



# Breakage Insurance

ES 07, Insurance terms and conditions as of 1 January 2023

## CONTENTS

1 Purpose of insurance .....	1	5.2 Scope of indemnity .....	4
2 Object of insurance .....	1	5.3 Calculation of property value and material damage .....	4
3 Coverable losses and related exclusions .....	1	5.4 Amount of indemnity .....	4
3.1 Deductible .....	1	5.5 Payment of indemnity .....	4
3.2 Coverable losses .....	1	5.6 Other provisions concerning indemnity .....	5
3.3 Other coverable losses and costs .....	1	6 Index clauses .....	5
3.4 Age reductions .....	2	6.1 Index adjustment of the sum insured per insurance period .....	5
3.5 Exclusions .....	2	6.2 Sum insured at the time of loss .....	5
4 Safety regulations .....	3	7 Double insurance .....	5
5 Appraisal and indemnification regulations .....	3		
5.1 Sum insured .....	3		

## 1 Purpose of insurance

In accordance with these terms and conditions and the General Terms of Contract (YL), Pohjola Insurance Ltd (hereinafter referred to as the "Insurance Company") undertakes to cover material damage caused to the object of insurance, and other expenses mentioned separately in the terms and conditions.

## 2 Object of insurance

The object of insurance is the property listed in the insurance policy when it is located

- in the place specified in the policy document or
- temporarily somewhere else within Finland due to maintenance/repair or being transported to or from either of these.

## 3 Coverable losses and related exclusions

The insurance covers direct material damage suffered by the object of insurance, and any other expenses specified elsewhere in these terms and conditions if the damage was caused by a sudden and unforeseeable event during the validity of the insurance. Whether an insurance event is unforeseeable or not is subject to an objective assessment, on the basis of the cause of the loss, not on the basis of the consequence of the loss.

### 3.1 Deductible

A deductible indicated in the insurance policy or specified in these terms and conditions shall apply to each loss event. When calculating the compensation, any age reductions, if applicable, will be deducted from the amount of loss before the deductible.

The insurance covers the following losses

### 3.2 Coverable losses

Either clause A or B is applied to the policy, depending on what has been specified in the insurance policy.

#### A. Extensive coverage

The insurance covers loss caused by a sudden and unforeseeable event.

#### B. Restricted coverage

The insurance covers loss caused by a sudden and unforeseeable event outside the damaged object of insurance.

### 3.3 Other coverable losses and costs

#### Combating impending loss

In addition to direct material damage, the insurance covers, under the General Terms of Contract (YL), reasonable expenses arising from mitigating or preventing a loss occurred or immediately impending and coverable under the insurance.

## Damage to soil

As a result of coverable material damage to the object of insurance, the insurance covers the examination, soil remediation or replacement costs as well as waste transportation and treatment costs arising from damage to the soil on property owned or controlled by the policyholder. The precondition is that the costs were incurred due to measures taken as a result of an imperative official regulation issued no later than within twelve months of the date when the loss was discovered or took place. Expenses are covered to a maximum of EUR 200,000 per loss.

## 3.4 Age reductions

In the event of loss or damage caused by breakage covered under breakage insurance, an age reduction will be deducted from repair or replacement costs for each year of use or part thereof, beginning from the second year of use, as follows:

office machines and equipment and ICT equipment	20%
computer-based control and monitoring systems	10%
other equipment	5%

Calculating the years of use starts from the beginning of the calendar year following the year when the equipment was brought into use. The reduction is calculated by multiplying the reduction percentage by the number of years of use.

If, in connection with a coverable loss, components which wear much more quickly than the machine itself have got broken, the insurance only covers them in proportion to their remaining useful lives (see also 3.5.10).

No deduction is applied if the breakage or loss was caused by an outbreak of fire, stroke of lightning, explosion, triggering of fire extinguishing equipment, theft, criminal damage, gale-force wind or robbery external to the machinery or equipment.

## 3.5 Exclusions

### 3.5.1 Fire, explosion, lightning

The insurance does not cover loss caused by uncontained fire, soot, explosion or direct lightning stroke.

### 3.5.2 Wear and tear and other gradually appearing phenomena

The insurance does not cover wear and tear, rust, corrosion, deterioration, fungal growth, rotting, material fatigue or any similar gradual damage, or malfunction of the object or any of its parts.

### 3.5.3 Maintenance costs

The insurance does not cover expenses caused by adjustments and maintenance, preventive or periodic servicing, or the elimination of functional disturbances, nor does it cover any parts replaced in connection with such work.

