insured object, reduction of related losses and related salvage measures;
  - 5.1.2. All claimed and proved fire extinguishing costs which are justified and necessary to prevent the destruction of the insured object and reduce losses, except any wages and payments similar to wages;
  - 5.1.3. Costs of removal of debris and cleaning works, as well as removal and destruction of the damaged insured object (incl., dismantling of equipment, breakdown or demolition of parts of buildings or expansion of openings).
- 5.2. Losses from damage to or loss of the improvement of the territory shall be up to 5% of the sum insured for the buildings, but not more than EUR 15,000 (fifteen thousand euros). These losses shall only be indemnified provided that the insured object indicated in the policy is a building. Only the improvement of the territory on the parcel of land on which the insured building stands in accordance with the land border plan shall be covered by insurance.
- 5.3. Losses from damage to or loss of low-value items not included in the fixed assets or the inventory. The indemnity limit of EUR 7,000 (seven thousand Euro) shall apply to such losses. These losses shall only be indemnified provided that the insured object indicated in the policy is a movable and the low-value item is located in the buildings or premises specified in the policy.
- 5.4. Losses from damage to or loss of movables accepted under possession, use or bailment on whose owner there is no entry made in the policy. The indemnity limit of EUR 7,000 (seven thousand Euro) shall apply to such losses. In such case, the owner of the property shall be the insured. These losses shall only be indemnified on the condition that the movable is located at the address of the insured object indicated in the policy.
- 5.5. Losses from damage to or loss of advertising facilities and signboards which are fixed to the insured object in a stationary manner as well as losses caused to glazing decorations. The indemnity limit of EUR 7,000 (seven thousand Euro) shall apply to such losses.
- 5.6. Losses from damage to or loss of property item (movable) under ownership, use, possession or bailment of the insured's employees when it is located in the building or the room indicated in the policy. The indemnity limit of EUR 7,000 (seven thousand Euro) shall apply to such losses, but not exceeding EUR 700 (seven hundred Euro) per person. These losses shall

only be indemnified provided that the insured object indicated in the policy is movables.

- 5.7. Losses from damage to or loss of insured movables that are located at the permanent residence of the insured's employees in the territory of the Republic of Latvia and is necessary for performing work duties. The indemnity limit of EUR 7,000 (seven thousand Euro) shall apply to such losses, but not exceeding EUR 3,000 (three thousand Euro) per one event. These losses shall only be indemnified provided that the insured object indicated in the policy is movables.

## 6. RESTRICTIONS

Only if specifically indicated in the insurance policy, the following will be insured in addition to what is stated in Articles 2.1. to 2.7:

- 6.1. Jewellery, precious metals, precious stones and other objects of value;
- 6.2. Collections, paintings, unique and antique items;
- 6.3. Cash on hand and in the strongbox;
- 6.4. Computer software purchased and intended for use with the particular hardware;
- 6.5. Samples, exhibits;
- 6.6. Gambling, money exchange, automated teller and cash deposit machines;
- 6.7. Land vehicles, water and air craft as goods;
- 6.8. Property items (things) located outside the buildings or premises;
- 6.9. Immovable property not yet put into operation – unfinished or at the construction stage;
- 6.10. Constructions not intended for long-term exploitation (mobile living units, premises created by means of inflatable structures, tents, a.o.);
- 6.11. The insured object in possession, use or bailment of the insured under an agreement, save the cases stipulated in Paragraphs 5.4 and 5.6 hereof;
- 6.12. Greenhouses of any type;
- 6.13. Engineering structures of any type (incl., structures connected to building, such as lagoons, railway tracks etc.), except improvement of the territory.

## 7. EXCEPTIONS

- 7.1. Losses caused by the below are not indemnified:
- 7.1.1. War, invasion, foreign enemy operations (with or without declaration of war), rebellion, revolution, revolt, public disturbances, military or usurped authorities;
  - 7.1.2. Terrorism (as defined in the Latvian Criminal Law). No losses or costs directly or indirectly caused by any measures of liquidation of any damages resulting or potentially resulting from terrorism shall be covered;
  - 7.1.3. Decisions made by the state, municipal or judicial authorities of the Republic of Latvia;
  - 7.1.4. Nuclear explosion, radiation or radioactive contamination;
  - 7.1.5. Malevolent intent or gross negligence by the insured or the policyholder, their employees or third parties under whose possession, use or bailment the property has been transferred;
  - 7.1.6. Wear of the insured property due to vibration, long-lasting or gradual processes (incl., corrosion, accumulation of condensate, dry and wet rot, mildew, fungi, bacteria, other natural, microbiological processes), insects or animals, none of which have caused any other risks insured under the policy; In the event of liquid or steam leakage risk, no losses will be indemnified for the part of the utilities directly damaged due to the causes mentioned in this paragraph;

