



SPECIAL MACHINERY INSURANCE TERMS AND CONDITIONS NO 5.7/5

Gjensidige



Special Machinery Insurance Terms and Conditions No 5.7/5

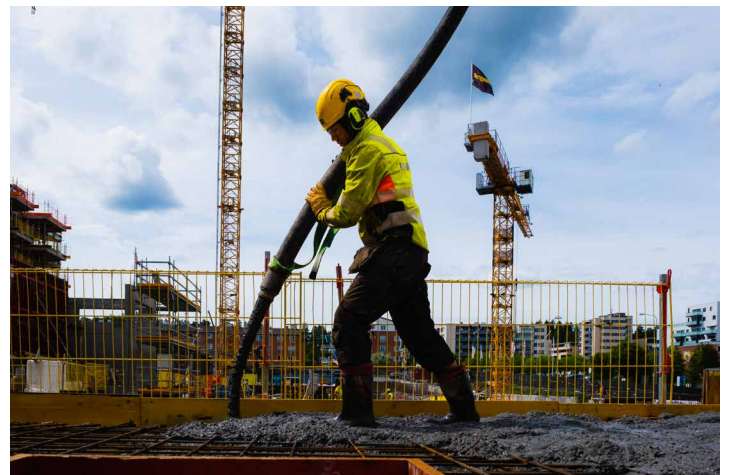
Valid as of May 28, 2024.

1. TERMS AND DEFINITIONS

- 1.1. Terms used in these Terms and Conditions but not explicitly defined herein, shall bear the same meaning as defined in the General Insurance Terms and Conditions of ADB "Gjensidige" Latvian branch.
- 1.2. **Machinery** - fixed or mobile machinery used in the agriculture, construction, forestry operations, servicing, warehouses, ports, etc.
- 1.3. **Equipment** - Equipment or mechanisms to be attached to the Machinery in any manner, which are not intended for use without the Machinery.
- 1.4. **Auxiliary Equipment** - the equipment which has not been installed or mounted on the Machinery by the manufacturer of the Machinery or by an authorised dealership's repair garage of the respective model before the initial registration of the Machinery.
- 1.5. **Glass** - a windscreen, side and rear windows, a glass sunroof of the Insurable Object.
- 1.6. **Regularly replaceable parts** - drills, crowbars, chisels, knives and other cutting surfaces, saw blades, thread cutters, forms, patterns, pulping and crumpling surfaces, riddles and grates, tows, nets, ropes, straps, chains, travelling belts for elevator and conveyor, batteries, tyres, jumper wires and cables, elastic pipes, regularly replaceable connections and airtight materials.
- 1.7. **Lawful User** - a person who uses the Insurable Object with the owner's permission by virtue of a power of attorney, hire, lending or leasing agreement, or based on any other lawful grounds.
- 1.8. **Self-ignition** - sudden and uncontrollable burning of the Insurable Object with open fire due to internal mechanical or electric damages.
- 1.9. **Hire** - transfer of the Machinery to another person on a fee basis (except of leasing cases) by means of a written contract;
- 1.10. **Total Loss** - the Insurable Object shall be deemed as a total loss, if the Insurer or the involved experts have admitted that its repair is technically infeasible or that the expenses to eliminate the damage exceed 70% of the Market value of the Insurable Object directly before the occurrence of the Insurable Event.
- 1.11. **Acquisition Value** - the amount of money for which a new machinery of a given make, model, configuration can be purchased immediately before the occurrence of the Insurable Event.
- 1.12. **Market Value** — the least necessary amount of money (including VAT), for which a Machinery, Equipment or Auxiliary Equipment of the respective make, model, year of issue, wear degree and configuration may be bought.
- 1.13. **Limit of indemnity** - the maximum indemnifiable loss during the Period of Insurance in the event of the occurrence of a specified risk or for the indemnification of a specified type of loss. The limit of indemnity is included in the sum insured, unless otherwise specified in the Insurance Contract. In the event of defining a limit of indemnity, the Underinsurance rules do not apply.
- 1.14. **Limit of Additional indemnity** - the maximum indemnifiable loss during the Period of Insurance in the event of the occurrence of a specified risk or for the indemnification of a specified type of loss. Unless otherwise specified in the Insurance Contract, the limit of the additional indemnity is in addition to the Sum Insured specified in the Insurance Contract. In the

event of defining a limit of additional indemnity, the Underinsurance rules do not apply.

- 1.15. **Insurance Coverage Territory** – the territory specified in the Insurance Contract (territory, address, area, country or region), where the Insurance is valid. The Insurer shall have no duty to fulfil obligations under the Insurance Contract in respect of events occurring outside the Insurance Coverage Territory.
- 1.16. **Underinsurance** – a situation when the Sum Insured specified in the Insurance Contract is less than the value of the Insurable Object for more than 10%.
- 1.17. **Overinsurance** – a situation when the Sum Insured specified in the Insurance Contract exceeds the value of the Insurable Object.
- 1.18. **VAT** - value added tax.
- 1.19. **Insurable Object** - in the Insurance Contract is:
 - 1.19.1. specified Machinery;
 - 1.19.2. specified Equipment;
 - 1.19.3. specified Auxiliary Equipment;
 - 1.19.4. unspecified Auxiliary Equipment.



