



# Erection all risks insurance/ contractors' all risks insurance

YH 01

Insurance terms and conditions valid as of 1 January 2020

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## Contents

ERECTION ALL RISKS INSURANCE/ CONTRACTORS' ALL RISKS INSURANCE .....	1	ES 3 Object of insurance .....	1
Structure of insurance.....	1	ES 4 Coverable losses and related restrictions .....	2
ES Property insurance.....	1	ES 5 Safety regulations .....	3
ES 1 Purpose of insurance.....	1	ES 6 Appraisal and indemnification regulations.....	4
ES 2 Period of validity and place of insurance .....	1	ES 7 Double insurance.....	5

## ERECTION ALL RISKS INSURANCE/ CONTRACTORS' ALL RISKS INSURANCE

### Structure of insurance

The insurance includes Property Insurance (ES) and the General Terms of Contract (YL).

### ES Property insurance

#### ES 1 Purpose of insurance

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

#### ES 2 Period of validity and place of insurance

##### 2.1 Period of validity

The insurance is valid until the end of the insurance period. However, as to work sites, insurance coverage ends at the latest when the site has been handed over to the customer or it is being used or when the insurance that is renewed automatically each year is terminated.

##### Work performed for the principal's account

As to work completed on the principal's account during the insurance period, the insurance will be valid until the work site has been partly or fully handed over to the principal or being used (see below under 'Warranty period'). If the principal has not taken a policy of its own, the insurance also covers losses resulting from the principal having started operations in a part of the site that has not yet been handed over. If this bringing into use increases risk and the insurance company has not been informed thereof, the insurance company may be fully or partly discharged from liability, in accordance with clause 5.2 of the General Terms of Contract.

##### Work performed for the policyholder's account

If it is the question of work performed for the policyholders account and completed during the insurance period, the insurance will remain valid until the work item has been completed but not beyond the date when its bringing into use has begun.

##### Warranty period

For the insured work item, the insurance will also be valid for the warranty period, under these terms and conditions, but for a maximum of three years from the delivery or bringing into use or partial delivery or bringing into use of the item applying to damage which

- arises when repairing defects during the warranty period, or
- has been caused by an error committed during installation or construction.

Unless otherwise agreed and specified in the insurance policy, total indemnity mentioned herein will account for a maximum of 10% of the sum insured for the work item, or the maximum indemnity for a single loss specified in the insurance policy, and only to the extent that indemnity may not be received on the basis of some other insurance.

##### 2.2 Place of insurance

###### 2.2.1 Temporary insurance

The insurance is valid on the work sites stated in the insurance policy and in adjacent storehouses in Finland.

###### 2.2.2 Insurance renewed automatically each year

The insurance is valid on the work sites included in the net sales or invoicing and in adjacent storehouses in Finland.

### ES 3 Object of insurance

The object of insurance is only the property and cost items mentioned in clauses 3.13.8 below and indicated in the insurance policy.

### 3.1 Work sites

#### Fixed-period insurance

The insurance covers individual work sites for their contracted price. The sum insured of the work site must correspond to the final cost estimate.

The insurance covers expenses, included in the contracted price and intended for the work site, such as

- work performance
- machines, equipment and structures to be installed
- buildings and non-permanent structures
- interior design and unfinished installations
- raw materials and supplies

The property will become covered by the insurance during unloading and once it has been loaded off the means of transport on the work site or adjacent storage.

#### Insurance renewed automatically each year

The insurance covers targets included in the annual invoicing or net sales reported to the insurance company (used to determine the premium). The maximum compensation amount is shown on the insurance policy. Targets in excess of the maximum compensation must be insured separately.

The insurance covers expenses, included in the contracted price and intended for the work site, such as

- work performance
- machines, equipment and structures to be installed
- buildings and non-permanent structures
- interior design and unfinished installations
- raw materials and supplies

The property will become covered by the insurance during unloading and once it has been loaded off the means of transport on the work site or adjacent storage.

### 3.2 Tools, power tools and equipment

If separately agreed and recorded in the insurance policy, the object of insurance includes tools, power tools and equipment.

They comprise lightweight machines, tools and equipment, tarpaulins, scaffolding and construction moulds used in installation and construction and owned by the insured party, as well as other such supplies that are not in any respects intended to form part of a completed work.

The object of insurance excludes moving power tools, lifts, cranes, other hoists, and work rafts and pontoons.

### 3.3 Site huts

If separately agreed and recorded in the insurance policy, the object of insurance includes on-site buildings,

consisting of portable office and storage buildings, caravans, sheds, huts and other non-permanent structures, owned by the insured party, which are intended for use during erection and construction.

