

TERMS AND CONDITIONS FOR CORPORATE PROPERTY INSURANCE

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1. CONCLUSION OF INSURANCE CONTRACT

- 1.1. The Insurer shall issue an insurance policy, based on data presented by the Policyholder. Insurance contract shall take effect on the day following the reception of insurance premium or the first installment of insurance premium. Insurance cover shall commence on the first day of the period of insurance specified on insurance policy, if insurance premium is paid in due time. Insurance cover shall be valid during the period of insurance specified on insurance policy.
- 1.2. If Policyholder fails to pay the insurance premium, it is assumed that s/he did not wish to conclude the contract under the policy conditions and the contract was not concluded. In this case there is no insurance cover.

2. PLACE OF INSURANCE

- 2.1. Place of insurance shall be the place specified by insurance contract. Insurance contract shall cover only the insured event occurred in the place of insurance.
- 2.2. Insurance contract shall cover goods, inventory and equipment only if they are indoors, unless otherwise stated in the insurance contract.

3. INSURED OBJECT

- 3.1. Insured object shall include the structure, equipment and inventory and goods specified in insurance policy.

3.2. Structure shall mean a building, part of a building, part of a building co-owned by apartment owners (hereinafter: building envelope), and installation.

3.3. See points 4-8 of these Terms and Conditions for additional information on insured object. - 12.

3.4. Insurance shall cover only the object explicitly mentioned in the insurance contract.

Sample: Insurance policy mentions the following items as insured objects: building – the store; the goods – clothing, footwear; inventory and equipment (excluding the goods). In this case the insurance contract covers the building of the store, goods (clothing and footwear) located in the building of the store, as well as all inventory and equipment that are located in the store and are owned by Policyholder or are under Policyholder's responsibility.

4. BUILDING

4.1. Building shall be a structure with basement, walls, roof and interior, established on the ground.

4.2. Insurance of a building shall cover all existing essential parts of the building that service the building. Essential parts of a building shall include e.g. the following: the supporting structure permanently installed on the ground; internal walls; thermal insulation and finishing elements; technical systems that are situated inside or outside the building within the boundaries of the plot and that service the whole building. Technical systems shall include e.g. the following: water supply, heating, sewerage, ventilation, climate, fire safety and security systems, elevators, escalators and parts thereof, communication wiring installed on the ground, lighting installations, TV and radio antennas (excluding antenna systems for mobile communication), and other communication equipment that service a broader area.

4.3. If technical systems mentioned in point 4.2 service also other buildings situated on the same plot, then the systems that concurrently service several buildings shall be insured proportionally to the total area of all building situated on the same plot.

4.4. Insurance of a building shall also cover the following installations that are situated on the same plot and service the building: fence, barrier, gate, waste disposal facility (including the waste disposal house and garbage cans), external lighting systems, and flagpole. Other installations (e.g. shelter, tank, silage tower) shall be insured as separate objects. See point 7 of these Terms and Conditions for additional information on insuring an installation.

4.5. If installations to be insured together with a building, as mentioned in point 4.4, service also other buildings situated on the same plot, then the installations that concurrently service several buildings shall be insured proportionally to the total area of all building situated on the same plot.

4.5.1 Servicing technical systems that are situated in a separate building but on the same plot (e.g. equipment located in a boiler-house or power substation) shall not be insured together with the building. Such equipment shall be insured together with inventory and equipment (See point 9 of these Terms and Conditions on insuring inventory and equipment); Insurance of a building shall also not include items mentioned in point 8 of these Terms and Conditions.

4.6. Attached buildings shall be insured as a single insured object; separate buildings shall be insured as separate objects.

5. PART OF A BUILDING

- 5.1. Insurance of a part of a building shall cover permanently installed finishing elements, doors, windows and non-bearing internal walls of an office, store, warehouse or another room that can be actually delimited and is explicitly mentioned in the insurance contract. Insurance of a part of a building shall also cover permanently installed technical, security, communication and lighting systems that service only this room.
- 5.1.1 Insurance of a part of a building shall not cover the following: load-bearing structures, internal ceilings, roof and other parts of the building that are not situated in the insured room, except technical equipment that service only the insured room (e.g. the part of a heating or cooling equipment that is fixed to the external wall of the building). Insurance of a part of a building shall not include items mentioned in point 8 of these Terms and Conditions.

6. BUILDING ENVELOPE – COMMON OWNERSHIP OF APARTMENT OWNERS

- 6.1. Insurance of a building envelope shall cover the legal share of the building that is co-owned by apartment owners. Such shares of a building shall include: load-bearing structures, external structures (external walls, roof, external doors, external windows, balconies, insulation and finishing materials), technical systems that are situated inside or outside the building within the boundaries of the plot and that serve the whole building. Technical systems shall include e.g. the following: water supply, heating, sewerage, ventilation, climate, fire safety and security systems, elevators, escalators and parts thereof, communication wiring installed on the ground, lighting installations, TV and radio antennas (excluding antenna systems for mobile communication), and other communication equipment that service a broader area.
- 6.2. If technical systems mentioned in point 6.1 service also other buildings situated on the same plot, then the systems that concurrently service several buildings shall be insured proportionally to the total area of all building situated on the same plot.
- 6.3. Insurance of a building envelope shall also cover the following installations that are situated on the same plot and service the building envelope: fence, barrier, gate, waste disposal facility (including the waste disposal house and garbage cans), external lighting systems, and flagpole. Other installations, e.g. shelter or children playground, shall be insured as separate items. See point 7 of these Terms and Conditions for additional information on insuring an installation.
- 6.4. If installations to be insured together with a building envelope, as mentioned in point 6.3, service also other buildings situated on the same plot, then the installations that concurrently service several buildings shall be insured proportionally to the total area of all building situated on the same plot.
- 6.5. Insurance of a building envelope shall not cover the following: physical share that is the object of apartment ownership (e.g. non-bearing internal walls, doors, technical equipment, inner decoration and other parts of the building that are situated within the boundaries of an apartment or a commercial area and service only these rooms); servicing technical systems that are situated in a separate building but on the same plot (e.g. equipment located in a boiler-house or power substation). Such equipment shall be insured together with inventory and equipment (See point 9 of these Terms and Conditions on insuring inventory and equipment); Insurance of a building shall also not include items mentioned in point 8 of these Terms and Conditions.