2. VALIDITY OF THE INSURANCE COVERAGE

- 2.1. If the Insurable Object is insured against the risks listed under "Named perils", the insurance cover is valid:
 - 2.1.1. During storage and repair of the Insurable Object;
 - 2.1.2. When the Insurable Object is being transported on public roads, railways or being towed on a tow bar;
 - 2.1.3. When the Insurable Object is in traffic on public roads.
- 2.2. If the Insurable Object is insured against the risks listed under "All Risks" or "All Risks Plus", the insurance cover is valid:
 - 2.2.1. Normal operation of the Insurable Object, as intended by the manufacturer, during and outside the performance of special works;
 - 2.2.2. During storage and repair of the Insurable Object;
 - 2.2.3. During loading and unloading of the Insurable Object;
 - 2.2.4. During transport of the Insurable Object by road, rail, water or being towed on a tow bar;
 - 2.2.5. When the Insurable Object is in traffic on public roads.





3. INSURED RISKS

The Insurance shall be valid only with regard to the risks specified in the Insurance Contract. If the risk is not specified in the Insurance Contract, it is not insured. Before concluding an Insurance Contract, you can choose to insure the Named perils, All Risks or All Risks Plus..

- 3.1 **Named perils** - An Insurable Event is physical damage to or loss of the Insurable Object caused by any of the perils specified in this section, except for the exclusions set out in these Terms and Conditions, unless otherwise specified in the Insurance Contract.
 - 3.1.1. **Fire risks** - An Insurable Event is damage to the Insurable Object as a result of the following sudden and unforeseen events:
 - 3.1.1.1. **FIRE** - unintentional and uncontrolled burning with open flame, caused by the action or failure to act by third parties, or by fire transfer to the Insurable Object from the property where it was located or the area where it was located, as well as damage to the Insurable Object caused by soot, smoke and the consequences of fire extinguishing, if caused by fire;
 - 3.1.1.2. **lightning strike** - a direct lightning strike on the Insurable Object resulting in external physical damage to the Insurable Object;
 - 3.1.1.3. **explosion** - instantaneous (explosive) chemical reaction of a substance or mixture that causes increased pressure (a shock wave). Explosion of a reservoir shall mean a sudden destructive expression of pressure force when the walls of the reservoir are destroyed to the extent that the pressure within and outside of the reservoir levels off;
 - 3.1.1.4. **aircraft damage** - the impact of a manned or unmanned aircraft, its parts or the cargo it carries on the Insurable Object.
 - 3.1.2. **Natural risks**
 - 3.1.2.1. **Storm and hail** - An Insurable Event is damage to the Insurable Object as a result of the following sudden and unforeseen events:
 - 3.1.2.1.1. **wind** with the speed above 15 m/s;
 - 3.1.2.1.2. **hail** - direct exposure to precipitation in the form of ice grains;
 - 3.1.2.2. Damage caused by trees, poles and other objects falling on the Insurable Object as a result of Storms and hail is also covered.
 - 3.1.2.3. If the wind speed could not be confirmed by the Latvian Environmental, Geological and Meteorological Centre, but it is clearly established that as a result of this storm other buildings and structures in the vicinity of the Insurable Object have been damaged or if the moment of its occurrence on the Insurable Object is recorded in video or photographic form.
 - 3.1.2.4. **Flood** - is damage to the Insurable Object as a result of sudden and unexpected flooding, including due to storm, overflow of natural or artificial bodies of water.
 - 3.1.2.5. **Continuous snowing** - is damage of the Insurable Object by a sudden and unforeseen increase of a snow layer by

at least 100 mm in the period of 24 hours if the damages have occurred during snowing or no later than within 48 hours after the end of such snowing;