- 7.1.7. Seepage from the pipeline systems of the insured object;
  - 7.1.8. Consequences of cracking, collapse, sinking of the foundation, shifting or sinking of the building or structure, unless caused by any of the risks insured under the policy;
  - 7.1.9. Mechanic or electric breakage of any kind (incl., overvoltage, faulty insulation, short circuit, device failure etc.) that has not caused outbreak of fire;
  - 7.1.10. Damage to or loss of stock (goods, raw materials and packaging materials, unfinished and finished production) if it has occurred in the process of production or storage, including due to any disturbance in or disruption of the production process or storage conditions;
  - 7.1.11. Emergencies associated with any pipelines, their devices and equipment located outside the building or structure specified in the policy and not operated or maintained by the insured;
  - 7.1.12. Rising of wastewater levels;
  - 7.1.13. Overflow or breakage of external water collection and drainage systems, roof downspouts;
  - 7.1.14. Impacts of precipitation water, groundwater, hail, snow or mud, including when penetrating into the property through windows, doors, the roof, walls, structural element connections, cracks and other apertures, provided that such losses have not occurred due to the onset of any of the insured risks;
  - 7.1.15. Expected flooding (if the insured property or its territory has already been flooded during the last five years)
  - 7.1.16. Continuous snowing if the applicable laws regarding construction and other regulatory norms regarding the operation of the property and snow removal from the roof have not been complied with or the insured has not ensured removal of snow from the roof within 48 hours after the snowing. The 48-hour period mentioned in this paragraph shall not include weekends and public holidays.
  - 7.1.17. Pollution, littering and/or contamination of the environment;
  - 7.1.18. Damage to or loss of immovable property which is in unsafe condition and the movables in it. Immovable property or any part thereof is considered to be in unsafe condition if its wear and tear exceeds 70% or if it has been acknowledged as unsafe, environment-degrading, collapsed or dangerous for people by a competent state or municipal authority;
  - 7.1.19. Damage to or loss of arms, ammunition and explosives;
  - 7.1.20. Damage to or loss of property gained through smuggling or other illegal manner and/or to which the Insured does not/cannot have any ownership title;
  - 7.1.21. Damage to or loss of water craft, aircraft, tractors (incl., special ones), land vehicles subject to registration, except for warehouse forklifts mentioned in Paragraph 2.6 of the Terms and Conditions;
  - 7.1.22. Damage to or loss of plants, animals and soil;
  - 7.1.23. Damage to or loss of securities, documents, statements, plans, original technical drawings, models, archives stock;
  - 7.1.24. Defrauding, misappropriation, extortion, mystical disappearance of the property and similar situations;
  - 7.1.25. Exposure to asbestos and compounds thereof;
  - 7.1.26. Damage to or loss of immovable property or part of such property and things (movables) in it if they are not used on regular basis. Property not used on regular basis shall include facilities in which no business operations have taken place for more than 30 (thirty) consecutive days and in which there are no employees of the policyholder or the insured, or any persons to whom the property has been provided for possession, use or safe custody. The property shall not be deemed as not used on regular basis if, subject to the provisions of Paragraphs 8.1.3 to 8.1.7 hereof, it has a security alarm system that is connected to a guard post, or 24-hour guarding is assured in it;
  - 7.1.27. Malicious acts by third parties, if the requirements specified in Paragraph 8.1.8 are not fulfilled;
  - 7.1.28. Damage to or loss of work and materials invested during the construction before the commissioning of the building;
  - 7.1.29. Results of any construction, reconstruction or repair operations the performance of which requires a project approved by the construction board. However, such losses will be indemnified regarding the insured buildings, premises and repairs to the premises with the indemnity limit of EUR 15,000 (fifteen thousand Euro) for a single insured event, applying the deductible of EUR 1,500 (fifteen hundred Euro), unless a higher deductible is fixed in the policy;
  - 7.1.30. Results of testing, assembling or dismantling operations in the insured object, address or territory indicated in the policy;
  - 7.1.31. Performance of cutting, welding, soldering or other operations in the insured object, address or territory indicated in the policy using open fire in violation of the fire safety requirements, or performance of any such operations by a person or persons with no special training or qualification for the performance of the work, irrespective of whether such work is performed by the employees of the policyholder or the insured, or whether the performance of the work has been ordered from any third parties;
  - 7.1.32. Use of faulty technical drawings, calculations, design, poor quality works, inappropriate or low quality construction materials;
  - 7.1.33. Damage or loss caused by errors or alterations in any computer or electronic system, software or data (including malicious or accidental activity, computer viruses, loss or corruption of data, interference with access, unauthorized access or alteration).
- 7.2. These Insurance Terms and Conditions shall not cover the person's third party liability, unearned profits, losses due to delayed supplies, demurrage in manufacturing, trading, failure of contractual obligations, contractual penalties and other losses of financial or indirect character even though they result from the occurrence of an insured risk.

