

MACHINERY INSURANCE TERMS AND CONDITIONS 1/2015

Effective as of 1 January 2015

1. GENERAL

1.1 Purpose of insurance

The purpose of the insurance is to indemnify the direct material damage and other costs specified in these terms and conditions caused to the insured object during the insurance period as a consequence of a sudden and unexpected event set out in section 4.

1.2 Insurance cover

1.2.1 The insurance cover options are as follows:

- 1 semi-comprehensive insurance, which covers losses caused by fire and storm and the risks of vandalism, theft and robbery to the extent set out in subsections 4.1-4.3;
- 2 machinery insurance, which covers losses caused by fire and storm and the risks of vandalism, theft, robbery and external events to the extent set out in subsections 4.1-4.4;
- 3 extended machinery insurance, which covers losses caused by fire and storm and the risks of vandalism, theft, robbery, external and internal events to the extent set out in subsections 4.1-4.5.

1.2.2 The insurance cover option chosen by the policyholder is indicated in the policy.

2. INSURED OBJECT

- 2.1 The insured object shall be the machine in the lawful possession and use of the policyholder as indicated in the policy.
- 2.2 With the machine, the insurance shall cover, without under-insurance being taken into account and in total up to EUR 5,000, any work tools used for different work operations (e.g. ploughs, buckets, front loaders, additional wheels), ancillary equipment (e.g. automatic control systems) and hook devices which do not have a supporting wheel.
- 2.3 If a work tool or a hook device has a supporting wheel (e.g. trailer, seeder or harvester, press) or if insurance cover is required for a work tool, ancillary equipment or hook device with a value of more than EUR 5,000, it must be insured separately, and a respective indication must be made in the policy.
- 2.4 If insurance cover is required for an insured object that has been given by the policyholder to a third person for rent or use, a respective indication must be stated in the policy.

2.4.1 If there is no respective indication in the policy, but the insured object was used as a rental machine, triple the deductible amount as indicated in the policy shall be applied in the case of loss.

3. VALIDITY OF INSURANCE COVER

- 3.1 The insurance cover is valid on the territory of the Republic of Estonia, unless otherwise indicated in the policy.
- 3.2 The insurance cover shall be effective during expedient use, transportation (incl. loading and unloading), due storage and repair and maintenance work of the insured object.
- 3.3 **Unless there is a separate indication in the policy, the insurance cover shall not be valid if the insured object is located or operated:**
 - 1 on a ship, barge, pontoon, or other floating vessel;
 - 2 in an underground mine or tunnel.

4. INSURED EVENTS AND RESTRICTIONS

4.1 Fire

- 4.1.1 The insurance covers damage caused by fire.
- 4.1.2 The insurance does not cover:

- 1 damage caused to an electrical appliance (e.g. generator, electric engine, battery, machine's main computer), which has been caused by an electrical incident in this appliance and if the fire did not leave the borders of this appliance;
- 2 damage to an internal combustion engine or damper system, which has been caused by fire or explosion inside this equipment.

4.2 Storm

- 4.2.1 The insurance covers damage caused by storm.

4.3 Vandalism, theft and robbery

- 4.3.1 The insurance covers damage which has been caused by vandalism, theft or robbery or an attempt of these.
 - 4.3.1.1 Vandalism means illegal destruction of or damage to the insured object by a third party.
 - 4.3.1.2 Theft means the deprivation of the insured object with the purpose of illegal embezzlement thereof.

4.3.1.3 Robbery means the deprivation of the insured object for the purpose of illegal embezzlement thereof if the deprivation has been committed using violence, i.e. physical harm, hitting, beating or other physical abuse which causes pain or by threatening to kill or cause physical harm.

4.3.2 In the case of vandalism, robbery or theft, the policyholder shall be obliged to immediately notify the police of the event, submit an application for the commencement of criminal proceedings or misdemeanour proceedings and submit the replies received from the police to Seesam.