- 3.1.2.6. **Earthquake** - vibrations of the Earth crust above 4 balls according to the Richter scale;
- 3.1.3. **Damage caused by Third Parties** - is damage to or loss of the Insurable Object as a result of the following sudden and unforeseen events, if caused by Third Parties:
 - 3.1.3.1. **Theft** - secret or undisguised stealing of the Insurable Object;
 - 3.1.3.2. **Theft from Machinery** - the secret or open theft, with or without violence or threat of violence, of parts of Machinery or Auxiliary Equipment, which were installed on the Machinery at the time of the Insurable Event.
 - 3.1.3.3. **Robbery** - larceny of the Insurable Object, if that is connected with violence or threats of violence;
 - 3.1.3.4. **Vandalism** - an action of a natural person with an aim to deliberately damage or destroy the Insurable Object;
 - 3.1.3.5. **Vehicle impact** - the direct and mechanical impact of any type of land or air vehicle, mobile machinery (including loading or unloading machinery), as well as equipment or parts thereof in connection therewith, and the cargo carried by them on the Insurable Object when it is not in motion.
- 3.1.4. **Participation in a traffic on public roads / Transportation:**
 - 3.1.4.1. Participation in a traffic on public roads - damage to or loss of the Insurable Object as a result of sudden and unforeseen events, if caused by a road traffic accident - while travelling in a traffic on public roads, and at the time of the accident the Insurable Object is not used for special works, e.g. loading or unloading cargo, ploughing, clearing snow, etc;
 - 3.1.4.2. Transportation - damage to or loss of the Insurable Object as a result of sudden and unforeseen events when the Insurable Object is transported on public roads, railways or being towed on a tow bar.
- 3.2. **All Risks** - An Insurable Event is physical damage to or loss of the Insurable Object as a result of any sudden and unforeseen event, except for the exclusions set out in these Terms and Conditions and for the risks referred to in Clause 3.3 and Clause 5 of these Terms and Conditions, unless otherwise specified in the Insurance Contract.
- 3.3. **All Risks Plus** - An Insurable Event is physical damage to or loss of the Insurable Object as a result of any sudden and unforeseen event, except for the exclusions set out in these Terms and Conditions and for the risk referred to in Clause 5 of these Terms and Conditions, unless otherwise specified in the Insurance Contract.
 - 3.3.1. **Cargo insurance** - If both the Insurable Object and the cargo transported or towed by it are damaged as a result of the same Insurable Event and causes, the Insurer, while indemnifying for the Insurable Object, will also indemnify for the damage or loss of the transported or towed cargo. The loss will be calculated according to the market value of the cargo at the time of the accident. The limit of the additional indemnity is EUR 3 500 during the insurance period. The limit of the additional indemnity is applicable per each unit of the Insurable Object.
 - 3.3.2. **Driver's personal belongings** - If both the Machinery and the driver's personal belongings are damaged as a result of the same Insurable Event and causes, the Insurer while indemnifying for the Insurable Object, will also indemnify for damage to or loss of the personal belongings of the driver of the Machinery, excluding Theft. The loss will be calculated according to the value of the personal belongings at the time of the accident. The limit of the



additional indemnity is EUR 1 000 during the insurance period. The limit of the additional indemnity is applicable per each unit of the Insurable Object.

- 3.3.3. **Additional transport expenses** - the costs of transporting the Insurable Object to the nearest and most appropriate place of repair after the accident and transporting it back to the location of the Insurable Object after repair are reimbursed. The limit of the additional indemnity is EUR 1 000 during the insurance period. The limit of the additional indemnity is applicable per each unit of the Insurable Object.
- 3.3.4. **Damage to headlights** - If the only damage in the event of Insurable Event is the damage to the headlights of the Insurable Object, when paying the Insurance Indemnity for the first occurrence, the deductible is not applied. The limit of indemnity for the Insurable Object is EUR 500 during the insurance period.
- 3.3.5. **Additional expenses for the purchase of machinery** - In the event of total loss of the Insurable Object, the costs of technical inspections of the newly purchased Machinery or Equipment by a licensed repairer, as well as registration, including the issue of a national registration plate and registration certificate, are also reimbursed. The limit of the additional indemnity is EUR 700 during the insurance period. The limit of the additional indemnity is applicable per each unit of the Insurable Object.



- 4. If "All Risks" or "All Risks Plus" is selected, the insurance cover is extended to include:
 - 4.1. **Damage to glazing** - If the only damage as the result of Insurable Event is the damage to glazing, the Insurer, when paying the Insurance Indemnity for the first occurrence for each unit of Machinery, does not apply the deductible, provided that:
 - 4.1.1. the repair or replacement of the glazing is carried out at a repairer specified by the Insurer and it is possible to manufacture or purchase analogous glass which is not manufactured in the factory of the manufacturer of the machinery; or
 - 4.1.2. the repair or replacement of the glazing is carried out by the official representative (dealer) of the Machinery manufacturer in the Republic of Latvia or glazing manufactured by the Machinery manufacturer is installed, if the damage to the glazing cannot be technically repaired in the manner specified in Clause 4.1.1 of these Terms and Conditions and if the indemnifiable losses do not exceed EUR 1 700 per one Insurable Object.
 - 4.2. **Tyre damage** - cover is provided for sudden and unexpected damage to the tyres of the Insurable Object (excluding solid tyres):
 - 4.2.1. if, in accordance with the technical requirements of the manufacturer of the Insurable Object, tyres with the

same tread pattern and depth must be fitted on the axles of the object, the Insurer shall, subject to the principle of compensation, also indemnify for the replacement of the other tyre on the same axle.

