

# Construction all-risk insurance

## Information Document of Insurance Service

### AB Lietuvos draudimas Estonia branch



The information document gives a general overview of the insurance service. The information document does not cover the specific features of the contract to be entered into. The complete information on the insurance contract being entered into can be found in other documents, such as the proposal, policy conditions and insurance policy.

### What is this type of insurance?

The construction all-risk insurance is a voluntary insurance that comes in the form of an all-risk contract and insures construction, renovation, reconstruction, assembly, disassembly or installation work from the beginning of the construction work to delivery of the finished project to the contracting entity. An insured event is damage caused by an unexpected and unforeseen event specified in the policy conditions, as a result of which the construction work or materials are damaged or destroyed and the insurer becomes obliged to indemnify them. An all-risk insurance contract covers any damage whose causes are not presented in the policy conditions as restrictions.



#### What is insured?

- ✓ The insurance covers:
  - ✓ work agreed on in the construction contract;
  - ✓ construction materials and devices/equipment installed in the course of construction work;
  - ✓ other objects of insurance agreed in the insurance contract depending on the policyholder's wishes and needs arising from the nature of the construction work;
  - ✓ construction site fittings (e.g. scaffolding, site accommodation and the office equipment therein);
  - ✓ construction tools and machinery;
  - ✓ expenses incurred following an insured event, which are related to working during nights or national holidays, overtime and priority freight (incl. air freight);
  - ✓ cleaning costs following an insured event;
  - ✓ the contracting entity's existing building in or in the immediate vicinity of which the construction/installation work is performed;
  - ✓ (domestic) transport of construction materials and equipment to the construction site;
  - ✓ any costs of expert analysis following an insured event in order to determine the causes of damage;
  - ✓ other agreed expenses and additional covers depending on the complexity of the insured construction work; and
  - ✓ any liability damage caused to third parties during the construction work (damage to property and/or personal injury).
- ✓ The construction all-risk insurance covers any damage to the insured object caused by (the list is not exhaustive):
  - ✓ fire (incl. smoke, soot and damage from extinguishing work), direct or indirect lightning strikes, explosions and arson);
  - ✓ natural disasters (storms, floods, earthquakes, landslides, rock falls, soil collapses, etc.);
  - ✓ vandalism (damage to or destruction of the object of insurance caused by a third party);
  - ✓ robbery (seizure of the object of insurance through the use of physical violence or direct threats



#### What is not insured?

- \* According to the policy conditions, the insurance does not cover:
  - \* design work;
  - \* water- and aircrafts;
  - \* packaging materials (pallets, containers, etc.);
  - \* plans, drawings, delivery notes, money, contracts, legal instruments, securities, cheques, etc.; and
  - \* the damaging effect of asbestos.



#### Are there any restrictions on cover?

- ! The list of damage types not covered by the insurance is given in the policy conditions. For instance, the insurance does not cover:
  - ! damage caused by the client's intent or gross negligence; damage caused by failure to comply with the construction project and/or standards or intentional violation of construction technology;
  - ! any financial claims (loss of income, fines, interest on arrears, etc.) arising from the amendment of the construction contract, deferral of the deadline, withdrawal from the contract or payment defaults;
  - ! damage caused by intoxicated actions of the policyholder or a person entitled thereunder;
  - ! damage caused by the policyholder or a beneficiary presenting false data about the circumstances of the occurrence and/or the extent of the damage;
  - ! damage that is directly or indirectly caused by war, acts of terrorism, riots, protests, strikes, uprisings, revolutions, coups, expropriation or confiscation;
  - ! damage caused by full or partial suspension of construction work;
  - ! defective construction materials or incomplete construction work;
  - ! damage that occurs outside of the insurance territory specified in the policy;
  - ! incorrect use of construction materials or equipment subject to installation or their use for purposes other than intended or in non-standard conditions and failure to comply with product instructions.
  - ! damage caused by tidal waters reaching the

