

# **CONSTRUCTION ALL RISK INSURANCE POLICY**

## **PARTICULAR CONDITIONS**

### **CLAUSE 1. CONSTRUCTION**

For the purposes of this insurance, the concept of "Construction" is defined as all necessary activities destined to the construction, erection, repair, modification, improvements, reconstruction, enlargement and other activities to be carried out for the civil work, whichever characteristics, including the installation and commissioning of machinery and equipment. The final target of the construction activities is to construct a work for carrying out the Works for which it was designed.

The Construction activity may be performed by general contractors that carry out the whole work for the owner of the Project, on their own account, or by subcontractors of any section of the construction work.

### **CLAUSE 2. PROPERTY COVERED**

All the property necessary for the construction, as defined in the previous Clause, and as described in the specification of this policy, whilst they are transported from the place of storage, in no case more than 100 km from the site where the construction is carried out, and within the limits established in the specification of this Policy and/or while they are unloaded in such site and/or during the construction thereof in the same site.

This policy also covers, in case of new machinery, the period of resistance or operation tests, prior to the end of the erection period of such machinery, and up to the limit of time mentioned in the specification of this policy.

The property stored off the site of work is covered when it is specified as covered in the policy, and is mentioned in the limits of coverage.

Only in case of contracting the additional coverage "Construction Equipment and Machinery", the property described in this Coverage is insured under these provisions.

### **CLAUSE 3. COVERED RISKS**

This Policy covers the loss for direct property damage caused to the property covered, whilst they are within the geographic area described in the specification of this Policy, as a consequence of an accidental, sudden and unforeseen act or fact arising from any cause, except for those excluded expressly and/or may be covered by the additional coverages and/or other endorsements mentioned in these particular conditions, in such a way that demand the repair or replacement thereof.

This Policy also covers the damage caused by welding, use of defective material and defective workmanship occurred in the manufacturer's workshop.

The Company shall indemnify the Insured for such loss or damage in the manner and up to the limits stipulated in the policy specification, and up to the amount established for each concept. The indemnity shall never exceed the total sum insured or such mentioned for each concept.

### **CLAUSE 4. ADDITIONAL COVERAGES**

By means of express agreement and the payment of the corresponding additional premium, this Policy may be

extended to cover the risks mentioned below, up to the limits of indemnity contracted, as shown in the specification and conditions proper to each coverage:

- a) Earthquake, tremor and volcanic eruption.
- b) The expenses for the concept of disassembly and debris removal.
- c) The risks described in the following coverages:
  - Construction equipment and machinery.
  - Extra-contractual Liability.
  - Cross Liability.
  - Extra charges for overtime, night work, work on public holidays and express freight.
  - Extra charges for airfreight.
  - Maintenance.
  - Extended Maintenance.
  - Liability for the maintenance period.
  - Guarantee.
  - Provisional Sites, Camps and Stores.
  - Damage on surrounding property.
  - **Cover for insured contract works taken over or put into service.**
  - Designer's Risk.
  - Vibration, removal or weakening of support.
  - Coverage of expenses for detecting leaks occurred during sewing pipes.
  - Obligations to be complied with respect to directional-horizontal drilling of piping sections under rivers, earth fills of railroads, highways, etc.

## **CLAUSE 5. CONSTRUCTION EQUIPMENT AND MACHINERY**

By means of express agreement and with a sum insured separately, and the payment of the corresponding premium, this Policy may be extended to cover:

Construction machinery, cranes, equipment and tools and any type of auxiliary machinery, offices and temporary warehouses used in the operations at the work construction site, whether property of the Insured or for which he may be legally liable.

Upon the occurrence of a loss, the amount thereof shall be calculated in accordance with Clause 10 of the PARTICULAR CONDITIONS, deducting the corresponding depreciation for use, and the deductible. The maximum indemnity per each object shall not exceed the actual cash value, less the salvage value and the deductible.

**CLAUSE 6. PROPERTY EXCLUDED**

**THIS INSURANCE DOES NOT COVER EXPRESSLY:**

- A. SHIPMENTS AND ANY OTHER FLOATING EQUIPMENT, MOTOR VEHICLES LICENSED FOR GENERAL ROAD USE, AS WELL AS PROPERTY OWNED BY THE INSURED'S WORKERS OR EMPLOYEES.**
- B. MONEY, SECURITIES, PLANS AND DOCUMENTS.**
- C. RUBBER TIRES AND BELTS, STEEL CABLES AND CHAINS, AND OTHER WORN PIECES.**
- D. FUELS, LUBRICANTS, REFRIGERATION SYSTEMS, CONCRETE, ASPHALT, CONSTRUCTION MATERIAL, SOIL, MINERALS, AND ANY OTHER MATERIAL CONTAINED IN THE PROPERTY COVERED, BUT NOT BEING PART THEREOF.**