- 4.2.2. if the depreciation of the damaged tyre does not exceed 25%, the cost of replacing the damaged tyre will be calculated at the cost of new tyres. If the depreciation of the tyre to be replaced exceeds 25%, the Insurance Indemnity will be calculated taking into account the tyre depreciation determined in accordance with the Methodology for Technical Expert Examination of Vehicles approved by the Latvian Motor Insurers' Bureau.
- 4.2.3. if the only damage as a result of the Insurable Event is the damage of a tyre of the Insurable Object, the repair of which is technically possible, the Insured agrees to it and its costs do not exceed the costs of purchasing a new tyre, then the Insurer, when paying the Insurance Indemnity for the first occurrence for each unit of Machinery, does not apply the deductible.
- 4.3. **Self-ignition of an Insurable Object** - the Insurance Indemnity resulting from Self-ignition of an Insurable Object shall be paid, provided that:
 - 4.3.1. The age of the Insurable Object shall not exceed 10 years (inclusive) and 10 000 (inclusive) motor hours (mph), or 10 years (inclusive) if the Insurable Object is not equipped with a motor hour tracker.
 - 4.3.2. The deductible for Self-Ignition shall be 10% of the amount of the loss, but not less than the deductible for Partial Damage specified in the Insurance Contract or, if the Insurable Object was equipped with an automatic engine room fire extinguishing system approved by the Insurer at the time of the accident and this fact is stated in the Insurance Contract, the deductible for Self-Ignition shall be the deductible for Partial Damage specified in the Insurance Contract.
- 4.4. **Damage caused by foreign objects** - the Insurance Indemnity shall be paid for cases where the damage is caused by the material to be collected or processed, other objects or foreign objects entering the Insurable Object, including, damage to the collection, cutting, catching and/or feeding equipment and machinery of the Insurable Object, such as, but not limited to, headers, shredders, crusher jaws, choppers, shredding room, lawn mowers, etc., or for goods handling equipment such as conveyor belts, mobile elevators, combine harvester feeding systems, etc. The limit of indemnity for the Insurable Object is EUR 13 000 during the insurance period.
- 4.5. **Subsidence of the Insurable Object** - the Insurance Indemnity shall be paid for cases when the loss is caused by the Insurable Object subsiding into the soil, by the horizontal movement of the earth surface, as well as by sliding or falling into natural or artificial bodies of water, flooded areas, swamps, swampy areas, if it happened unforeseeably and not due to the exceptional circumstances stipulated in Clause 11.1.36. of these Terms and Conditions. The deductible is 20% of the amount of the loss, but in any case not less than the deductible for partial damage.
- 4.6. **Theft of Equipment and Auxiliary Equipment from the property** - the Insurance Indemnity is paid in cases where the loss is caused to the Insurable Object - the Equipment or the Auxiliary Equipment specified in the Insurance Contract and non-specified Accessories (e.g. removable GPS control units and antennas, remote control panels, additional lighting, etc. etc.), in the event of their theft from immovable property owned or possessed by the Insured or the Eligible User, if there has been a clear Theft of the Insurable Object by breaking or mechanically damaging the barriers created to prevent free access to the immovable property and the incident has been reported to the State Police.



5. **ADDITIONAL RISK REIMBURSEMENT OF REPLACEMENT COSTS OF THE INSURABLE OBJECT**
 – the insurance is valid only if the additional risk is specified in the Insurance Contract and it provides for reimbursement to the Insured of the costs for renting other machinery if an Insurable Event occurs and the damage to the Insurable Object is of such an extent or degree that it is impossible to continue the work started with the Insurable Object.
- 5.1 Reimbursement of the cost for replacing the Insurable Object is as follows:
- 5.1.1.1. The Insured independently concludes the rental agreement and settles with the Lessor of the machinery by submitting payment documents to the Insurer.

- 5.1.1.2. the Insurance Indemnity is calculated for the rental period until the Insurer has paid the Insurance Indemnity or the repair of the Insurable Object has been finished, but in any case not exceeding a rental period of 30 days.
- 5.1.1.3. the Insurance Indemnity is calculated on the basis of documentary evidence of the actual rental costs with a limit of EUR 700 per day, up to a maximum of EUR 5 000 during the insurance period.
- 5.1.1.4. The deductible applies for 2 rental days, but in any case not less than EUR 350.

6. **APDROŠINĀŠANAS PROGRAMMU SALĪDZINĀJUMS:**

Risk or cause of accident included in the insurance programme	Named perils	All Risks	All Risks Plus
Fire risks (fire, lightning, explosion, damage caused by the aircraft or its cargo)	√	√	√
Natural risks (storm and hail, earthquake, continuous snowfall, flooding)	√	√	√
Damage caused by Third Parties (theft, robbery, vandalism, Theft from Machinery, vehicle impact)	√	√	√
Participation in a traffic on public roads / Transportation	√	√	√
Any other Insurable Event, except those specified as exclusions		√	√
Special works with machinery		√	√
Damage to glazing		√	√
Tyre damage		√	√
Self-ignition of the Insurable Object		√	√
Damage caused by foreign objects		√	√
Subsidence of the Insurable Object		√	√
Theft of Equipment and Auxiliary Equipment from the property		√	√
Insurance of the cargo being transported			√
Personal belongings of the driver			√
Extra transportation costs			√
Damage to headlights			√
Extra costs for the purchase of machinery			√
Additional insurable risks			
Reimbursement of replacement costs of the Insurable Object		X	X

, where:

√ - Risk or cause of accident included in the insurance programme

X - additional risk to be purchased.





7. INSURED SALVAGE AND TRANSPORTATION EXPENSES

- 7.1. In addition to the insured risks, the following demonstrable, reasonable and necessary expenses related to the Insurable Event are also insured:
- 7.1.1. the expenses of the Insured for immediate repair of damage to the Insurable Object and loss mitigation, as well as for rescue measures;
- 7.1.2. fire fighting expenses that are reasonable and required to prevent the loss of the Insurable Object or to reduce the losses, except labour costs and suchlike payments;
- 7.1.3. expenses for primary clean-up works (excluding sanitation works), removal and destruction of the damaged Insurable Object, dismantling of equipment, breaking up of parts of buildings, demolition or widening of openings;
- 7.1.4. the costs of transporting the damaged Insurable Object or its remains from the place of the accident to the nearest place of storage or repair.
- 7.2. The Insurance Indemnity for the expenses referred to in Clause 7.1 of these Terms and Conditions may not exceed 10% of the sum insured of the Insurable Object, but not more than EUR 20 000.