### 3.5.4 Fabrication flaws and work errors

The insurance does not cover losses to the building by faulty design or manufacturing, material, construction or

installation errors in the insured property, or expenses caused by failure to comply with construction regulations or instructions, or good building practice.

The insurance does not cover losses to movable property caused by a work error, deficient equipment or material, manufacturing flaws, an error in calculations or drawings or by incorrect advice related to raw materials, or semi-finished or finished products or customer property being repaired, serviced or handled. The insurance does not cover expenses caused by the repair of an object or a component that has been made deficiently or from deficient materials, even if the cause of such deficiency is an error in calculations or drawings, or incorrect advice or instructions.

However, the insurance covers a sudden loss to other property included in the insurance caused by a sudden mechanical damage or breakage of the insurance object as the result of the above error, action or neglect.

The loss caused as the result of a sudden damage or breakage is only covered if the insured or the policyholder has not been, or should not have been, aware of the existence of such an error, action or neglect and the case is not of any other loss mentioned in the restrictions, remaining outside the coverage.

### 3.5.5 Agreements

The insurance does not cover loss or expenses for which the supplier or some other party is responsible on the basis of an agreement, guarantee, service agreement or similar commitment. Loss covered otherwise by the insurance is, however, indemnified to the extent that the policyholder shows that the responsible parties are unable to meet their liability to make good the loss.

If the policyholder him/herself is the maker or seller of the object, the loss is not covered if the maker/seller is responsible for the loss on the basis of an established guarantee in the business.

### 3.5.6 Financial crime

The insurance does not cover loss caused by fraud, embezzlement or any other similar offence.

### 3.5.7 Disappearance, leaving behind and theft

The insurance does not provide coverage if property disappears or is left behind. The insurance does not cover theft either if

- the exact time, place and circumstances of theft cannot be specified, or
- the theft is only discovered in inventory.

Loss caused by theft is not considered unforeseeable if the policyholder has not taken all reasonable safety precautions in view of the value of the property and the circumstances of its storage.

### 3.5.8 Blasting

The insurance does not cover loss caused by commercial blasting or quarrying. Loss covered otherwise under the insurance is, however, indemnified to the extent that the policyholder shows that the party found to be liable is unable to meet its liability.

### 3.5.9 Property outdoors

The insurance does not cover damage caused by the forces of nature to movable property outdoors or in an uncovered building, unless the equipment in question is intended for use in such premises.

### 3.5.10 Consumables

The insurance does not cover damage caused to consumables used in machines or equipment, such as fuels and lubricants, other liquids, scoops, cables and rubber tyres, except if the consumables have been damaged in connection with another loss covered under these terms and conditions.

### 3.5.11 Circuit boards and data storage media

The insurance does not cover loss caused by the discontinuance of performance or non-performance of an individual circuit board, data storage medium or an equivalent component, unless the insured can prove that the cause is a sudden and unforeseeable event outside the component.

### 3.5.12 Software and data errors

The insurance does not cover damage to programmable electronic equipment or to its data medium, files or software caused by malfunction of hardware or software, operating error, or by destruction or disappearance of data due to magnetic fields.

Furthermore, the insurance does not cover any loss caused by a telecommunications disruption, interference with telecommunications, cracking, or threat to data processing.

### 3.5.13 Reduction in value

The insurance does not cover any reduction in value or any loss that does not affect the usability of property.

### 3.5.14 Flooding

The insurance does not cover loss caused by heavy seas, movement of ice, or flood resulting from a rise in the level of seas, lakes, rivers or other body of water.

### 3.5.15 Data system break-ins, malicious software or denial of service attacks

The insurance does not cover equipment malfunction caused by

- data system break-in, referring to illegal entry into an information system
- malicious software, interference with telecommunications or other similar criminal damage affecting software, files or equipment.

## 4 Safety regulations

Safety regulations are part of the insurance contract. The policyholder and insured person must comply with the safety regulations given in the insurance policy, insurance terms and conditions or other instructions in writing. If the policyholder or insured person fails to comply with safety regulations, either intentionally or through negligence that cannot be considered minor, and the failure to comply with safety regulations has contributed to the damage or the amount of damage, the compensation may be reduced or

the claim may be rejected in accordance with the General Terms of Contract.

The policyholder and insured person must follow the rules and regulations concerning the insured property and operations. Buildings, machinery and equipment shall be maintained in a condition which complies with the Building Act, building regulations and occupational safety regulations. The user instructions and maintenance programmes of buildings, machinery and equipment must be followed, and any faults and defects fixed without delay.