### 3.4 Office supplies

If separately agreed and recorded in the insurance policy, the object of insurance includes office supplies,

consisting of office equipment and movables, drawings and other documents, as well as information and software included in PCs and data media.

### 3.5 Employee's property

If separately agreed and recorded in the insurance policy, the object of insurance includes employees tools and supplies which the employer shall insure under a collective agreement.

### 3.6 Leased assets

If separately agreed and recorded in the insurance policy, the object of insurance includes leased assets defined in clauses 3.2-3.4 above,

Leased assets are insured on a first loss insurance basis.

### 3.7 Other on-site property

If separately agreed and recorded in the insurance policy, the object of insurance includes other on-site property in the immediate vicinity of the work site during the contract period.

Other on-site property refers to property on the work site or immediately adjacent to it, other than that specified in clauses 3.1-3.6 above. By other on-site property we do not mean third-party property used in construction or installation work.

Indemnity is paid on a first loss basis and only to the extent it cannot be received on the basis of another policy. In addition, indemnity will be paid only if loss or damage is a direct consequence of the action on the site in question by the insured party or a person working on the insured party's behalf.

### 3.8 Expediting costs

If separately agreed and recorded in the insurance policy, the object of insurance includes expediting costs.

In addition to direct material damage, the insurance covers the following costs, up to the sum insured specified in the insurance policy, arising from the repair of damaged property:

- Overtime costs
- Temporary labour costs and
- Express freight costs

## ES 4 Coverable losses and related restrictions

### 4.1 Coverable losses

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.

#### 4.1.1 Other coverable expenses

##### Additional expenses resulting from regulation issued by the authorities

In case of damage to a building, the insurance covers reasonable additional expenses arising from any imperative regulations issued by the authorities concerning repair or constructions, but no more than 20 % of the total amount of the direct material damage and related expenses as defined above. The maximum compensation is the sum insured or the sum entered in the insurance policy.

##### Combating impending loss

In addition to direct material damage, the insurance covers, under clause 6.2 of the General Terms of Contract, 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 and 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 for a maximum of EUR 200,000 per loss.

#### **Expenses arising from debris removal**

In addition to coverable direct material damage, the insurance covers expenses arising from the removal and disposal of the damaged property. Unless otherwise agreed separately, such debris removal expenses for each property will be indemnified in such a way that the total expenses for the entire property account for a maximum of 10% of the sum insured for the property or the maximum compensation entered in the insurance policy.

### **4.2 Losses excluded from cover and other exclusions**

#### **4.2.1 Wear and tear**

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.

#### **4.2.2 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.

#### **3.2.4 Fabrication flaws and work errors**

The insurance does not cover expenses caused by faulty design, manufacturing, material, building or installation 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 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 sudden and unforeseeable damage caused, as a consequence of an error, to other insured property.

#### **4.2.4 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 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.

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

#### **4.2.5 Financial crimes**

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

#### **4.2.6 Property disappearing or being left behind**

The insurance does not cover loss or damage caused by property disappearing or being left behind.

#### **4.2.7 Theft**

The insurance does not cover theft

- if the exact time, circumstances and place cannot be determined
- if the property is not found to be missing until the next inventory.

This insurance does not cover loss caused by property stolen from a vehicle, trailer or similar means of transport.

#### **4.2.8 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.

#### **4.2.9 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 property in question is intended for use on such premises.

#### **4.2.10 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.

#### **4.2.11 Destruction of software or files**

The insurance will not cover the destruction of software or files in electronic format except in the event that the insured device or data medium has sustained damage that is indemnifiable under these terms and conditions. The insurance will cover software or file backup recovery costs to a total of up to EUR 3,000.

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

#### **4.2.12 Groundwater**

The insurance does not cover loss caused by changes in the groundwater level.

#### **4.2.13 Impairment**

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

#### **4.2.12 Flood**

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.

#### **4.2.15 Road accident**

The insurance does not cover any loss caused by a road accident referred to in the Motor Liability Insurance Act.

#### **4.2.16 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 information system
- malicious software, interference with telecommunications or other similar criminal damage affecting software, files or equipment.

## **ES 5 Safety regulations**

### **Compliance with safety regulations**

Safety regulations are part of the insurance contract. The insured must comply with the safety regulations given in the insurance policy, insurance terms and conditions or other instructions in writing. If the insured 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 and conditions.

The 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.

The safety regulations will be applied to all new construction and to renovation, demolition and installation work.

The Occupational Safety and Health Act and construction safety rules and regulations must be followed on the site, and the site must be maintained as specified in the site organisation plan.

The separate safety regulations are mentioned in the insurance policy.