8. SUM INSURED

- 8.1. The Policyholder shall be responsible for the compliance of the Sum Insured specified in the Insurance Contract with the Acquisition Value or Market value of the Insurable Object. In case the Sum Insured is smaller or bigger than the Acquisition Value or Market value of the Insurable Object directly prior to the occurrence of the Insurable Event, the conditions of underinsurance or overinsurance shall be applied upon occurrence of an Insurable Event.
- 8.2. The Sum Insured is determined inclusive of VAT, unless otherwise specified in the Insurance Contract.
- 8.3. If the Sum Insured is exclusive of VAT, VAT is not included in the calculation of the amount of the Insurance Indemnity and will not be paid regardless of whether or not the Beneficiary is entitled to recover VAT from the state budget.
- 8.4. The total amount of the losses and reimbursable costs (including insured rescue and transportation expenses) shall not exceed the Sum Insured of the respective Insurable Object specified in the Insurance Contract. This provision does not apply to expenses under the "All Risks Plus" risk and the risk "Reimbursement of the replacement costs of the Insurable Object".
- 8.5. The Limit of Additional Indemnity for the Auxiliary Equipment not specified in Clause 1.19.4 of these Terms and Conditions shall not exceed 5% of the Sum Insured

- for the Machinery, but not more than EUR 3 000.
- 8.6. After the indemnity is paid, the Sum Insured varies as follows:
- 8.6.1. If the paid Insurance Indemnity does not exceed 10% of the Sum Insured of the particular Insurable Object, the initial amount of the Sum Insured shall not be reduced;
- 8.6.2. If the paid Insurance Indemnity exceeds 10% of the Sum Insured specified in the Insurance Contract for the particular Insurable Object, the Insurance Contract shall remain valid to the extent of the difference between the Sum Insured specified in the Insurance Contract for the particular Insurable Object and the paid Insurance Indemnity;
- 8.6.3. If the Insurance Indemnity for any Insurable Object is paid in full amount of the Sum Insured of the particular Insurable Object, then with regard to this Insurable Object the validity of the Contract shall be terminated.

9. CHANGES OF THE INSURED RISK

- 9.1. The Insured or the Policyholder shall have the obligation during the entire validity period of the Insurance Contract to inform the Insurer in writing about all circumstances he/she is aware of that may increase the probability of occurrence of the Insured Risk or the extent of the potential losses including but not limited to one of the following:
- 9.1.1. changes in the functions of the Insurable Object, reconstruction, rebuilding, prior to their start;
- 9.1.2. hiring, pledging of the Insurable Object;
- 9.1.3. moving of the Insurable Object to another insurance coverage territory rather than specified in the Insurance Contract.
- 9.2. If the Insured or the Policyholder is in any doubt as to whether particular circumstances or changes may significantly increase the likelihood of the Insured risk occurring or the extent of the potential loss, the Insurer should be contacted.

10. RIGHTS AND OBLIGATIONS OF THE INSURED AND THE LAWFUL USER UPON OCCURRENCE OF AN EVENT

- 10.1. The Insured or the Lawful User shall immediately inform:
- 10.1.1. in case of fire or explosion - the State Fire and Rescue Service ;
- 10.1.2. in case of illegal activities of third parties - the State Police;
- 10.1.3. in case of a collision with a land vehicle - the State Police.
- 10.2. As soon as it becomes possible the Insured shall immediately inform the Insurer about the occurred Event and shall take all the possible and reasonable measures to reduce losses and shall observe all the Insurer's



- indications, if such are given. In addition, the Insured shall submit a written claim to the Insurer (for example, by filling in an application form on the Insurer's website) and agree with the Insurer on a time to inspect the site of the Insurable Event, no later than within 3 (three) business days of becoming aware of the event.
- 10.3. After the inspection of the place of the Event, the Insurer's representative shall fill in an inspection report on the detected damages and shall provide instructions the execution of which shall be compulsory for the Insured and the Lawful User. The elimination of damages or the restoration of the Insurable Object, moving or removal of any parts thereof shall not be allowed without a written consent of the Insurer.
- 10.4. If the Insurer fails to carry out the survey within 5 (five) business days from the date of receipt of the claim and has not specified another date on which the survey will be carried out, the Insured shall have the right, subject to written agreement with the Insurer, to commence the repair and restoration works.
- 10.5. The Insured and the Eligible User in case of Theft, Robbery, Theft from Machinery, Vandalism, as well as damage caused by Third parties to the Insurable Object are obliged to defend their interests as victims, including, but not limited to, asking the State Police to initiate criminal proceedings, helping to identify the alleged guilty (responsible) persons, witnesses to the accident, as well as appealing the decisions of the processor in the criminal proceedings at the request of the Insurer.
- 10.6. In the event of Theft or Robbery of the Insurable Object, the Insured shall be obliged to present to the Insurer the registration certificate of the Insurable Object, keys and security system control devices (remote controls, immobilisers, etc.) in the number as provided by the manufacturer of the Insurable Object or the installer of the systems.