Insured property must be serviced and used in the manner required or recommended by its importer or manufacturer. A service log must be kept. The installation rooms and operating conditions of the insured property, such as operating voltage, air humidity and temperature, must comply with the recommendations of the importer or manufacturer.

Portable computers and similar equipment that are being transported must be kept in passenger cabin facilities during air transportation.

Equipment that is being transported must be moved from a motor vehicle or other transport equipment, and kept in locked facilities overnight.

Separate safety regulations related to fire and crime safety are indicated in the insurance policy.

## 5 Appraisal and indemnification regulations

The sum insured and indemnities in the property insurance are determined in accordance with these regulations, unless otherwise specified elsewhere in the terms and conditions or in the insurance policy.

### 5.1 Sum insured

Property is insured for the agreed sum insured entered in the insurance policy for each object or property item. This sum, adjusted by the index entered in the insurance policy (see Index clauses), is the maximum indemnity in the case of loss.

The sum insured is used as the calculation basis for the insurance premium and equals the maximum indemnity, but it does not form a basis for the amount of loss or its assessment.

The basis of the sum insured is recorded in the insurance policy. It is one of the following.

#### 5.1.1 Replacement value

The replacement value refers to the amount of money required for acquiring new similar or equivalent property for delivery to the same location to replace the old property, including the costs of demolition and disposal of the damaged property. Replacement value is determined according to costs incurred by the use of standard and modern construction methods and materials.

Unless otherwise agreed with the insurance company, the sum insured is based on the replacement value of the property.

### 5.1.2 Current value

The current value refers to the amount based on the reduced value of property, as a result of age, use, technological obsolescence, decrease in usability or similar reasons, deducted from the replacement value. Reduced usability may also be the result of changed conditions in the location, such as discontinuation of the industrial or commercial activity in question.

### 5.1.3 First loss

First loss refers to the sum insured agreed for the object of insurance and recorded in the insurance policy. Provisions governing under-insurance shall not apply to first loss insurance. The provisions of the appraisal and indemnification regulations shall otherwise apply.

## 5.2 Scope of indemnity

The insurance covers direct material damage to insured property. The indemnity is, at most, the agreed sum insured for the property, each object or property item, adjusted by the index of the time of the loss (see section Index clauses).

## 5.3 Calculation of property value and material damage

### 5.3.1 Loss amount based on replacement value

The loss amount based on replacement value is calculated by deducting the replacement value-based residual value of the remaining property from the replacement value of the property immediately before the loss and then the reductions based on age and usage defined in the insurance terms and conditions or policy. (A definition of replacement value is provided above in clause 5.1.1)

If the damaged property can be repaired, the amount of loss equals the repair costs minus the reductions based on age and usage as defined in the insurance terms and conditions or policy. However, the maximum loss amount equals the difference between the replacement value and residual value.

If, however, the value of the property item had by the time of loss decreased to the extent that the current value of the object was less than 50% of the replacement value immediately before the loss, the loss amount is calculated based on the current value and calculation bases for the loss amount (see clause 5.3.2). Each damaged object and structure shall be assessed separately.

### 5.3.2 Loss amount based on current value

The loss amount based on current value is calculated by deducting the current value-based residual value of the remaining property from the current value of the property immediately before the loss and then the reductions based on age and usage defined in the insurance terms and conditions or policy. (The definition of current value is provided in section 5.1.2 above)

If the property can be repaired, the amount of loss equals the repair costs minus the reductions based on age and usage as defined in the insurance terms and conditions or policy. However, the maximum loss amount equals the

difference between the current value and current value-based residual value.

If the property is not rebuilt or repaired, the current value of the amount of loss cannot exceed the fair value of the property.

### 5.3.3 Amount of loss based on first loss

The loss amount based on first loss is calculated in accordance with the determination grounds for the amount of loss for replacement value or current value. (The definition of first loss is provided in section 5.1.3 above)

The under-insurance rule does not apply to assessing the amount of indemnity under first loss insurance.

### 5.3.4 Value added tax

Provisions governing value added tax are taken into account when calculating the amount of loss. The portion accounted for by the tax will not be paid if it is deductible in the beneficiary's taxation.

Value added tax will not be compensated in the event that the insured has the right of refund with respect to value added tax.

## 5.4 Amount of indemnity

The amount of indemnity is the amount of loss less the deductible.

### 5.4.1 Under-insurance

If the sum insured is less than the property's value, the property is underinsured.