4.3.3 Seesam provides legal assessment of the offences specified in subsections 4.3.1.1-4.3.1.3 according to the legal assessment provided to these in criminal or misdemeanour proceedings.

4.4 External event

4.4.1 Damage caused by any of the following sudden and unexpected events outside the insured object shall be indemnified:

- 1 traffic accident (for example, running off the road, collision with a moving or non-moving object);
- 2 natural disaster (for example lightning, storm, flood or other powerful natural event);
- 3 damage in the course of loading or transportation;
- 4 drowning or sinking into water, through ice or into the swamp (see subsection 8.6.3.1);
- 5 falling over or onto or other sudden and unexpected contact event outside the insured object.

4.4.2 Damage that is subject to indemnification under the Motor Third Party Liability Insurance Act or another similar act of law shall not be covered.

4.5 Internal event

4.5.1 Damage caused by a sudden and unexpected event inside the insured object shall be indemnified:

4.5.2 An internal event is any damage to the insured object not caused by an external event (see subsection 4.4.1) and not precluded in subsection 4.6 of these terms and conditions.

4.5.3 In the case of losses caused by an internal event, the special terms and conditions as indicated in the policy (see section 9) shall be applied taking into consideration the type and age of the machine.

4.6 General limitations

Regardless of the insurance cover option, no loss or costs shall be indemnified:

- 1 which have been caused by wear and tear, rusting, corrosion, oxidation, the material's fatigue or other similar long-term process;
- 2 which has been caused by insufficient circulation

- 3 of air, oil, hydraulic or cooling liquid in the engine, device, gearbox, transmission or cooling system;
- 4 which is related to insufficient adjustment or maintenance work or the replacement or repairs of details in the course of maintenance;
- 5 which has been caused by misuse of the insured object;
- 6 which has been caused by water if the insured object is used or transported on a flooded road or area;
- 7 which has been caused to parts of the insured object which are subject to wear and tear (e.g. lamps, valves, fuses, cables, seals, fabrics, tapes, belts, ropes, chains, pipes, filters, knives, blades, clutch belts and discs, drive systems (e.g. cardan drive systems), inner tubes and tyres) out of their wear and tear and substances needed for operating (e.g. oils, fuels, lubricants, liquids) out of their use.

- Exception.** Any loss caused to parts of the insured object which are subject to wear and tear or substances needed for operating will be indemnified if the loss has resulted as a consequence of an insured event;
- 7 which has been caused by defective or substandard work or material, defective product, error in calculations or drawings, erroneous advice or guidance;
 - 8 for whose occurrence a third person or the insured person is liable on the basis of a sales, maintenance or other contract;
 - 9 which has been caused to the insured object due to a load, overloading or incompetent handling of the load;
 - 10 which has been caused to electronic equipment, their data carriers, data or programmes if the damage has been caused by faulty programmes or operation of faulty programmes, the equipment being out of order, wrong input of data or damage or loss of data due to a magnetic field;
 - 11 which is not related to the insured event;
 - 12 which has been caused by decrease in value or physical damage which does not affect the usability of the insured object.
 - 13 which has arisen as a consequence of loss (except theft and robbery), unauthorised use, embezzlement, fraud or extortion of the insured object or a part thereof.

5. SAFETY REQUIREMENTS

5.1 General safety requirements

- 5.1.1 The policyholder shall be obliged to fulfil the safety requirements provided for in these terms and conditions.
- 5.1.2 The technical condition of the insured object and use of the object must be in correspondence with the requirements set forth by the manufacturer of the object and by legal acts.
- 5.1.3 The insured object must be maintained and used according to the requirements set forth by its manufacturer. A log must be kept about maintenance activities.

5.1.4 When moving on roads, the driver of the insured object must fulfil the requirements of traffic regulations and hold the driving licence for the respective category of vehicle.