7. INSTALLATION

- 7.1. Insurance of an installation shall cover a structure that has

been permanently installed on the ground, but is not a building, e.g. tank, shelter, silage tower, slurry pit, and also the road constructed on the plot. Insurance shall cover the installation that is explicitly stated in the insurance contract.

- 7.2. Insurance of an installation shall not include hydraulic structures or other structures constructed into the water, e.g. dam, pier, breakwater, and sluice, unless otherwise stated in the insurance contract.
- 7.3. Insurance of an installation shall not include items mentioned in point 8 of these Terms and Conditions.

8. ITEMS OR OTHER PROPERTY NOT INSURED TOGETHER WITH THE BUILDING

- 8.1. Insurance of a building, part of a building, building envelope or installation shall not cover the following:
- 8.1.1 Inventory and equipment designed for manufacturing operations or other commercial activities and not meant for servicing the building, e.g. adverts, manufacturing and medical equipment, equipment of a power substation, equipment of a pumping station, equipment of a boiler-house, freezing and/or cooling equipment of a cold storage plant as well as fluid or gas in the equipment, fuel (including fuel for heating the building), farm equipment, servers, telephone switchboards, routers, WIFI systems, furniture, etc. Inventory and equipment shall be insured as separate items. See point 9 of these Terms and Conditions on insuring inventory and equipment;
- 8.1.2 Goods, e.g. fuel, corn kept in granary, construction materials kept in warehouse;
- 8.1.3 Construction materials or other parts of a building that are not permanently installed, e.g. construction materials that are situated in the building pending to installation or dismantled and/or equipment servicing the building;
- 8.1.4 Ground, living organisms, well (including driven well), well water, pool water.

9. INVENTORY AND EQUIPMENT

- 9.1. Inventory and equipment shall mean property that is meant for business activities and has a proof of origin, e.g. production equipment (including gas, lubricant or fuel necessary for the functioning of production equipment), spare parts for the production equipment, furniture, office equipment, interior fittings of a store (freezers, counters, cash registers), samples of goods, publicity materials, advertisement boards, except pylons that are installed on the ground separate from the building and should be insured as installation.
- 9.2. Inventory and equipment shall include third party's property that is hold by Policyholder or Insured for maintenance, repair or reconstruction or is deposited into storage with liability pursuant to a deposit contract or other civil law contract in a written form.
- 9.3. Inventory and equipment shall be insured in whole according to points 9.1 and 9.2, unless partial insurance of inventory and equipment has been provided by the insurance contract.
- 9.4. If inventory and equipment are partially insured, the list of inventory and equipment shall be enclosed to the insurance contract. In case the list is enclosed, the insurance shall cover only the items mentioned in the list.
- 9.5. Insurance contract shall cover inventory and equipment only if they are indoors, unless otherwise stated in the insurance contract.
- 9.6. Insurance of inventory and equipment shall not cover the following:
- 9.6.1 Building;
- 9.6.2 Equipment or property that is meant for servicing the structure, e.g. alarm system or cooling equipment;