## **8. OBLIGATIONS OF THE POLICYHOLDER AND THE INSURED**

### **8.1. Obligations of the policyholder and the insured during the insurance period**

- 8.1.1. The policyholder and the insured shall comply with the laws and regulations, construction standards, technical exploitation, health and safety and fire safety rules applicable in the Republic of Latvia.
- 8.1.2. If the immovable property is equipped with a fire alarm, it shall be permanently switched on.
- 8.1.3. If the immovable property is equipped with a security alarm, it shall be switched on outside the working hours of the company, in all the premises in which the employees of the insured or the policyholder are not present.

- 8.1.4. The installed alarms shall be regularly serviced and tested in accordance with the provisions of the laws and regulations, but, in the absence of the same, in compliance with the manufacturer's recommendations. The conducted tests shall be registered.
- 8.1.5. Where the alarm systems are connected to a station of an external security company, a contract on the provision of security services shall be signed with the company, and such contract shall contain provisions for the arrival of a security patrol at the location of the incident in the event of receiving an alarm signal.
- 8.1.6. Where security guarding is provided for the insured object, the security guarding shall mean either the employees of the security company which the contract on provision of security services has been concluded with or the employees of the insured company which duties under the employment contract include security guarding works.
- 8.1.7. The security guarding shall include rounds for the building and the territory at least once in two hours, except for the premises equipped with the security alarm and the territory completely monitored by video surveillance cameras and the alarm signal transmitted to the local guarding station. The rounds shall be registered.
- 8.1.8. Outside the working hours, all the entrances and windows shall be locked in order to prevent entry of any unauthorised persons. This provision shall not apply to the common use areas of a public building (residential buildings, hospitals, and alike) which are used round-the-clock.
- 8.1.9. Where there are automatic fire extinguishing systems (sprinklers, and alike) installed in the object, such shall be regularly serviced and examined in compliance with the provisions of laws and regulations but in the absence of the same, in compliance with the manufacturer's recommendations. The conducted tests shall be registered.
- 8.1.10. All the premises shall be equipped with a sufficient number of suitable manual fire extinguishers. The manual fire extinguishers shall be valid, with a valid expiry date and duly labelled.
- 8.1.11. Where the movables – stocks are insured against the risk of leakage of a liquid or steam, such stocks shall be placed on a hard platform at least 10 cm above the floor level.
- 8.1.12. Where an object which is incomplete or under construction is insured or the construction operations are commenced in an insured object during the validity of the policy, all permits and approvals required under the laws and regulations applicable in the Republic of Latvia shall be obtained prior to the commencement thereof, and the works shall be performed in compliance with the developed design.
- 8.1.13. During the validity of the insurance contract, the policyholder and the insured shall inform the insurer in writing about all circumstances known to them which may increase the likelihood of the occurrence of the insured risk, among others, concerning:
- 8.1.13.1. Changes in the type of business or termination of the business operations of the insured;
- 8.1.13.2. The insured immovable property becoming not used on regular basis;
- 8.1.13.3. Changes in the security systems of the insured immovable property (i.e., fire and security alarms, security guarding, automatic fire extinguishing systems, and alike);
- 8.1.13.4. Lease, mortgage or other encumbrance under property and/or obligations law and/or debts of the insured object, alienation or other bans imposed on the insured object, as well as restrictions imposed on the property and/or use right to the insured object.
- 8.2. **Obligations of the insured after the occurrence of the insured risk**
- 8.2.1. The insured shall take all possible and reasonable measures to reduce the loss.
- 8.2.2. The insured shall immediately report to the appropriate rescue service or police:
- 8.2.2.1.
- 8.2.3. The insured shall inform the insurer by telephone or in writing within 2 (two) business days or as soon as possible on the occurrence of the insured risk or any event which may be considered as insured risk and arrange the time of examination of the location where the insured risk occurred with the insurer. The insured shall, as soon as possible, take all possible and reasonable measures to minimise losses.
- 8.2.4. After the occurrence of the insured risk, but before the insurer has examined the damaged or destroyed insured property and drawn up the inspection report, no rectification of any damage or movement, removal or renewal of the insured property and any parts thereof shall be permitted without written consent of the insurer. It is only permitted to take immediate measures in order to prevent further losses.
- 8.2.5. After the submission of the insurance claim, the insured shall give the insurer's representative or its appointed expert a possibility to examine the place of occurrence of the insured risk and the damaged insured object and to provide the insurer with a possibility to conduct investigation in order to determine any causes of occurrence of losses and the scope thereof. After the examination of the place of occurrence of the insured risk, the insurer's representative shall issue an inspection report of a certain format on the identified damage and give instructions which shall be mandatory for the insured. Should the insurer fail to conduct the examination within 3 (three) business days after the date of receipt of the insurance claim and fail to notify on the reasons and duration of the delay thereof, the insured may start the clean-up and repair operations.
- 8.2.6. The insured shall submit all the information and documents requested by the insurer to evidence the fact of occurrence of the loss and the extent thereof.
- 8.2.7. Upon the insurer's request, the insured shall submit to the insurer the list of the damaged, stolen or destroyed insured property and the documents certifying the ownership title thereof. The value of the insured property and its condition directly before occurrence of the insured event shall be indicated in the list.
- 8.2.8. If the policyholder or the insured fails to perform any obligations before the deadlines specified in the insurance agreement, the policyholder or the insured shall prove that performance of the obligations under the insurance agreement before the deadline specified in the insurance agreement was not possible.
9. **CALCULATION AND PAY-OUT OF THE INSURANCE INDEMNITY**
- 9.1. The amount of the losses shall be calculated considering the value of the insured object directly before the occurrence of the insure event. The insurer shall have the right to determine the