5.1.5 The insured object must not be driven under the influence of alcoholic, narcotic, psychotropic or toxic substances, or while being ill or tired.

5.1.6 The repository and the conditions of the place of use of the insured object (e.g. the current intensity, temperature, air humidity) must comply with the conditions set forth by the importer or the manufacturer of the object.

5.1.7 Upon lifting, the lifting diagrams must be followed. Load control device must be switched on and correctly installed.

5.2 Requirements for reducing risk of vandalism and fire

5.2.1 Outside working hours the machine must be guarded. Work tools and hook devices must be guarded or deposited in the repository (subsection 5.3.5).

5.2.2 An insured object shall be deemed as guarded if at least one of the following conditions has been met:

- 1 the insured object has been deposited in a building or territory which is subject to a contract of guarding entered into with a security company and/or a guard and the territory guarded has been transferred for guarding and the security company and/or the guard has accepted it for guarding;
- 2 the insured object has been deposited in a locked building or territory, which is located in the immediate vicinity of the place of residence or location of the insured person (e.g. farmyard) and which is guarded (subsection 5.3.7) by the insured person.

5.2.3 The policyholder must fulfil all fire safety requirements set forth by legislation, for instance the general requirements for hot work and fire safety and requirements for fire extinguishers.

5.2.4 No open fire may be used in the repository and the room must be in conformity with the fire safety requirements established by legislation. When working with flammable and explosive substances or flammable liquids, one shall adhere to the requirements established by legislation to the relevant work.

5.2.5 For the purpose of lighting the insured object or its part or fuel tank, only electrical light can be used.

5.2.6 In addition to the standard equipment, only the equipment designed for such purpose can be used for warming up the engine, the transmission or other parts pursuant to the user manual. It is not permitted to place a cover between the hood and the engine.

5.2.6.1 If the insured object is warmed up with a flame, open fire or other device not meant for that purpose, the insured object must be guarded regularly in order to avoid the risk of fire.

5.2.7 Before welding, the padding, the fuel tank, the battery and other flammable details must be removed from the machine and the place of repairs must be equipped with the necessary alarm and firefighting equipment.

5.2.8 The insured object must be equipped with fire extinguishers according to the requirements set forth in legislation (see subsection 8.6.3.2). Control and maintenance of fire extinguishers must be performed by a person holding a respective licence.

5.2.9 If the insured object is used in a peat swamp, forest, on the territory of a timber processing company or in any other fire-risk place, the machine must be properly cleaned (see subsection 8.6.3.3). If required, the machine must be cleaned many times a day.

5.3 Requirements for reducing the risk of theft

5.3.1 When leaving the machine, it must be locked.

5.3.2 The machine is deemed to be locked if the doors, traps and openings thereof are closed and locked and the keys and remote controls have been removed.

5.3.3 Outside working hours the machine must be guarded.

5.3.4 Work tools and hook devices must be guarded or deposited in the repository.

5.3.5 A repository shall be a locked territory or building with resistant bounds, which cannot be accessed by unauthorised persons without invasion.

5.3.6 An insured object shall be deemed as guarded if at least one of the following conditions has been met:

- 1 the insured object has been deposited in a building or territory which is subject to a contract of guarding entered into with a security company and/or a guard and the territory guarded has been transferred for guarding and the security company and/or the guard has accepted it for guarding;
- 2 the insured object has been deposited in a locked building or territory, which is located in the immediate vicinity of the place of residence or location of the insured person (e.g. farmyard) and which is guarded by the insured person;
- 3 installation of such a security equipment on the insured object, the task of which is to give an alarm signal to a security company if an unauthorised person opens a door, trap or opening of the insured object or interferes with the sensors of the security equipment.