- thereof);
  - ✓ theft;
  - ✓ collisions with obstacles, tipping over and falling into ditches or trenches at the place of insurance; and
  - ✓ liability damage caused to third parties during construction work (e.g. personal injuries and/or damage to property – bodily injuries and damage caused to the property of third parties);
  - ✓ other incidents that are not ruled out by the policy conditions (see the paragraph on cover restrictions).
- ✓ The sum insured is specified in the policy. The sum insured for construction work is the recovery value, i.e. the final cost of the construction or assembly work upon completion of the construction object, incl. the cost of construction materials and equipment, the transport costs thereof, service fees and remuneration, possible customs duties and levies, but also the cost of the construction materials supplied by the contracting entity. The sum insured is generally calculated without including VAT.
  - ✓ Any additional covers (construction site fittings, construction machinery and tools, the contracting entity's existing building, cleaning costs, additional costs following an insured event (incl. air transport), domestic transport and liability insurance, etc.) are provided by applying the principle of the limit of indemnity without considering underinsurance.
  - ✓ Any insurance indemnity paid shall not reduce the sum insured. The limit of indemnity is reduced by the insurance indemnity paid. The limit of indemnity can be restored (for an additional fee or by agreement).
  - ✓ The insurance period is the duration of the construction period. The insurance period can be extended by the maintenance period following construction period (generally by 24 to 36 months). The liability insurance cover is also valid during the maintenance period.
  - ✓ The construction all-risks insurance contract can be subject to different special conditions that are agreed upon separately each time in order to extend the insurance cover. The most common special conditions are:
    - ✓ normal and extended maintenance period;
    - ✓ additional costs and air transport;
    - ✓ storage of construction materials outside of the construction site;
    - ✓ testing of machinery and equipment;
    - ✓ design defects;
    - ✓ the contracting entity's existing building;
    - ✓ cross liability;
    - ✓ underground communication systems; and
    - ✓ vibration.
  - ✓ The complete list of special terms and conditions is given in the policy conditions.

working path of the insured object; damage caused by the use or transport of the insured object on flooded roads or terrain;

- ! damage caused by oxidation, depreciation due to the daily use or non-use of the object insured, excessive humidity, corrosion, metal fatigue, weather conditions or other similar long-term processes;
- ! damage caused by the insured object operating under a workload that exceeds the maximum values prescribed by the manufacturer and other extreme conditions; damage caused by overload; damage occurred during the testing and trial runs of the insured object;
- ! damage caused by vandalism or theft if there are no signs of forced entry or the object was stolen from an unlocked building or unsecured construction site; damage, destruction or loss if the damage was discovered as late as during stocktaking;
- ! damages for which there are no agreements in the insurance contract for the provision of additional cover under the respective special terms and conditions (e.g. vibration and design defects).



## Where am I covered?

- ✓ The insurance applies within the territory specified in the insurance policy.



## What are my obligations?

- You must submit the data requested by the insurer before you enter into the insurance contract. The submitted data must be true and complete. Additionally, the insurer expects the client to submit data that is of substantial, recognisable interest to the insurer and has an important effect on the insurance premium without being asked to do so.
- The insurer must be notified of any changes to the data submitted that occur after entry into the insurance contract.
- The main obligation of the policyholder is to pay the insurance premium.
- They must also behave reasonably during the insurance period in order to avoid insured events.
- Upon an occurrence of an insurance event, the insurer of the person who caused the damage or that of the person who suffered damage must be notified immediately. The policyholder must also take appropriate measures to avoid any further damage.
- A comprehensive list of the policyholder's obligations is given in the policy conditions.



## When and how do I pay?

The insurance premium or a part thereof must be paid in the amount and by the date specified in the policy. The premium is usually paid by bank transfer on the basis of an invoice.



## When does the cover start and end?

The cover becomes effective on the commencement date of the insurance period and ends upon its expiry.

It may also end before the expiry of the insurance period specified in the contract. For instance, the insurer may terminate the contract if the insurance premium is left unpaid.



## How do I cancel the contract?

Early termination of the insurance contract is only possible by agreement between the parties in extraordinary circumstances. For instance, this applies to cases where the policyholder's company ceases to operate or the insured construction machine is expropriated.

A contract termination request must be submitted to the insurer in order to terminate the contract.