

## TERMS AND CONDITIONS OF CONTRACTOR'S PLANT AND MACHINERY INSURANCE

These Terms and Conditions of Contractor's Plant and Machinery Insurance of Salva Kindlustuse AS shall apply together with the General Terms and Condition of Insurance (KÜ-03) of Salva Kindlustuse AS.

### CONCLUSION OF AN INSURANCE CONTRACT AND STANDARD TERMS OF A CONTRACT

1. If Policyholder informs the Insurer of his/her wish to conclude an insurance contract, the Insurer shall issue an insurance policy to the Policyholders based on received data. If the data on insurance policy is correct and corresponds to Policyholder's insurable interest, the contract shall be considered concluded following the timely payment of insurance premium. Insurance cover shall be valid under the terms and conditions stated on the policy from the beginning of insurance period even if the insurance premium is not yet paid because of the payment deadline.
2. If Policyholder fails to pay the insurance premium or the first installment of insurance premium, it is deemed that Policyholder did not wish to conclude the contract under these terms and conditions and the insurance contract did not enter into force. If an insurance contract has not entered into force there is no insurance cover.

### OBJECT OF INSURANCE

3. An object of insurance is a machine or equipment stated on the policy or in any part of the policy, which has been previously put in a full working order (hereinafter "the machine"), irrespective of whether this machine:
  - 3.1 has been turned on or not;
  - 3.2 has been dismantled for cleaning, maintenance or displacement;
  - 3.3 is changing its location within the insured area in order to perform its tasks or because of rearrangements.

### INSURED EVENT

4. An insured event is unforeseeable and unexpected damaging, destruction or loss of an object of insurance during the effective period of the insurance cover, which is caused by materialization of any insurance risk that is not specifically excluded.

### EXCLUDED RISKS

5. Insured event shall not include the damaging, destruction or loss caused by:
  - 5.1 A damage that existed before the insurance contract entered into force, irrespective of whether the Policyholder or the legal user of the machine was aware of this damage or not;
  - 5.2 A breakdown of the power system, except in cases where this breakdown was caused by a lightning that directly hit the object of insurance;
  - 5.3 A breakdown during normal operation process that was not caused by any external factor (e.g. traffic accident; fall or drowning of the object, fire, vandalism) or that occurred due to fatigue;

*Example 1: Gearbox of a machine breaks down when the machine is working – this loss is not covered. Still, if the gearbox breaks down because the machine turned upside down or hit the rock, the gearbox breakdown caused by this external factor is covered.*

*Example 2: An object lifted smashes against the hoisting gear and damages the hoisting gear – this loss is covered. If the hoisting gear is damaged because of the amortization of its material, this damage caused by the fatigue is not covered.*

- 5.4 Freezing of cooling liquid or any other liquid that is necessary for the operation of the machine;
- 5.5 Shortage or lack of lubricants or cooling liquid;
- 5.6 A constant exploitation factor (e.g. wear, corrosion, cavitation, scale) and deterioration because the machine is not used or because of weather conditions;

- 5.7 Testing, unsuitable usage or unauthorized modification of the object of insurance;
- 5.8 Policyholder or any other person for whom the Policyholder is responsible is under the influence of an alcoholic beverage or a narcotic, toxic or other psychotropic substance.
6. If a part of a machine that is damaged because of an event described in points 5.2 to 5.5 causes damage to other independent parts of the object of insurance, this subsequent loss is covered.

Other independent parts include such parts of an object of insurance which can be replaced or repaired independently of the part that caused the damage.

*Example 1: If a gearwheel breaks down in the gearbox causing damage to the gearbox spindle, this spindle is deemed to be the same part as the gearwheel and the subsequent damage of the spindle is not covered. Still, if the breakdown of a gearwheel causes damage also to the driving spindle outside the gearbox or to the axle, this is deemed to be an independent part and the damage caused to the driving spindle or axle is covered.*

*Example 2: A hoisting gear breaks down during exploitation and smashes against the operator's cab. Damage caused to the cab is covered, but the damage to the hoisting gear is not covered, because the damage to the hoisting gear was not caused by any external factor.*

### INSURABLE VALUE AND SUM INSURED

7. Insurable value within the meaning of these terms and conditions is a normal price of an object of insurance.
8. Insurable value of a new machine is equal to its first-hand selling price and it remains constant during a year after its acquisition, if the new machine is insured within 30 calendar days after its first registration or utilization.
9. Sum insured is a sum of money which shall be the maximum sum payable by the Insurer.
10. Sum insured shall not be decreased by the amount of indemnities paid during the insurance period (except in case of complete destruction). An object of insurance shall be deemed completely destroyed if its restoration is technically or economically not justified.

### DEDUCTIBLE

11. Deductible is a sum of money or another denomination (percentage of loss, period, etc.) provided by the insurance contract, which shall be deducted from Insurer's performance obligation.
12. If objects of insurance with different deductible are damaged upon the occurrence of an insured event, only the highest deductible shall be taken into account.

### SAFETY REQUIREMENTS

#### FIRE AND DESTRUCTION

13. An object of insurance shall be handled and maintained according to the requirements of the producer.
14. An object of insurance shall be used according to exploitation requirements and/or shall not be overburdened.
15. An object of insurance shall be subjected only to modifications accepted by the producer.
16. Storage space of an object of insurance shall meet the fire safety norms applied in the Republic of Estonia.
17. Operations performed in the storage space of an object of insurance (e.g. repair, painting, refueling) shall meet the respective safety requirements.