- 9.6.3 Goods;
- 9.6.4 Motor vehicles;
- 9.6.5 Data, non-standardized software, drawings or projects, unless otherwise stated in the insurance contract.
- 10. GOODS**
- 10.1. Goods shall mean property that is owned by Policyholder or Insured and that has been acquired and/or manufactured by Policyholder or Insured for disposal. Insurance of goods shall cover raw material, semi-finished products and finished goods.
- 10.2. Insurance shall cover only the goods explicitly mentioned in the insurance contract.
- 10.3. Insurance contract shall cover the goods only if they are indoors, unless otherwise stated in the insurance contract.
- 11. GOODS TO BE INSURED UNDER A SPECIAL AGREEMENT**
- 11.1. The following goods shall be covered under a special agreement:
- 11.1.1. Antiques, precious stones, precious metals, and jewellery made of precious stones and/or precious metals;
- 11.1.2. Living organisms: plants, animals, birds, fish, fungus;
- 11.1.3. Cash, documents, manuscripts, archives, drawings, projects, non-standardized software, data.
- 11.2. Any special agreement for insuring the specific goods shall be explicitly stated in the insurance contract.
- 12. INVENTORY, EQUIPMENT AND GOODS ACQUIRED IN THE INSURANCE PERIOD**
- 12.1. If any goods and/or inventory and equipment are acquired during the period of insurance, they shall be covered within the amount of sum insured, considering any possible underinsurance.
- 12.2. If inventory and equipment are insured on the basis of a list, the cover shall not include the inventory and equipment acquired during the period of insurance, unless the insurance contract is accordingly amended.
- 13. INSURABLE VALUE**
- 13.1. Structure**
- 13.1.1. Insurable value of a structure shall mean the sum of expenditure necessary for the reinstatement of the structure in its initial form and quality, less depreciation.
- 13.1.2. Depreciation shall mean an amount that reflects the state, age and amortization of the structure.
- 13.1.3. Insurable value of a structure shall not include equipment and other property that are not covered together with the structure.
- 13.2. Inventory, equipment and goods**
- 13.3. Insurable value of goods, inventory and equipment shall mean the normal value of an equivalent item immediately before the occurrence of insured event. Equivalent item shall include any item, the age, technical and other parameters and properties and lifespan of which are the same as or similar to those of the insured item.
- 14. SUM INSURED**
- 14.1. Building**
- 14.2. Sum insured of a building shall be determined by Policyholder on the basis of the reinstatement value of the building, unless otherwise agreed in the insurance contract. Reinstatement value of a building shall mean the sum of expenditure necessary for the reinstatement of the building in its initial form and quality.
- 14.3. Inventory, equipment and goods**
- 14.4. Sum insured of goods, inventory and equipment shall be determined by Policyholder, considering the following:
- 14.4.1. Sum insured shall be equal to the insurable value for the whole period of insurance. If the value of goods and/or inventory and equipment increased during the period of insurance, the sum insured shall be increased in order to avoid underinsurance;
- 14.4.2. Sum insured shall include potential non-returnable taxes and state fees as well as reasonable transport costs, assembly costs and other costs, if such costs are necessary for the reinstatement of the pre-event situation.
- 15. INSURED EVENT**
- Insured event shall mean a sudden and unforeseeable single event defined in insurance contract, upon the occurrence of which the Insurer is obligated to pay insurance indemnity as provided by insurance contract.
- 16. CHOICE OF INSURANCE COVER**
- 16.1. Policyholder can choose between selected risk insurance, extended insurance, equipment breakdown insurance and additional cover. Policyholder has chosen the cover, which has been duly noted in the insurance contract.
- 16.1.1. The selected risk insurance covers various risks. Policyholder has chosen the risk, which has been duly noted in the insurance contract. See point 17 of these Terms and Conditions on the selected risk insurance.
- 16.1.2. Insurance cover can be extended beyond selected risks by choosing the extended insurance or the equipment breakdown insurance. Insurance cover can also be extended by choosing an additional cover.
- 16.1.2.1. Extended insurance shall provide coverage against several unexpected and unforeseeable losses, subject to limitations stated in the insurance contract. Extended insurance shall not cover the risks that are covered under the selected risk insurance. See point 18 of these Terms and Conditions on the extended insurance.
- 16.1.2.2. Equipment breakdown insurance can provide coverage against the internal breakdown of equipment or direct losses caused by the internal breakdown of equipment. See point 19 of these Terms and Conditions on the equipment breakdown insurance.
- 16.1.2.3. Additional cover shall mean a cover against specific cases that are not covered in the normal course of business and that require a special agreement in order to be covered. See point 20 of these Terms and Conditions on the additional cover.
- 17. SELECTED RISK INSURANCE**
- 17.1. Fire**
- 17.1.1. Fire shall mean any loss caused by fire spread outside the specific fireplace, smoke, grime and fire extinction actions.
- 17.1.2. If an insured item has been damaged or destroyed by a shockwave caused by an explosion of a boiler, tank or other pressure vessel or by items thrown around because of the shockwave, or direct lightning strike or falling down of an aircraft, this loss shall also be insured under the insured risk 'fire', irrespective of whether a direct burning process was caused or not.
- 17.1.3. Insurance shall not cover the loss caused by short-circuit, overcharge or other power-related reasons, if this has not caused any burning process outside the equipment. This loss can be covered by extended insurance or equipment breakdown insurance.
- Sample: Operating module of production equipment is heated up as a result of overcharge. High temperature causes the meltdown and partial ignition of electrical wiring in the operating*