- method for the calculation of the losses.
- 9.2. The value of the insured object directly before the occurrence of the insured event shall be determined in accordance with the provisions of Paragraphs 3.2 and 3.3 of the Terms and Conditions. If the insured and the insurer are unable to agree on the value of the property immediately before the occurrence of the insured event, the value of the immovable property shall be established by a hired certified valuator.
  - 9.3. The VAT or its share that is included in the covered losses is determined according to provisions of Paragraph 3.1 of the Terms and Conditions.
  - 9.4. In the case of underinsurance, the covered losses shall be calculated in the proportion of the sum insured specified in the insurance policy against the value of the insured object. For the purposes of this contract, under-insurance has occurred when the sum or insurance is lower than the value of the object by more than 10%.
  - 9.5. In the event of over-insurance, the indemnity shall not exceed the actual losses and the value of the insured property.
  - 9.6. The insured object is understood to be lost totally if the insurer or an expert hired by them has acknowledged that rectifying the damage is technically unfeasible or the expected insurance indemnity exceeds 70% of the value of the insured property immediately prior to the occurrence of the insured event. If the useful remains stay with the insured, the value of the useful remains shall be deducted from the losses to be indemnified;
  - 9.7. **In the event of total loss of the insured object, burglary or robbery:**
    - 9.7.1. The estimation of the losses to be indemnified shall be based on the costs for the purchase or restoration of an object of the same type and quality.
    - 9.7.2. If the insured object is immovable property which the actual value shall apply to, the depreciation shall be deducted from the losses to be indemnified.
    - 9.7.3. The insured shall make the decision to restore the building and communicate it to the insurer in writing prior to the receipt of the insurance indemnity. If the totally lost insured immovable property is not restored, the losses to be indemnified shall equal the market value, but not exceeding its value immediately prior to the occurrence of the insured event. If construction operations are launched to restore the building after the pay-out of the indemnity in the amount of the market value, the insurer shall pay the insured the difference calculated by subtracting the market value from the replacement or actual value, but not exceeding the sum insured of the immovable property as indicated in the policy.
  - 9.8. **In the event of partial damage of the insured object:**
    - 9.8.1. The estimation of the losses to be indemnified shall be based on the costs for the restoration of an object of the same type and quality;
    - 9.8.2. If the insured object is immovable property which the actual value shall apply to, the depreciation shall be deducted from the losses to be indemnified;
    - 9.8.3. When restoring movables (technological equipment, machine tools, systems or inventory), no depreciation shall apply, whereas, when restoring such movables that are older than 10 years, the insurer shall reduce the losses to be indemnified by 25% due to the wear and tear of the facilities and the depreciation;
    - 9.8.4. The estimation of the losses to be indemnified for the insured movables (inventory which is in the process of production) shall be based on their cost price, i.e., the direct manufacturing, material, labour costs and the administrative costs;
    - 9.8.5. The estimation of the losses to be indemnified for any movables not mentioned in paragraphs 9.7.3 and 9.7.4 shall be based on the costs for the restoration of equal movables or movables of the same type and quality, less the depreciation;
  - 9.9. Upon the pay-out of the indemnity, the deductible indicated in the policy shall be deducted from the losses to be indemnified.