#### BURGLARY

18. An object of insurance shall be guarded outside of working hours.

Guarding includes the following:

- 18.1 An object of insurance is located outside of working hours

on a territory guarded by men and/or electronic devices (including in a farm yard) or in a locked building (garage) or

18.2 There is an oral agreement between an employee of the Policyholder and another physical person for storing and guarding the object of insurance (objects of insurance) on his/her territory nearby his/her permanent residence. The person on whose territory the object of insurance is stored must stay in his permanent residence during this storage period

or

18.3 An employee of the Policyholder or the user of the object of insurance stays in close vicinity of the object, i.e. the employee must be able to keep track of any actions taking place around the object of insurance and to interfere, if necessary.

19. Doors and windows of the storage space as well as strongboxes must be locked outside of working hours.

20. If there are any technical security systems in the storage space, these systems must have been installed by properly trained experts and they must be properly maintained and turned on.

#### **ACTIONS IN CASE OF THE OCCURRENCE OF INSURED EVENT**

21. Policyholder or a person for whom the Policyholder is responsible shall inform the Insurer of the occurrence of loss, its nature and volume in writing or in a format which can be reproduced in writing within 2 working days at the latest as of becoming aware of the occurrence of insured event.

22. Policyholder shall keep the damaged object of insurance or the event area in a condition which conforms as much as possible to its condition after the loss event, and submit it to the Insurer for inspection. The object may not be kept in the condition which conforms to its condition after the loss event, if a representative of the Insurer has examined the object or for longer than 7 days after the notification of the occurrence of loss event. The object must be kept longer in such a condition if the Insurer has requested in writing the longer preservation of damaged object.

23. In case of fire, the Rescue Board shall be immediately informed about the occurred event. After extinguishing the fire, the surveillance of the insured area must be organized for twenty-four hours in order to discover any possible recurring inflammations and to notify these occurrences to the Rescue Board.

24. In case of burglary, robbery or vandalism, the police must be immediately informed and the surveillance of the object must be organized until the arrival of the Insurer's representative.

#### **INDEMNIFICATION FOR LOSSES**

25. Insurance indemnity is a sum of money or a non-pecuniary indemnity (e.g. replacement, restoration) which indemnifies in accordance with contractual terms and conditions for the direct property loss caused by the occurrence of insured event.

26. Insurer shall indemnify the Policyholder only up to the actual level of loss, even if the sum insured is higher than the insured value upon the occurrence of insured event.

27. Insurer is entitled to decrease the amount of indemnity or to refuse to indemnify for the loss, if the Policyholder violates points 13-20 of the safety requirements or breaches the obligations which are provided in points 23 and 24 of the safety requirements and which he/she must perform in order to minimize the insured risk or to avoid the increasing of insured risk. Insurer may not decrease the amount of indemnity or refuse to indemnify for the loss, if the breach of obligations provided in points 23 and 24 of the safety requirements has had no effect on the occurrence of insured event or on the Insurer's performance obligation.

28. Insurer is entitled to decrease the amount of indemnity or to refuse to indemnify for the loss, if Policyholder deliberately

or due to gross negligence breaches the obligations provided in points 21 and 22 and if the examination of the object is not possible any more or does not enable to verify the consequences of loss event and if this makes it impossible to establish the circumstances of occurred loss event or the volume of loss.

29. If the sum insured provided in the contract is 20% less than the insured value upon the occurrence of insured event (underinsurance), the Insurer shall bear the responsibility for loss proportionally to the relationship of the sum insured to the insured value upon the occurrence of insured event.

30. Insurance indemnity is decreased by outstanding premium installments that are due pursuant to the contract.

31. In case of total destruction of an object of insurance, the Insurer shall compensate the normal price before the occurrence of insured event, i.e. the market price, normal transport and installation costs, as well as custom duties and other taxes, up to the level of sum insured.

32. In case of partial destruction of an object of insurance, the Insurer shall not depreciate the spare parts that are not available in the same condition that the replaceable spare part had enjoyed immediately before the occurrence of insured event.

33. In addition to direct property loss, the Insurer shall compensate the following expenses:

33.1 Reasonable expenses made upon the occurrence of an insured event in an attempt, even if unsuccessful, to prevent or mitigate losses (except salvage costs that have to be covered by state or local authorities);

33.2 Reasonable expenses for salvage, normal transport and installation costs and custom duties and other taxes made after the occurrence of insured event.

#### **INSURANCE DOES NOT COVER:**

34. Expenses related to the maintenance and such parts of the object of insurance that have been replaced during the maintenance;

35. Losses for which the producer or supplier of the object of insurance is responsible;

36. Indirect expenses and losses, e.g. claims of third parties against the Policyholder, loss of profit, fines (including contractual penalties, interest on arrears, fines imposed by competent authorities), additional losses caused by the delay in performing restoration work and/or necessary actions for minimizing the loss;

37. Expenses related to construction or maintenance works which are not directly caused by the insured event, i.e. expenses made for repairing or replacing other worn-out or amortized parts of the object of insurance;

38. Expenses due to the use of more expensive work than usual for the restoration of the object of insurance, such as more expensive extra hours for fast completion of restoration;

39. Expenses due to the use of more expensive transport service than usual, e.g. air transport or express service.

#### **INDEMNIFICATION DEADLINE**

40. Insurer shall make the decision to indemnify for loss or to refuse to indemnify immediately after the reception of all necessary data but no later than within 30 days of the reception of all necessary data.

41. In case of a civil, criminal or insurance dispute proceeding related to the specific case where the decision made in such a proceeding is of significant importance, the deadline provided in point 40 shall be extended by the duration of such proceeding. The deadline shall also be extended if the decision to indemnify or the indemnification is delayed due to a circumstance that is controlled by the applicant and/or the beneficiary.

42. If it is not possible to establish the volume of loss within the deadline provided in point 40, the decision to indemnify shall be made on the part of loss which is known.