- module. Burning process is confined to equipment and does not spread to the surrounding space and other items. The surrounding space is filled with heat and smoke because of this heating process. However, as the whole process occurs inside the operating module, this loss is not covered under the selected risk „fire“.*
- 17.1.4 Insurance shall not cover the loss caused by internal fire, excessive burning temperature and/or working temperature or an explosion of equipment, if the event occurs only inside the equipment, damaging only the parts of equipment, but the equipment itself does not catch fire and cause damage to items surrounding the equipment. This loss can be covered by extended insurance or equipment breakdown insurance. If other materials or substances in the equipment catch fire as a result of such event, this loss shall be covered under the selected risk „fire“.
- Sample: Failure of grain dryer equipment causes the ignition of grain inside the grain dryer and the grain dryer equipment is also damaged. Fire releases heat and smoke and leads to fire extinction measures. Due to grain fire, this loss shall be considered a fire. If the failure of grain dryer equipment does not ignite the grain and other surrounding property, but only heats up the equipment, this loss is not covered under the selected risk „fire“.*
- 17.1.5 Insurance shall not encompass losses specified in point 21 of these Terms and Conditions.
- 17.2. Pipe leak and equipment leak**
- 17.2.1 Pipe leak shall mean the loss caused by an unexpected and unforeseeable leaking of liquid or gas from technical equipment, production equipment or tanks servicing the insured building and any subsequent adverse impact on the insured item.
- 17.2.2 Pipe leak insurance shall not compensate for the cost of liquid or gas and the repair costs of the broken technical system and/or equipment. Insurance shall also not compensate for costs related to the removal of clogging and identification of the cause of damage. The repair costs of the servicing technical equipment can be covered by extended insurance, and the repair costs of production equipment can be covered by equipment breakdown insurance.
- 17.2.3 Insurance shall not cover pipe leaks caused by flood that result from melting snow, rain or natural flood, unless the leak originates from the damaged roof rainwater drainage system.
- Sample: Sewerage system is not able to cope with the flood on the ground. Water enters the building as the valve that prevents the intrusion of flood is damaged or the rainwater pump is not able to cope with the flood on the ground. This risk can be covered under the flood risk.*
- 17.2.4 Insurance shall not encompass losses specified in point 21 of these Terms and Conditions.
- 17.3. Storm (wind speed at least 20 m/s)**
- 17.3.1 Storm shall mean any loss caused directly by strong wind, hail, or an item (excluding snow, ice and water) carried or broken by wind. Strong wind shall be at least 20 m/s as measured by the closest weather station. In case of disputes over the cause of loss, the storm is considered to be strong wind that concurrently damaged the objects (buildings that were in good state, trees) that were situated near the place of insurance.
- 17.3.2 Insurance shall cover the water loss caused by storm precipitation entering the building through the external structures that were damaged by the storm.
- 17.3.3 Insurance shall not cover losses caused due to the poor state of a building as well as losses caused by the weight or movement of ice or snow. Insurance shall also not encompass losses specified in point 21 of these Terms and Conditions.
- 17.4. Flood**
- 17.4.1 Flood shall mean surface water that has risen above the ground because of rain, melting snow or backwater (including backwater caused by storm) and that enters the building through external structures and/or technical systems.
- 17.4.2 Insurance shall not cover losses caused by the underground movement of water when entering the building through external structures or technical systems. Insurance shall also not encompass losses specified in point 21 of these Terms and Conditions.
- 17.5. Burglary, robbery, vandalism**
- 17.5.1 Burglary shall mean the theft of an insured item, if any barrier or fastener is damaged, opened by force or dismantled during such action.
- 17.5.2 Insurance of precious objects shall cover the theft from the showcase or safe-deposit box during business hours only if the insurance contract includes the relevant agreement.
- 17.5.3 Robbery shall mean the dispossession of an insured item, if dispossession has been committed through using or directly threatening to use violence.
- 17.5.4 Vandalism shall mean intentional violation, damaging or destruction caused by a third person.
- 17.5.5 Insurance shall not encompass losses specified in point 21 of these Terms and Conditions.
- 18. EXTENDED INSURANCE**
- 18.1. Extended insurance shall cover any loss or expense that is caused by a single unexpected and unforeseeable event and is not excluded pursuant to insurance contract.
- 18.2. Extended insurance shall not cover the following:
- 18.2.1 Insurance risks of selected risk insurance: fire, pipe leak, equipment leak, storm, flood, burglary, robbery and vandalism according to points 17.1-17.5 of these Terms and Conditions;
- 18.2.2 Loss caused by internal damage or breakdown of equipment or a part of equipment,
- 18.2.3 if no direct external factor caused the damage or breakdown. Extended insurance shall cover the damage or breakdown of equipment only if the factor that causes the loss has a direct external influence on the equipment, e.g. failure of power supply, errors made by users, foreign body entering the equipment. External influence shall not include ordinary weather conditions. Internal damage of equipment can be covered by equipment breakdown insurance. See point 19 of these Terms and Conditions on the equipment breakdown insurance.
- 18.3. Insurance shall not encompass losses specified in point 21 of these Terms and Conditions.
- 19. EQUIPMENT BREAKDOWN**
- 19.1. Equipment breakdown insurance shall cover the damage caused to intact parts of equipment by an unexpected and unforeseeable damage or internal breakdown of equipment. Equipment breakdown insurance shall not compensate for expenses incurred in order to replace or repair the part that caused the damage.
- Sample 1: A bearing of production equipment is damaged and the parts of this damaged bearing get between other movable parts of equipment, damaging these parts. Insurance shall not cover the cost of replacing the bearing, but covers the loss caused by the damaged bearing.*
- Sample 2: Operating module of a metalworking bench stops working because of an error on a printed circuit board. There is no resulting loss. Insurance does not cover this loss.*
- Sample 3: Heater of a heat chamber malfunctions and damages both the chamber and the items in the chamber. This causes no fire and the loss is confined to heat damage caused to the heater*

and items. Equipment breakdown insurance covers the insured heat chamber, but does not cover losses caused to the heater and other items.

- 19.2. Equipment breakdown insurance shall not cover the resulting loss, e.g. the damage of goods caused by the breakdown, or lost profit.
- 19.3. Equipment breakdown insurance shall not cover errors in the program as well as losses specified in point 21 of these Terms and Conditions.

20. ADDITIONAL COVER

Additional cover mentioned in points 20.1 – 20.9 shall be valid, if explicitly stated in the insurance contract.

20.1. Additional costs resulting from legislative requirements

- 20.1.1 If a building and/or other property destroyed or damaged because of an insured event is being restored, the Insurer shall compensate for any essential additional costs resulting from legislative requirements.
- 20.1.2 Insurer shall not compensate for additional costs that the Policyholder should have made irrespective of the occurrence of insured event, e.g. in order to ensure that the building and/or other property is in compliance with fire safety requirements or in compliance with cultural heritage protection requirements, or in order to ensure that the equipment is safe to operate, etc. This limitation shall be applicable regardless of whether the respective precept has been issued or not.
- 20.1.3 Additional costs are insured within 10% of the sum insured of insured object, but for no more than 100,000 EUR.
- 20.1.4 Additional costs resulting from legislative requirements shall not be compensated if the building is not restored.

20.2. Additional costs for quick repair of equipment

In addition to normal repair cost, the Insurer compensates for additional costs for quick repair of equipment. E.g. additional costs related to overtime work and urgent transport shall be compensated. Additional costs are insured within the amount specified in insurance contract.

20.3. Extension of equipment breakdown insurance

In case of the occurrence of insured event under the equipment breakdown insurance, the Insurer compensates for the replacement or repair cost of the detail that caused the loss.

20.4. Insurance cover outside the place of insurance

- 20.4.1 Insured item shall be covered outside the place of insurance subject to geographical restriction stated in insurance contract.
- 20.4.2 Extension of insurance cover is only valid if at least one of the following conditions has been met:
- 20.4.2.1 Insured item has been placed under manned guard;
- 20.4.2.2 Insured item is located in a locked and electronically guarded room or vehicle;
- 20.4.2.3 Insured item is located in a fenced-off and electronically guarded territory.

20.5. Insurance cover in the place of insurance but outside the building

Insured item is covered if it is located in the place of insurance but outside the building.

20.6. Compensation as new

- 20.6.1 If it is impossible to repair the insured item or to acquire a similar (age, technical parameters, lifetime) item, the amount of compensation shall be equal to the price of a new item.
- 20.6.2 When selecting an additional cover, the Policyholder shall determine the sum insured of the item according to the price of similar new equipment.