11. VISPĀRĒJIE IZNĒMUMI

- 11.1. The insurance shall not reimburse the losses as a result of:
- 11.1.1. caused internal mechanical or electrical fault or interruptions (including short circuit, overvoltage), due to freezing of a coolant or other liquids, due to low quality lubricants or fuel, as well as due to insufficient amount of oil or coolant. However, if an accident happens in result of the above damages and it causes the external damages of the Insurable Object (e.g., run off the road, turn over or collision, etc.), the losses caused by these external damages shall be reimbursed;
- 11.1.2. caused to the regularly replaceable parts (except of tyres), if these are not caused in result of an impact of an external force;
- 11.1.3. as a result of an explosion of a boiler or high pressure boiler or an internal combustion engine;
- 11.1.4. outward, corrosion, oxidation, worsening of the condition of the object due to not using it and as a result of effects from normal atmospheric precipitation and deviations of temperature;
- 11.1.5. as a result of the insured risks, but do not affect the operation of the Insurable Object in accordance with the types of use specified by the manufacturer or do not prevent it from passing the state technical inspection, e.g. dents, scratches, marking, etc. This loss shall be indemnified if, as a result of the same Insurable Event, the same part of the Insurable Object has also suffered other damage for which the Insurer pays an indemnity;
- 11.1.6. while testing the Insurable Objects or using them otherwise than it is provided for in compliance with the manufacturer's requirements;
- 11.1.7. and which in accordance with the effectual public laws and contractual liabilities the manufacturer, supplier, seller, adjuster or repairer shall be held liable for during the period of warranty;
- 11.1.8. due to low quality repair works;
- 11.1.9. due to a damage or defect that was present before the conclusion of the Insurance Contract and the Policyholder has known about it, unless the Insurer was informed in writing about such damage or defect prior to the conclusion of the Insurance Contract;
- 11.1.10. while the insured Machinery was participating in the road traffic, if the driver of the Machinery has not complied with the Road Traffic Regulations due to his/her malicious intent or gross negligence;
- 11.1.11. as a result of malicious intent, gross negligence or criminal activity by the Insured, the Policyholder, Lawful User or persons who use (operate, repair or store) the Insurable Object based on agreement or other form of legal relationships;
- 11.1.12. if the Insurable Object is used or serviced by persons without the required qualification, without the rights, licences, permissions, certificates etc. provided for by the legal enactments or under the influence of alcohol, narcotic and other intoxicating substances;
- 11.1.13. if the Insurable Object, while it is not in use, is left with its hatches or windows open, unlocked, its security systems are not switched on or it is not stored in accordance with any of the storage methods described below:
- 11.1.13.1. The Insurable Object is located in a fenced area with a perimeter security system or in closed premises with a security alarm system that sends an alarm signal to a physical security post or a security company console, which promptly departs to the scene upon receipt of the signal;
- 11.1.13.2. The Insurable Object (agricultural, logging and road construction machinery and equipment), located in a permanently inhabited area, in the backyard of a farm or private house, in a place that is easily visible from the house and occupied by its inhabitants;
- 11.1.13.3. The Insurable Object is supervised on-site by a guard who has a written agreement to supervise the Insurable Object, such as an employment contract;
- 11.1.13.4. The Machinery is equipped with an active or passive radio search system recognised by the Insurer and specified in the Insurance Contract. The risk "Theft from Machinery" is not valid.
- 11.1.14. while using the Machinery, which, in compliance with the legal enactments shall undergo, but has not undergone the annual state technical inspection and it is causally related to the occurrence of the Insurable Event;
- 11.1.15. as a result of failure to observe the operation rules, fire safety requirements and precautionary measures specified by the manufacturer of the Insurable Object as well as fire safety requirements and norms provided for by the legal enactments of the Republic of Latvia;
- 11.1.16. Unexplained disappearance of the Insurable Object, which is discovered as a loss or shortage only during an