  - 9.10. Where the risk of collision has occurred and, according to the provisions of the laws and regulations, the insured is entitled to ask for the full indemnity of the loss from an insurance company registered in Republic of Latvia, which has insured the vehicle owner's third party liability of the owner of vehicle that caused the damage in the road traffic accident, the insurer shall not withhold the deductible indicated in the policy from the disbursed indemnity.
  - 9.11. The insurer is entitled to decide and determine that insurance indemnity for purchase or restoration will be paid:
    - 9.11.1. To the construction company or another company approved by the insurer. In such case, the insured shall pay the deductibles indicated in the insurance policy to the insurer prior to the payment of the losses to be indemnified. If the insured does not want to pay the above amount, the restoration, reparation or replacement costs shall be reduced by the amount of the deductible;
    - 9.11.2. To the insured in cash, in which case the taxes, overhead costs and profit applicable to the performance of the repair or restoration work, purchase of the construction materials or movables, and transportation services shall only be compensated after accounting documents are submitted.
  - 9.12. The insurer is entitled to withhold the unpaid part of the insurance premium for the entire period of validity of the insurance agreement from the disburseable indemnity.
  - 9.13. In cases when repair or restoration of the insured object is planned, the insurer is entitled to establish the procedure for the receipt of the insurance indemnity by splitting the amount of the insurance indemnity into several payments. The insurer pays out the first portion of the insurance indemnity, which shall not exceed 50% of the calculated amount of the insurance indemnity, after making the decision regarding the payment of the insurance indemnity. The remaining parts of the insurance indemnity shall be paid by the insurer after the completion of the particular volume of work.
  - 9.14. The right of the insured to receive the insurance indemnity for the restoration of the insured object shall lapse if the restoration of the object has not been commenced within 2 (two) years of the date of the insurer's decision regarding the pay-out of the insurance indemnity.
  - 9.15. Following the disbursement of the insurance indemnity, the sums insured indicated in the policy shall be renewed to their full extent without the payment of an additional insurance premium. If a building has been destroyed as a result of the insured event, the total sum insured shall be reduced by the value of the destroyed building.
  - 9.16. The insurer shall pass the decision on the disbursement of the indemnity or the refusal to disburse the indemnity within 15 (fifteen) days after the date of receipt of all necessary documents including those requested by the insurer.
  - 9.17. If criminal or administrative proceedings have been brought or a process has been commenced for any administrative violation in association with the case and the clarification of the circumstances within the criminal or administrative proceedings of the administrative violation process is essential for the decision to be issued by the insurer, the term fixed in Paragraph 9.15 of the Terms and Conditions shall not apply, and this shall be duly notified to the policyholder, the insured, the beneficiary, or the third party as appropriate. The insurer shall issue the decision within not more than 15 days of the receipt of the final judgement.

- 9.18. The insurer is entitled not to disburse the indemnity if:
- 9.18.1. The insured has deluded the insurer malevolently or through gross negligence regarding the circumstances of the insured event or the scope of the loss;
  - 9.18.2. The insured does not produce the remains of the damaged items, except in the cases of total destruction;
  - 9.18.3. The Insured has not submitted to the police a list of the specific stolen or robbed items or the police does not confirm the fact of stealing or robbing of the particular items;
  - 9.18.4. Rescue service or police do not confirm the fact of occurrence of the respective insured risks.