20.7. Burglary from showcases and safes

Insurer shall compensate for losses caused by burglary, if a burglar broke into a showcase and/or safe of a store during business hours. This cover shall not be valid, if the store was not guarded during the burglary or the existing surveillance system was not activated.

20.8. Changes in the required storage mode

Insurer shall compensate for direct losses caused to insured item by changes in the required storage mode (required temperature, humidity, etc.) due to the occurrence of insured event, and for costs necessary for the mitigation or avoidance of losses. These losses shall be insured within the amount specified in insurance contract, but not exceeding the sum insured of insured item.

20.9. Dismantling and assembly of operational building/equipment

Insurance shall cover the cost of dismantling and assembly of non-damaged building and/or equipment or their parts, if such dismantling and assembly is necessary for the repair or replacement of damaged or destroyed equipment. This cost is insured within the amount specified in insurance contract.

21. EXCLUSIONS

The following exclusions shall be applied for all insured risks and insured events.

21.1. Intentional loss

Insurer shall not compensate for losses caused intentionally by Policyholder or members of Policyholder's governing body or other persons legitimately using the insured item.

21.2. Foreseeable loss

Insurer shall not compensate for losses, the occurrence of which cannot be objectively unexpected or unforeseen.

Sample 1: Policyholder stores the goods, which can be maintained only at temperature level above zero, in an unheated room during winter. Freezing of goods shall be deemed foreseeable loss.

Sample 2: Policyholder uses makeshift materials for temporarily repairing the damaged equipment and continues the work. The equipment breaks down permanently a little later. Subsequent breakdown shall be deemed foreseeable loss.

Sample 3: Premises are not properly heated, causing the exposure to cold.

21.3. Gradual loss

Insurer shall not compensate for losses caused by gradual processes, e.g. wear and tear, amortization, corrosion, decay, excessive humidity, damage caused by condensed water, fungus (including dry rot) and other similar causes.

21.4. Unidentifiable event and property

21.4.1 Insurer shall not compensate for losses, the causes of which are unclear and cannot be identified through reasonable efforts.

Sample: Policyholder notifies of the physical damage of property. The cause and time of damage cannot be determined. This loss shall not be compensated.

21.4.2 Insurer shall not compensate for losses in respect of property, the existence of which prior to the occurrence of insured event cannot be identified through reasonable efforts.

Sample: Policyholder notifies of loss caused by the theft of property. The prior existence of property cannot be proved by purchase documents or any information received during the inspection. This loss shall not be compensated.

21.5. Interruption of electricity supply or other supply that is necessary for the functioning of equipment

Insurer shall not compensate for losses caused by interruption of electricity or gas supply or other supply necessary for the functioning of equipment.

Sample 1: The electricity supply is interrupted because of storm, causing

- the equipment for bitumen manufacturing to stop functioning. The cost of restarting the equipment shall not be covered.*
- Sample 2: The interruption of electricity supply causes the autoclave to stop functioning and goods in the autoclave become unfit for use. The loss caused by the deterioration of goods due to the cause stated above shall not be covered.*
- 21.6. Financial loss**
 Insurer shall not compensate for financial losses caused by insured event, e.g. diminished income, lost profit, long-term costs.
- 21.7. Change in required mode (temperature, humidity, etc.)**
 Insurer shall not compensate for losses caused by a change in adequate temperature or humidity level or other parameters required for the functioning, work and/or preservation of goods, inventory and equipment, unless otherwise agreed in the insurance contract.
- Sample 1: There is a fire in the compression chamber of a cold storage plant and the temperature regime in the cold storage room is compromised, causing thus the deterioration of goods kept in the cold storage room. The loss caused by the change in temperature level shall not be compensated.*
- 21.8. Non-compliant equipment or goods**
- 21.8.1 Insurer shall not compensate for losses caused by the non-compliance of equipment with prescribed requirements. E.g. when objects with required parameters cannot be manufactured when using the equipment.
- 21.8.2 Insurer shall not compensate for losses caused by the non-compliance of goods with prescribed requirements, e.g. in terms of measures, weight, color, taste, composition, etc. These losses shall not be compensated even if the non-compliance is caused by the breakdown of production equipment.
- Sample: A company manufactures products with specific measures. Products with incorrect measures were manufactured because of equipment breakdown. This loss shall not be compensated.*
- 21.8.2.1 In case of extended cover, insurance shall also cover unexpected and unforeseeable losses caused by a foreign substance that entered the goods during the manufacturing process.
- Sample: Production equipment in a meat production company was shattered and the shattered part entered the produced meat mixture. Some of the goods shall be disposed as it was not possible to find the shattered part. This loss shall be compensated under the extended insurance cover.*
- 21.9. Movement of a structure**
 Insurer shall not compensate for losses caused by the sinking, ascension or shifting of a structure and/or parts of a structure.
- 21.10. Precipitation**
- 21.10.1 Insurer shall not compensate for losses caused to a structure by the weight or movement of ice or snow.
- 21.10.2 Insurer shall not compensate for losses caused to a structure by precipitation, e.g. when water from snow, ice or rain enters the structure through its roof or walls.
- 21.11. Movement of water beneath the ground**
 Insurer shall not compensate for losses caused by water moving naturally beneath the ground and entering the building through its external structure.
- 21.12. Landslide and earthquake**
 Insurer shall not compensate for losses caused by landslide or earthquake.
- 21.13. Errors in construction or design**
- 21.13.1 Insurer shall not compensate for losses caused during the construction and/or repair works in the place of insurance. This exclusion shall not be applied in case of fire.
- 21.13.2 Insurer shall not compensate for losses, which were caused by or the formation and/or the aggravation of which was influenced by low-quality construction or repair works or by the use of low-quality or inadequate materials.
- 21.13.3 Insurer shall not compensate for losses, which were caused by or the formation and/or the aggravation of which was influenced by construction works that did not comply with the project.
- 21.13.4 Insurer shall not compensate for losses, which were caused by or the formation and/or the aggravation of which was influenced by design errors.
- 21.13.5 Insurer shall not compensate for losses caused by vibration.
- 21.14. Upkeep and maintenance costs**
 Insurer shall not compensate for the cost of upkeep and maintenance.
- Sample 1: The water pipe of a building froze, interrupting the water supply and causing the production equipment to stop functioning. As there was no insured event (water pipe is intact, although the water is frozen), Insurer shall not compensate for costs necessary for defrosting the water pipe.*
- Sample 2: The sewerage system of a building is blocked and needs to be cleaned, but there has been no water damage. Insurer shall not compensate for costs necessary for cleaning the sewerage.*
- Sample 3: Fast degrading parts of equipment have to be replaced and readjusted in certain intervals in order to guarantee the required accuracy of work. Insurer shall not compensate for these costs.*
- 21.15. Archaeological excavations**
 Insurer shall not compensate for the rise in costs of construction works or any other additional costs incurred due to archaeological excavations.
- 21.16. Guarantee or other contract**
 Insurer shall not compensate for losses that shall be compensated under a guarantee or any other contract, e.g. building contract or sales contract.
- 21.17. Fraudulent conduct and extortion**
 Insurer shall not compensate for losses caused due to the embezzlement of an insured item by a fraudulent conduct of or extortion by a third person.
- 21.18. Expropriation and legitimate demolition**
 Insurer shall not compensate for losses caused by expropriation or legitimate demolition.
- 21.19. Taxes and charges**
 Insurer shall not compensate for taxes and charges that shall be returned to Policyholder and/or Insured, e.g. VAT or customs duties.
- 21.20. Dismantling, assembly and testing of equipment**
 Insurer shall not compensate for losses caused by dismantling, assembly, testing or test start-up of equipment.
- 21.21. Parts to be normally replaced**
 Insurer shall not compensate for losses caused to parts of equipment that are fast degrading and meant to be normally replaced, e.g. belts, chains, filters, friction parts, cutting bits, gaskets, lamps, etc. This exclusion shall not be applied if the part meant to be replaced in future was damaged or destroyed because of an insured event and it was not necessary to replace this part in a reasonable timeframe.
- Sample: Cutting bits of a metalworking mill are replaced in certain intervals. This cost is deemed to be normal and Insurer shall not compensate for losses caused when the cutting bit is damaged.*
- 21.22. Rodents, insects, birds and animals**