- inventory or regular inspection, routine maintenance;
- 11.1.17. and are related to the transformation, supplementation, improvement or repair works, technical maintenance of the damaged Insurable Object that is not related to the elimination of the damages or losses incurred as a result of the Insurable Event;
- 11.1.18. caused to liquid materials necessary for the maintenance of the Insurable Object (fuel, oil, coolants, chemical agents). The expenses for refuelling these materials shall not be reimbursed;
- 11.1.19. caused to the Insurable Objects on air transport;
- 11.1.20. in relation to third party liability;
- 11.1.21. in relation to lost profit, delayed supplies, penalty sanctions, breaks in business, default of contractual obligations, contractual penalties and other indirect losses or losses of financial nature even though they have been caused by the Insurable Event;
- 11.1.22. as a result of any criminal offence, except Theft, Robbery, Theft from Machinery or Vandalism. Fraud, appropriation, failure to return, extortion of insured machinery etc. shall not be deemed as a theft;
- 11.1.23. caused to a Insurable Object which is hired without signing of a written rental;
- 11.1.24. with regard to the loss of information and actual expenses related to its renewal;
- 11.1.25. due to war, invasion, external enemy activity, insurrection, revolution, uprising, military operation or illegally attained power, terrorist activity and property arrest performed by any state institution, and due to changes in administrative regulations and legal enactments;
- 11.1.26. blasting sanctioned by the state or municipal governmental institutions or performed by the Insured person;
- 11.1.27. as a result of nuclear explosion, radiation or radioactive pollution as well as environmental pollution and poisoning;
- 11.1.28. As a result of flooding, if such flooding is of a periodic (seasonal) nature and occurs more than once every 5 years in the territory where the Insurable Object is located;
- 11.1.29. Blowing snow or other precipitation onto the Insurable Object due to strong winds, unless such loss or damage is caused as a consequence of the occurrence of the Insured risk;
- 11.1.30. and reimbursable on the basis of another Insurance Contract;
- 11.1.31. violating or disregarding (in accordance with the instructions of the manufacturer or producer of the object to be transported) the instructions or requirements for fixing the machinery on the transporting vehicle, caravan or trailer;
- 11.1.32. caterpillar tracks, solid rubber tyres;
- 11.1.33. machinery operated in flight or regarded as an aerial vehicle, including manned or unmanned aircraft;
- 11.1.34. for machinery travelling on a public railway;
- 11.1.35. machinery primarily intended for the transportation of persons or for pleasure, such as, but not limited to, buses, trams, trolleybuses, tricycles, quadricycles and others, whether or not such machinery is registered as a tractor technology;
- 11.1.36. machinery on or working on or under water, including but not limited to natural or artificial bodies of water, swamps and waterlogged areas, whether or not the machinery is registered as a watercraft;
- 11.1.37. Self-ignition, except as provided in Clause 4.3 of these Terms and Conditions;
- 11.1.38. due to overheating, melting or smouldering, if no fire has occurred;
- 11.1.39. due to explosions caused by firearms, substances, equipment or devices in which the energy of the explosion is deliberately used;

- 11.1.40. due to internal alignment of pressure (implosion).
- 11.2 The Insurer shall not reimburse any loss or expense, except as specified in the Insurance Contract, incurred:
 - 11.2.1. while the Insurable Object has been hired;
 - 11.2.2. an Insurable Object located or working underground, in tunnels, shafts;
 - 11.2.3. in a result of transportation costs, customs duties and other taxes, installation expenses, expenses on experts, business trips, hotel expenses, additional expenses for overtime work, night shifts, work during the public holidays and urgent transportation costs etc.



12. CALCULATION AND PAYMENT OF THE INSURANCE INDEMNITY

- 12.1 The Insurer shall indemnify the losses and other reimbursable expenses arising from the Insurable Event in the manner and to the extent specified in the Insurance Contract.
- 12.2. The Insured can choose the following type of indemnity: repair, renewal, replacement or cash (transfer). The possible types of Insurance Indemnity in a particular Insurable Event shall be applied as set out in the Insurance Contract or the Insurance Terms and Conditions. If the type of indemnity chosen by the Insured cannot be applied in a particular case, the indemnity is paid to the insured in cash (by bank transfer).
- 12.3. In the event of partial damage to the Insurable Object, the Insurer shall reimburse the lesser expenses necessary to restore the Insurable Object to the condition it was in immediately before the occurrence of the Insurable Event using new or second-hand parts of the same or equivalent quality.
- 12.4. In the event of partial damage to the Insurable Object, the Insurance Indemnity is determined taking into account depreciation as follows:
 - 12.4.1. For an Insurable Object which is less than 8 years old at the time of the occurrence of the Insurable Event and whose motor hours of use do not exceed 8 000 mph, the repair costs including the value of new parts are determined in full;
 - 12.4.2. For an Insurable Object, the age of which at the time of occurrence of the Insurable Event exceeds 8 years, the cost of parts, which include the value of new parts, including glazing, is reduced by:
 - 12.4.2.1. 25% if the age of the Insurable Object at the time of the occurrence of the Insurable Event is between 8 and 10 years and the number of motor hours worked does not exceed 10 000 mph;
 - 12.4.2.2. 50% if the age of the Insurable Object at the time of the occurrence of the Insurable Event is between 11 and 15 years and the number of motor hours worked does not exceed 15 000 mph;
 - 12.4.2.3. 70% if the age of the Insurable Object at the time of the occurrence of the Insurable Event exceeds 15 years.