- 5.3.7 Guarding is an activity for monitoring the guarded building, territory, surroundings thereof and property located therein for detection and elimination of an emergency phase or attack and ensuring the inviolability of the insured object by a security company, guard, insured person and/or a security equipment.
- 5.3.8 A guard shall be a person who is obliged to monitor the guarded building, territory, surroundings thereof and property located therein for detection of an emergency phase or attack and for ensuring the inviolability of the insured object according to a written agreement made and entered into with the guard.
- 5.3.9 A security equipment shall be a set of technical equipment installed at the guarded object (e.g. infrared, motion, volume, magnetic sensors, video surveillance equipment) for detection of threats or attacks against property and delivering alarm signals to a security company.
- 5.3.10 In order to avoid theft, the keys and remote controls of the insured object or the guarded building or territory where the insured object is deposited must not be left without supervision, kept in a visible place or an unlocked place so that a third person knows or may know where they are.

6. ACTIVITY IN THE CASE OF A LOSS EVENT

6.1 Activity after a loss even

- 6.1.1 After the insured event the insured object may be used only if the driver has inspected the machine and is convinced that the vehicle is safe to drive on the road. First of all the driver shall check whether the machine has any oil, fuel or coolant leaks, whether the control systems and brakes function and whether the tyres are intact.
- 6.1.2 The policyholder shall do everything that can be reasonably expected for identification of the circumstances of the possible insured event. In the case of a traffic accident, the requirements of the Traffic Code shall be followed. If, as a consequence of a traffic accident, the machine is incapable of moving or any person is injured, the police shall be notified immediately thereof and called to the scene.
- 6.1.3 The driver of the insured object must not leave the scene or otherwise avoid identification of damage or consume alcohol or narcotic or psychotropic substances immediately after the accident until the end of identification of the circumstances on the scene.
- 6.1.4 The damaged insured object shall be transported to a secure repository (subsection 5.3.5) or a guarded (subsection 5.3.6) place as soon as possible.

6.2 Submission of a loss application

- 6.2.1 In the case of theft or robbery of the insured object, all parts of the registration certificate of the insured object or other documents if the insured object is not subject to registration in the National Registration Centre must be submitted with the loss application and all keys and remote controls.

7. POLICYHOLDER'S CERTIFICATION OBLIGATION

- 7.1 The policyholder shall be obliged to certify the occurrence of an insured event and the occurrence and extent of damage.
- 7.2 In the case of violation of the policyholder's certification obligation, the insurer shall have no obligation to pay insurance indemnity

8. RULES OF EVALUATION AND INDEMNIFICATION

8.1 Sum insured

- 8.1.1 The sum insured is determined on the basis of either full value or fixed value.
- 8.1.2 Upon insuring for full value, the monetary value of the sum insured shall not be indicated in the policy. The sum insured shall be the market value of the insured object.
- 8.1.3 Upon insuring for fixed value, the maximum indemnity shall be the market value of the insured object, but not for more than the sum insured as indicated in the policy.
- 8.1.3.1 If the sum insured becomes substantially less than the market value of the insured object, it shall be read to be under-insurance and the loss shall be indemnified according to the relation between the sum insured as indicated in the policy and the actual market value.
- 8.1.3.2 If the sum insured exceeds the market value of the insured object, it shall be read to be over-insurance and the loss shall be indemnified to the extent of the market value.
- 8.1.4 The insurance indemnity paid out in the insurance period for the purpose of restoring the insured object or a part thereof shall not reduce the sum insured.

8.2 Market value

- 8.2.1 The market value is the average local sales price of the insured object (i.e. the price at which sales transactions would be conducted in reality) immediately before the occurrence of the insured event.

8.2.2 When determining the market value, the condition, equipment, year of manufacture, and kilometres covered or working hours of the insured object and other factors that affect the price shall be taken into account.

8.2.3 In the case of a new insured object, the market value shall be, within 12 months from acquisition, the purchase price of the insured object.

8.2.3.1 The purchase price shall be based on the presumption that the insured object will be insured within 30 calendar days after its registration for the first time or purchasing as new if the machine is not subject to registration.