- Insurer shall not compensate for losses caused by rodents, insects, birds or animals.
- 21.23. Aesthetic damage**
 Insurer shall not compensate for aesthetic damage that does not jeopardize the normal use of insured item and the repair of which is not urgent, e.g. scratches, changes in color, stains or ruptures.
- 22. SAFETY REQUIREMENTS**
- 22.1. Implementation of legislation and safety requirements**
- 22.1.1 Policyholder, Insured and any legal possessor of an insured item shall comply with legislation, departmental rules and manufacturer's user manuals and maintenance manuals related to the insured item as well as these safety requirements.
- 22.1.2 Policyholder, Insured and any legal possessor of an insured item shall present the legislation, departmental rules and manufacturer's user manuals and maintenance manuals as well as these safety requirements to persons who administer and/or use the insured item, and act within their rights and capabilities in order to ensure that all persons who are present in the place of insurance comply with legislation and these safety requirements.
- 22.2. Improper implementation of safety requirements**
 If Policyholder, Insured Person or the rightful holder of insured item violates a safety requirement stated in insurance terms and conditions, increasing thus the risk of occurrence of insured event or the eventual loss, the Insurer shall be entitled to decrease its contractual indemnification obligation.
- 22.3. Prudency, diligence and caution**
 Policyholder, Insured and any legal possessor of an insured item, as well as all persons who are legitimately present in the place of insurance and who administer and/or use the insured item shall be obligated to act prudently and with reasonable diligence and caution.
- 22.4. Actions in case of threat**
- 22.4.1 In case of threat of loss, Policyholder or a person related to Policyholder shall commence with protective and salvage activities, e.g. remove snow from the roof when snow may become too heavy. Or hinder the further water inflow caused by leaking pipes and commence with property displacement actions and drying efforts.
- 22.4.2 In case of loss occurrence the respective authority shall be immediately notified thereof: rescue service shall be notified of fire and police shall be notified of theft or vandalism.
- 22.4.3 If there is a possibility of subsequent loss after the loss occurrence, Policyholder or any person equal to Policyholder shall apply measures in order to prevent or mitigate potential subsequent loss, e.g. after the fire it is necessary to organize the surveillance in order to immediately detect any re-ignition; after a robbery, when doors and locks have been damaged and/or the alarm system is not functioning, it is necessary to organize the manned guard.
- 22.5. Fire safety**
- 22.5.1 According to legislation, a written action plan for the salvage of people and property, notification of fire, as well as initial fire extinction actions and other activities shall be drafted for fire occurrences. Furthermore, all persons who administer and/or use the insured item, e.g. employees, shall have received relevant instructions.
- 22.5.2 The place of insurance shall be fit with the adequate number of initial fire extinction equipment, and fire extinction equipment shall be reviewed and checked on a regular basis.
- 22.5.3 If a building has a fully established automatic fire alarm system (hereinafter: the ATS) and/or an automatic fire extinction system, the functioning of this system shall be guaranteed by a maintenance contract signed with the relevant authorized company.
- 22.5.4 In case a building is fit with the ATS and/or sprinkler system, it shall be forbidden to switch the system off fully or partially, unless previously approved by Insurer.
- 22.5.5 In case a building is fit with fire doors, manual doors shall be shut; it must be checked whether the fire doors can be closed unhindered and the functioning of doors shall be ensured by a maintenance contract.
- 22.5.6 The existence and availability of fire extinction water is the responsibility of Policyholder and/or Insured; the fire extinction water must be available throughout the year, its volume must be adequate and the water-point shall be clearly marked and visible at all times.
- 22.5.7 Access to the place of insurance, which is under the responsibility of Policyholder and/or Insured, shall be accessible by fire extinction and salvage equipment and usable throughout the year.
- 22.5.8 All evacuation paths and passageways in a building shall be unblocked and free. Combustible materials, equipment and machinery or unused property shall not be kept in a room not designed for storage, e.g. in a ventilation room or under a stairway.
- 22.5.9 Combustible and/or auto-flammable substances, equipment and machinery shall not be stored in the immediate vicinity of a building. Combustible and/or auto-flammable materials and waste shall be kept outside the building at a safe distance from the building or in a special room with fireproof construction.
- 22.5.10 Industrial premises and work places shall be kept clean; flammable waste shall be removed from working place and recovered at the end of workday or shift.
- 22.5.11 Materials and gaseous and liquid substances may be kept in industrial premises within the amounts provided by legislation.
- 22.5.12 Smoke flues, ventilation ducts and other exhaust ventilation systems shall be cleaned at least once a year or more frequently depending on the utilization, in order to prevent the ignition of accumulated fats, dirt, grime and other residues.
- 22.5.13 Smoking shall be organized in a special area; smoking in other areas shall be forbidden and the compliance with this requirement shall be monitored. Smoking area shall be fit with an ashtray, which shall be consistently emptied in order to ensure safety.
- 22.5.14 If principal activity includes welding and other work involving an open flame, these shall be performed in a special area in compliance with fire safety requirements.
- 22.5.15 If welding or other work involving an open flame is deemed temporary activity, e.g. the repair works, there shall be a strict ex-post monitoring, the work place shall be fit with the adequate number of fire extinction equipment and monitoring activities shall be organized after the completion of these works pursuant to legislation.
- 22.5.16 The utilization of portable thermal equipment in industrial premises and warehouses shall be forbidden.
- 22.6. Exploitation of equipment**
- 22.6.1 Instructions and maintenance requirements established by the manufacturer, importer and/or seller should be complied with when handling equipment and machinery.
- 22.6.2 If a longer interruption in the work of equipment or machine may damage the equipment, e.g. freezing or breakdown of equipment, equipment shall be fit with an alarm system and a back-up system in order to ensure the work of equipment or machine and to prevent the damage.
- 22.7. Security**
- 22.7.1 Windows, doors and other entrance points of a building shall be closed and locked when exiting the building, so that third