- 12.5. If the Insurable Object is not equipped with motor hour tracker according to the manufacturer's equipment, the depreciation is calculated according to the age of the Insurable Object in full years.
- 12.6. If the Insurer or the Insured establishes that the calculation of the depreciation of the parts provided for in Clauses 12.4.1 and 12.4.2 of these Terms and Conditions does not correspond to the actual depreciation of the part, when determining the Insurance Indemnity, the depreciation in percentage terms according to the actual depreciation of the Insurable Object shall be deducted from the cost of the part. In the event of a dispute, the depreciation of the Insurable Object shall be determined in accordance with an independent expert's report.
- 12.7. In case of Total loss, Theft or Robbery of the Insurable Object, the Insurance Indemnity shall be defined, considering the following conditions:
- 12.7.1. At Acquisition Value, if specified in the Insurance Contract. The amount of the Insurance Indemnity shall be the sum of money corresponding to the amount actually paid by the Insured for the purchase of new Machinery and Equipment without depreciation, provided that the Insurable Object simultaneously meets the following criteria:
- 12.7.1.1. it was purchased from the manufacturer or its official representative in one of the countries of the European Economic Area and has been only the property or in possession of the Insured or the Eligible User since it was first registered;
- 12.7.1.2. it is less than 2 years old at the time of the Insurable Event (inclusive), or it has not completed more than 2 000 mph or more than 20 000 km if motor hours are not counted.
- 12.7.2. Market value, if specified in the Insurance Contract or in the event that the Insurable Object does not meet any of the provisions set out in Clause 12.7.1 of these Terms and Conditions, also if the Insurance Contract specifies that the Insurable Object is insured at Acquisition Value.
- 12.8. If the Insured or the Beneficiary to whom the Insurance Indemnity is payable proves that it is not entitled to recover VAT from the state budget, the Insurer shall also reimburse the amount of VAT included in the calculation of the loss, except if the Insurable Object is insured exclusive of VAT, as referred to in Clause 8.3.
- 12.9. The following are deducted from the calculated amount of the loss:
- 12.9.1. The value of the usable salvage of the Insurable Object. If upon the Insurer's request and the consent of the Insured the salvage of the Insurable Object is transferred to the possession of the Insurer, then the value of usable salvage shall not be deducted from the amount of loss;
- 12.9.2. VAT, in accordance with the terms of the Insurance Contract;
- 12.9.3. unpaid Insurance Premium;
- 12.9.4. the Deductible for each Insurable Event specified in the Insurance Contract. If the Insurable Event has occurred as a result of a road traffic accident in the territory of the Republic of Latvia and has been caused by an identified vehicle, the damage to which is indemnified under the compulsory civil liability insurance of vehicle owners, and the Insured has submitted to the Insurer a State Police certificate or a completed agreed statement, the Insurer shall not deduct the deductible from the Insurance Indemnity.
- 12.10. In the case of underinsurance, the Insurance Indemnity shall be reduced according to the proportion of the Sum Insured to the Market Value or Acquisition Value of the Insurable Object.
- 12.11. In the case of overinsurance, the Insurance Indemnity is calculated up to the Market Value or Acquisition Value of the particular Insurable Object.
- 12.12. Before payment of the Insurance Indemnity, if the Insurer decides to take possession of the salvage, the Insured or the Beneficiary must hand over the Insurable Object in the condition, completeness and with the Auxiliary Equipment in which it was insured at the time of the Insurable Event. The Insured or the Beneficiary is obliged to transfer ownership of the Insurable Object free from any encumbrances, debts or other restrictions. If the encumbrances remain, the Insurer shall be entitled not to take possession of the salvage and withhold the salvage value from the payable Insurance Indemnity.
- 12.13. Before payment of the Insurance Indemnity for a stolen or hijacked Insurable Object, its owner is obliged to sign an agreement with the Insurer on the procedure for payment of the Insurance Indemnity and the transfer of ownership to the Insurer in case the Insurable Object or its parts are found.
- 12.14. In the event of partial damage to the Insurable Object, if the Insurance Indemnity is paid in cash (by bank transfer), then taxes, excess expenses, profit and VAT related to the cost of the work will not be reimbursed.
- 12.15. If the Insured or the Beneficiary, not later than one calendar year after the payment of the Insurance Indemnity, submits to the Insurer an invoice from a repair or trade company for the repair or restoration of the Insurable Object damaged in the Insurable Event and related proof of payment, the Insurer shall reimburse reasonable, attributable and provable taxes, excess expenses, profit and VAT related to the cost of work, but not exceeding the amount of the loss as approved by the Insurer.
- 13. CASE OF INSURANCE INDEMNITY REDUCTION OR NON-PAYMENT.**
- 13.1 The Insurer shall be entitled to refuse the payment of the Insurance Indemnity if the Insured or the Lawful User:
- 13.1.1. fails to fulfil any obligations provided under the Insurance Contract as a result of malicious intent or due to gross negligence;
- 13.1.2. fails to show the damaged Insurable Object, its remains (except in case of total loss), provides false information or refuses to provide the information requested by the Insurer;
- 13.1.3. has failed to report the event in accordance with the procedure laid down in Clause 10.1 of these Terms and Conditions;
- 13.1.4. fails to submit to the State Police a list of the stolen or robbed Insurable Objects or their parts, or if the State Police does not confirm the theft or robbery of particular items;
- 13.2. The Insurer may reduce the Insurance Indemnity by up to 50% if the Insured has failed to fulfil any of the obligations provided under the Insurance Contract due to minor negligence;
- 13.3. In the case of the General Exception specified in Clause 11.1.13 of these Terms and Conditions, the Insurer may pay an indemnity of up to 50% if the loss is caused by the slight negligence of the Insured or the Eligible User.
- 14. OTHER CONDITIONS**
- 14.1. The Insured must inform the Eligible User of the obligations and consequences to which it is subject under the Insurance Contract.
- 14.2. If during the validity of the Insurance Contract the Insurable Object is alienated under lease in favour of the Eligible User specified in the Insurance Contract, the Insurance Contract shall not be terminated.