## **ES 6 Appraisal and indemnification regulations**

### **6.1 Sum insured**

Property is insured for the agreed sum recorded in the insurance policy in respect of each object or asset. This sum is the maximum indemnity in case of loss.

The sum insured or the maximum compensation entered on the insurance policy is the highest compensation payable, 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:

#### **6.1.1 Replacement value**

The replacement value refers to the amount of money required for acquiring new similar or equivalent property to replace the old one.

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

#### **6.1.2 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. When determining the current value for buildings, the fair value of the asset is also taken into account. Fair value refers to the sum that would have been obtained if the asset had been sold before the damage occurred.

Current value must be lower than the asset's replacement value.

#### **6.1.3 First loss**

First loss refers to the sum insured agreed for the object of insurance and recorded in the insurance policy. Provisions governing underinsurance shall not apply to first loss insurance (see clause 6.5.2 Underinsurance).

### **6.2 Sum insured after loss**

The sum insured will be reduced by the amount of indemnity if the indemnity accounts for a minimum of 10% of the agreed sum insured for property, each object or asset.

### **6.3 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 asset.

## **6.4 Calculation of property value and material damage**

### **6.4.1 Loss amount in accordance with replacement value (see clause 6.1.1)**

The loss amount based on replacement value is calculated by deducting the value of the remaining property (residual value) from the value of the property immediately before the loss. Both values are calculated in accordance with the replacement value.

If the damaged property can be repaired, the resulting repair costs constitute the loss amount. 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 (see section 6.4.2). Each damaged object is appraised separately.

### **6.4.2 Loss amount based on current value**

The loss amount based on current value is obtained by deducting the value of the remaining property (residual value) from the current value. Both values are calculated in accordance with the current value.

If the damaged property can be repaired, the resulting repair costs constitute the loss amount. However, the maximum loss amount equals the difference between the current value and residual value.

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

### **6.4.3 Loss amount in accordance with current value (see clause 6.1.3)**

If first loss insurance has been taken out on property, indemnity deviates from that based on the replacement and current value in such a way that provisions governing underinsurance shall not apply.

### **6.4.4 Value added tax**

Provisions governing value added tax are taken into account when calculating the loss amount.

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 case the insured party has the right of refund with respect to value added tax.

## **6.5 Amount of indemnity**

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

### **6.5.1 Deductible**

For each loss, the policyholder has a deductible. The deductible is recorded in the insurance policy. Other terms and conditions or the insurance policy relating to the insurance may contain rules for the calculation of deductible.

#### **6.5.1.1 Deductible for hot work**

If a fire loss is caused by hot work (see clause 5.1 above), the policyholder's deductible is ten times that specified in the insurance policy, but no more than EUR 20,000 or a higher deductible specified in the insurance policy.

#### **6.5.1.2 Other deductibles**

The deductible is not reduced if the leak damage has been reduced by leakage warning system.



## 6.5.2 Underinsurance

If the sum insured is less than the property's value, the property is underinsured. In such a case, the indemnity is calculated in accordance with clause 11.2 of the General Terms of Contract.

## 6.5.3 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.

## 6.6 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.

## 6.7 Residual value of the building

### 6.7.1 Indemnity for reduction in residual value

If, due to a building prohibition or construction restriction in force under the provisions of the Finnish Building Act or Road Act, the parts of the building remaining after the loss may not be used for restoring the building, the reduction in residual value will also be indemnified.

### 6.7.2 Special permit

The policyholder shall prove that a building prohibition or construction restriction is in force.

If the insurance company so requests, the policyholder shall apply for a special permit to restore the building to its former condition and, if the permit is rejected, to appeal against the decision. At the insurance company's request, the policyholder shall authorise the insurance company to represent him in applying for the permit.

## 6.8 Other regulations concerning indemnity

### 6.8.1 Indemnity for drawings, etc.

Drawings and documents will be indemnified only if similar property is acquired within two years of the loss to replace the damaged property.

### 6.8.2 Alternatives to cash indemnity

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

The insurance company has the right to decide what 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.

### 6.8.3 Loss investigation 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.

### 6.8.4 Mortgageable property

The policyholder will be indemnified for property for which a mortgage can be secured only if he has ascertained that the property has not been mortgaged in security for debt or that the mortgagees have agreed that the policyholder should be indemnified (cf. section 13 of the Finnish Business Mortgages Act and chapter 17, section 8 of the Code of Real Estate).

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.

### 6.8.5 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).

### 6.8.6 Policyholders obligation to return recovered property

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

## ES 7 Double insurance

In the case of multiple insurance, i.e. the same property is insured under several insurance policies for the same loss, indemnity is calculated in accordance with the Insurance Contracts Act.

Pooling our resources.