- persons would not have free or simplified access and it would be impossible to enter the building without breaking in and/or picking the locks.
- 22.7.2 If the area has a fence in order to hinder the entrance of unauthorized persons, the gates shall be closed and locked outside business hours.
- 22.7.3 The alarm system shall be switched on when the building and/or room is not guarded.
- 22.7.4 If a building or a room has been fit with an automatic alarm system, the functioning of the system shall be ensured by signing a maintenance contract with the relevant authorized company.
- 22.7.5 Security codes used for engaging and termination of surveillance shall be reset on a regular basis with a frequency of 3 years as a maximum. Personal security code issued to an employee shall be invalidated upon the end of employment.
- 22.7.6 Manned guard requires the presence of a guard. Persons who are present in the place of insurance for other purposes than guarding the premises shall not be regarded as guards.
- 22.8. Maintenance of a building**
- 22.8.1 Roofs of a building shall be checked and maintained on a regular basis. Roofs shall be cleaned from snow and ice in due time in order to prevent the excessive weight of snow.
- 22.8.2 Rain water pipes and sewerage systems of a building shall be cleaned on a regular basis.
- 22.8.3 If a building is not used during winter, all utility systems filled with freezing liquids shall be emptied in order to avoid freezing.
- 22.8.4 The heating of a building shall be adequate in order to avoid freezing.
- 22.9. Storage of goods and other property**
- Goods and other property shall always be stored on shelves and surfaces, which are at least 12 cm above the ground.
- 23. DEDUCTIBLE (RETENTION LIMIT)**
- 23.1. Deductible shall be the amount stated in the insurance contract or another value by which the Insurer's performance obligation is reduced. If the Insurer's performance obligation is reduced on other grounds as well, the deductible shall be the last in line.
- 23.2. If the insured event causes damage to insured items with different deductibles (retention limits), different deductibles shall not be summed up and only the highest deductible shall be taken into account.
- 24. COMPENSATION FOR THE DAMAGE OF A BUILDING**
- 24.1. Loss amount of a building**
- 24.1.1 Loss amount of a building shall be the minimum reinstatement or repair cost of the building in the place of insurance, which is necessary for the reinstatement of the building in its former condition.
- 24.1.2 The maximum amount of demolition and clearing costs shall be 10% of the loss amount of a building, however not exceeding 100,000 euro.
- 24.2. Insurer's performance obligation in case of reinstatement**
- 24.2.1 If depreciation of a building is less than 40% and Policyholder is going to reinstate the building in the same place of insurance or organizes restoration works of the building in 2 years after the occurrence of insured event, the calculation of Insurer's performance obligation shall be based on the loss amount of the building.
- 24.2.2 The depreciation part of the indemnity for the building shall be paid out after the Policyholder has started to restore the building and has used the previously paid part of the indemnity for intended purposes.
- 24.2.3 If depreciation of a building is over 40%, the calculation of Insurer's performance obligation shall be based on the loss amount of the building, less depreciation.
- 24.2.4 Insurance indemnity can be paid out in installments; each subsequent installment shall be paid out after the Policyholder has used the previously paid part of the indemnity for intended purposes.
- 24.2.5 If a statutory insurance cover for additional costs is provided by insurance contract, it shall be taken into account when calculating the Insurer's performance obligation.
- 24.3. Insurer's performance obligation in case of non-reinstatement**
- 24.3.1 If Policyholder does not start reinstating the building or commence with restoration works in 2 years after the occurrence of insured event, the calculation of Insurer's performance obligation shall be based on the loss amount of the building, except demolition and clearing costs, less the depreciation of the building.
- 24.3.2 Additional costs resulting from the requirement established by the act mentioned in point 20.1 of the terms and conditions shall not be compensated if the building is not restored.
- 24.4. Underinsurance of a building**
- If the sum insured of a building is less than its insurable value, Insurer shall decrease its performance obligation according to the proportion between sum insured and insurable value. Insurer shall disregard the underinsurance, if the difference between sum insured and insurable value is less than 20%.
- Sample: Insurable value of a building is 1,000,000 euro and the sum insured stated in insurance contract is 500,000 euro. This means underinsurance: the proportion between sum insured and insurable value is $500,000 / 1,000,000 = 0.5$. Insurer decreases its performance obligation by 50%. If a storm caused damages in the amount of 100,000 EUR, then in case of 50% underinsurance the compensated amount is 50,000 EUR, less the deductible (retention limit) specified in the insurance contract.*
- 24.5. Intact part of a building**
- Insurer shall not take the part of a building that is intact and usable after the occurrence of insured event into account for the determination of its performance obligation.
- 25. COMPENSATION FOR THE DAMAGE OF GOODS, INVENTORY AND EQUIPMENT**
- 25.1. If the insured item can be repaired, the loss amount shall be equal to the repair cost.
- 25.2. If the repair cost exceeds the insurable value of insured item, the loss amount shall be equal to the insurable value.
- 25.3. In case of repairing the insured item, if it is not possible to acquire the spare part, the depreciation of which is equal to the depreciation of the replaced part before the occurrence of insured event, Insurer shall not reduce its performance obligation by the depreciation of replaced part.
- 25.4. If the insurable value of insured item cannot be determined, the Insurer's performance obligation shall be equal to the acquisition cost of a new similar item, whereas Insurer shall subtract from these cost the improved results to be achieved by using this new equipment: longer period of use, better performance, higher quality.
- Sample: Machine with a prescribed lifespan of 5,000 working hours is destroyed by fire. It had worked 2,500 working hours before the occurrence of insured event. It is not possible to repair the machine and it is not possible to determine the insurable value as the machine was manufactured to meet a specific order. The lifespan of a new machine is 10,000 working hours (according to manufacturer's data). Insurer shall compensate for 25% of*