8.3 Identification of the amount of damage

8.3.1 Considering the extent of the damage and the technical and economic reasonability of the repairs, the amount of the damage means:

- 1 restoration costs;
- 2 the difference between the market values of the damaged and non-damaged insured object;
- 3 the market value of the damaged insured object.

8.3.2 Seesam has the right to choose the manner of indemnification of damage.

8.3.3 If the damaged insured object can be repaired, the amount of damage shall be the reasonable and justified repair costs.

8.3.4 If the estimated repair costs exceed 60% of the market value of the insured object, Seesam shall have the right to purchase the damaged object at the market value.

8.3.5 If the title of damaged property is not delivered to Seesam, the amount of loss shall be the difference between the market values of the damaged and non-damaged insured object.

8.3.6 By evaluation of the amount of the damage, selection of the repair shop or identification of other circumstances of the loss event, Seesam does not declare that the insured event is subject to indemnification.

8.4 Restoration costs

8.4.1 On the basis of the insurance contract, only the restoration costs of the insured object or parts thereof that became damaged as a consequence of an insured event shall be indemnified.

8.4.2 Restoration costs shall be the repair costs of the damaged object. The indemnity of these costs is not reduced by the depreciation of the insured object.

8.4.3 Seesam shall not be obliged to indemnify replacement of the damaged parts with new ones if they can be restored by repairing.

8.4.4 Seesam has the right to choose the repair shop where the insured object is to be repaired and where the policyholder must take the insured object for repairs.

8.5 Indemnification

8.5.1 The insurance indemnity is the amount of damage less the possible reductions of the indemnity calculated on the basis of these terms and conditions, deductible or unpaid insurance premium.

8.5.2 The maximum limit of the indemnity shall be the market value of the insured object and, in addition to direct material damage, in the case of an insured event, also up to EUR 10,000 the following reasoned:

- 1 costs of prevention or limitation of loss;
- 2 costs of lifting work;
- 3 costs of transportation to the nearest repository (subsection 5.3.5), a guarded (subsection 5.3.6) place or repair shop previously accepted by Seesam;

8.5.3 The input VAT which is deductible or refundable from the amount of VAT payable by the recipient of the indemnity (the policyholder or the beneficiary) pursuant to legislation shall not be indemnified.

8.5.4 The title to the damaged insured object indemnified by Seesam shall transfer to Seesam and the policyholder shall hand the damaged insured object over to Seesam.

8.6 Deductible

8.6.1 The policyholder has a deductible in respect of any insured event. Events or acts that have occurred at a different time and have a different cause-and-effect relationship are deemed different insured events.

8.6.2 Upon concurrent application of several deductibles, only the largest deductible is deducted from the indemnity.

8.6.3 Special deductible

The policyholder shall have special deductible of 25% of the amount of loss or higher deductible indicated in the policy if:

- 1 the insured object drowns or sinks into water, through ice or into the swamp;
- 2 the insured object is not equipped with the required number of fire extinguishers and this has a cause-and-effect relationship with the occurrence or extent of fire;
- 3 the insured object has not been sufficiently cleaned if the object is used in a peat swamp, forest, on the territory of a timber processing company or in any other fire-risk place and this has a cause-and-effect relationship with the occurrence or extent of fire.

9. SPECIAL TERMS AND CONDITIONS FOR INDEMNIFYING LOSSES DUE TO INTERNAL EVENT

- V1 In the case of an insured event, the insurance indemnity shall be reduced from the second year of use of the insured object, 5% each year per year of use. The maximum reduction shall be 50%.
- V2 In the case of an insured event, the insurance indemnity shall be reduced from the second year of use of the insured object, 10% each year per year of use. The maximum reduction shall be 50%.
- V4 In the case of an insured event, the insurance indemnity shall be reduced from the fifth year of use of the insured object, 5% each year per year of use. The maximum reduction shall be 50%.