In the event of loss incurred by an underinsured property or benefit, the insurance will only cover that part of the loss and its amount which corresponds to the ratio of the sum insured and the value of the property.

When assessing under-insurance, the sum insured is compared, when the indemnity based on replacement value is calculated, with the replacement value of the property and, when the indemnity based on current value is calculated, with the current value of the property.

The under-insurance clause does not apply to first loss insurance.

### 5.4.2 Overinsurance

If the sum insured is higher than the property's value, the property is overinsured. In such a case, the indemnity is calculated in accordance with clause 11.1 of the General Terms of Contract (YL).

## 5.5 Payment of indemnity

Indemnity based on the current value is paid first. The difference between the indemnities based on the replacement value and current value will be paid if, within two years of the loss, the damaged property has been repaired or replaced with similar property intended for the same use in the same location.

Only the policyholder or a third party in favour of whom insurance has been taken out has the right to the difference between the indemnities based on the replacement value and current value. This right is not transferable.

If construction is delayed due to action by the authorities, the delay period will be added to the two-year time limit.

## 5.6 Other provisions concerning indemnity

### 5.6.1 Indemnity for drawings, etc.

Drawings and documents, as well as patterns and moulds, are indemnified only if similar property is acquired within two years of the loss to replace the damaged property. In the event of unfinished manuscripts and translations, indemnity is paid only for those sheets that, owing to the loss, must be rewritten in order to complete the unfinished work.

### 5.6.2 Alternatives to cash indemnity

The insurance company has the right to have the lost or damaged property built, acquired or repaired in lieu of cash indemnity.

The insurance company has the right to decide which builder or repairer is to be used for rebuilding or repairing the property, or from what source of supply similar property is to be acquired.

### 5.6.3 Loss inquiry costs

The insurance company is only obliged to compensate loss assessments it has requested itself, or other necessary investigations carried out to settle a claim or evaluate the extent of loss. The insurance company is not obliged to compensate other assessments or investigations unless they have been agreed upon in advance with the insurance company.

### 5.6.4 Mortgageable property

The policyholder will be indemnified for property for which a mortgage can be secured only if the policyholder has ascertained that the property has not been mortgaged as security for debt, or that the mortgagees have agreed that the policyholder should be indemnified.

For real estate, no such ascertainment is required,

- provided that the policyholder proves that the damage has been repaired;
- provided that the policyholder shows a guarantee stating that the indemnity will be used to repair the damaged property;
- provided that the policyholder indicates that the amount of indemnity is small in comparison with the value of the real estate, or
- if it is otherwise obvious that indemnification will not impair a creditor's prospect of payment.

### 5.6.5 Insurance company's right to redeem damaged property

The owner of insured property retains ownership even if the property is damaged. However, the insurance company has the right to redeem the remaining damaged property or part thereof. The redemption will be indemnified on the same grounds as damage to that object or property item (i.e. in accordance with either replacement value or current value).

### 5.6.6 Policyholder's obligation to return recovered property

If the policyholder recovers part of the lost property after payment of indemnity, s/he shall immediately surrender the property concerned to the insurance company, or refund the relevant indemnity.

## 6 Index clauses

The insurance is linked to the index indicated in the insurance policy.

### 6.1 Index adjustment of the sum insured per insurance period

The sum insured entered in the insurance policy is adjusted on the first day of each insurance period. The sum insured is adjusted by as many per cent as the adjustment index deviates from the basic index. At the same time, the amount of investments made and reported during the insurance period is added to the sum insured.

The basic index is the calendar month index five months before the first month of the first insurance period.

The adjustment index is the calendar month index five months before the first month of the insurance period entered in the insurance policy.

The insurance premiums are altered to match the adjusted sum insured.

### 6.2 Sum insured at the time of loss

The sum insured at the time of loss is as many per cent of the original sum insured as entered in the insurance policy as the calendar month index five months earlier is of the basic index.

In addition, the sum insured at the time of loss is increased by the amount of investments made in buildings and machinery in the place of insurance before the loss during the insurance period, yet with the following restrictions:

- the investments are based on the same activity for which the property covered under the insurance is used.
- the increase, due to index increase and investments, in the sum insured specified in each section of the insurance policy, may be a maximum total of 15% of the sum insured indicated in the insurance policy, but no more than the amount entered in the insurance policy.

## 7 Double insurance

If the same property is insured under several insurance policies for the same loss, it is a double insurance. If the property is over-insured with the combined policies, the compensation paid from this policy cannot be greater than the amount of loss after taking into account the compensation from the other policies.

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