the loss amount, which corresponds to the unused number of working hours of the old machine compared to the new machine.

- 25.5. If a damaged item has to be cleared up and dismantled after the occurrence of insured event in order to restore the former situation, the cost of clearing and dismantling shall be compensated up to the limit of 10% of the sum insured of insured item, but not exceeding 10,000 EUR.

25.6. Underinsurance of goods, inventory and equipment

If the sum insured of goods and/or inventory and equipment is less than the insurable value, Insurer shall decrease its performance obligation according to the proportion between sum insured and insurable value. Insurer shall disregard the underinsurance of goods, inventory and equipment, if the difference between the sum insured and the insurable value is less than 10%.

Sample: Insurable value of goods is 100,000 euro before the occurrence of insured event and the sum insured stated in insurance contract is 60,000 euro. This means underinsurance: the proportion between sum insured and insurable value is $60,000 / 100,000 = 0.6$. Insurer decreases its performance obligation by 40%.

26. EXPENSES MADE FOR THE PREVENTION AND/OR MITIGATION OF FURTHER LOSSES

Insurer shall compensate for necessary minimum costs made for the avoidance of insured event, mitigation of losses caused by the insured event, and prevention of further losses, except salvation costs that shall be compensated by the state and local authorities. Insurer shall not compensate for such costs if they incur in order to reduce the damage of an item that is not insured under these terms and conditions.

Sample: Flood caused water damage to some of the goods and Policyholder organizes the transport and temporary storage of goods as there is a danger that the water level may rise even higher. If goods were insured, Insurer shall compensate for these additional costs of transport and storage.

27. INDEMNIFICATION DECISION

- 27.1. Insurer shall pay the indemnification for loss caused by the occurrence of insured event within 30 days at the latest of the moment when he became aware of the cause and extent of loss, method of indemnification as well as the receiver of indemnification, and the beneficiary has given her/his consent if such a person has been named in the insurance contract.

- 27.2. Insurer shall send to the Policyholder its decision on the reduction of or refusal to pay the indemnity in 30 workdays at the latest from the moment when the loss application and all requested evidences and documents have been presented to the Insurer and all relevant circumstances have become known.

28. OBLIGATIONS AFTER THE OCCURRENCE OF INSURED EVENT

28.1. Policyholder, Insured and/or any legitimate possessor of an insured item shall perform the following actions upon the occurrence of loss event:

- 28.1.1. Implement all measures necessary for the prevention or mitigation of loss, e.g. organize the surveillance in case of burglary, organize the displacement of goods, inventory and equipment that are not water resistant in case of water damage, organize the surveillance for immediate detection of re-ignition in case of fire and organize the guarding of property if the alarm systems are not in order after the fire;

- 28.1.2. Notify immediately the rescue services in case of fire; notify immediately the police in case of burglary, robbery or vandalism; notify immediately the relevant authorities in case of other accidents or damages;

- 28.1.3. Notify immediately the Insurer of the occurred event in a format that can be easily reproduced in writing.

28.2. If an insured event has occurred and the Insurer learns about it, the Insurer shall perform the following actions:

- 28.2.1. Clarify to Policyholder the procedures of loss handling and application of insurance indemnity as well as the bases for making the payment, if required by Policyholder;

- 28.2.2. Examine the loss area as soon as possible and give oral and written (if necessary) instructions to Policyholder for limiting the spreading and amount of loss;

- 28.2.3. Present a list of documents to Policyholder containing documents that are necessary for examining the loss event and submitting the application for insurance indemnity.

29. EXPERT ASSESSMENT

- 29.1. Both Insurer and Policyholder shall be entitled to use experts for determining the amount and cause of damages.

- 29.2. Each party shall cover the costs of its expert.