**CLAUSE 7. RISKS EXCLUDED**

- 1. THE COMPANY SHALL NOT BE LIABLE FOR LOSS OR DAMAGE ARISING FROM ANY CAUSE WHATSOEVER, AS A CONSEQUENCE OF:**
  - a) LOSS OR DAMAGE CAUSED BY EXCEEDING THE CARGO CAPACITY OF LAND VEHICLES OR FLUVIAL SHIPMENTS ON WHICH THE COVERED PROPERTY IS TRANSPORTED AND/OR FOR USING VEHICLES OR VESSELS NOT PROPERLY DESIGNED TO TRANSPORT THE COVERED PROPERTY OR WHEN EXCEEDING THE DIMENSIONS OF THE CARRIER VEHICLE IN ITS LENGTH, WIDTH AND HEIGHT.**
  - b) FRAUD OR GROSS NEGLIGENCE OF THE INSURED OR HIS REPRESENTATIVE LIABLE FOR THE CONSTRUCTION, OR HIS EMPLOYEES OR OPERATORS, PROVIDED SUCH FRAUD OR GROSS NEGLIGENCE IS DIRECTLY ATTRIBUTABLE TO SUCH PERSONS.**
  - c) DAMAGE CAUSED BY ACTS BY LEGALLY RECOGNIZED AUTHORITY IN THE COURSE OF THEIR DUTIES, EXCEPT FOR DAMAGE CAUSED BY THE SAFEGUARD MEASURES TAKEN THEREBY**
  - d) DAMAGE CAUSED BY RISING OF PHREATIC LEVEL.**
  - e) DAMAGE CAUSED BY RAIN, HURRICANE, HAIL AND FLOOD TO REAL PROPERTY OF ANY TYPE, WHILST IT IS IN THE OPEN, UNLESS THAT BY THEIR OWN NATURE MUST BE IN SUCH CIRCUMSTANCES, PROVIDED THE INSURED'S DECLARATION IS PLACED ON RECORD IN WRITING.**

f) THE COMPANY SHALL NOT INDEMNIFY THE INSURED AND/OR THIRD PARTY AFFECTED FOR THE LOSS AND DAMAGE DERIVED FROM NEGLIGENCE OF THE SECURITY MEASURES FOR THE DEPOSITS AND UNITS OF STORAGE.

2. IT IS UNDERSTOOD AND AGREED THAT IN NO EVENT SHALL THE COMPANY BE LIABLE FOR LOSS OR DAMAGE CAUSED BY:

a) HOSTILE OR WARLIKE OPERATIONS IN TIME OF PEACE OR WAR, INCLUDING ACTION IN HINDERING, COMBATING OR DEFENDING AGAINST AN IMPENDING OR EXPECTED ATTACK BY:

i. ANY DOMESTIC OR FOREIGN AUTHORITY, GOVERNMENT OR SOVEREIGN POWER (DE JURE OR DE FACTO); OR

ii. MILITARY, LAND, NAVAL, OR AIR FORCES.

b) REBELLION, REVOLUTION, CIVIL WAR, USURPED POWER, INSURRECTION, MILITARY RISING, UPRISING, SUSPENSION OF GUARANTEES.

c) NATIONALIZATION, EXPROPRIATION, REQUISITION, SEIZURE, CONFISCATION OR COMMANDEERING OF PROPERTY BY ANY LAWFULLY CONSTITUTED AUTHORITY.

d) SEIZURE OR DESTRUCTION UNDER QUARANTINE OR BY PUBLIC OR LOCAL AUTHORITY, EXCEPT SEIZURE OR DESTRUCTION IS BY ORDER OF SUCH AUTHORITY TO PREVENT THE SPREAD OR REACTION OR TO CONTROL OR MINIMIZE A FIRE, EXPLOSION OR ANY OTHER COVERED RISKS BY THIS POLICY.

e) TERRORISM AND/OR:

i. MEASURES TAKEN IN PREVENTING, SUPPRESSING, CONTROLLING OR MINIMIZING THE CONSEQUENCES DERIVED FROM ANY ACT OF TERRORISM AND/OR

ii. ANY CONSEQUENTIAL DAMAGE DERIVED FROM AN ACT OF TERRORISM.

f) ANY WEAPON EMPLOYING ATOMIC FISSION OR FUSION OR RADIOACTIVE FORCE, WHETHER IN TIME OF PEACE OR WAR.

g) CONSEQUENTIAL LOSS OF ANY KIND, DELAY, CESSATION OF WORK, WHETHER TOTAL OR PARTIAL.

3. NOR SHALL THE COMPANY BE LIABLE FOR:

- a) **WEAR AND TEAR, DETERIORATION, CORROSION, RUST OR INCRUSTATION, SCRATCHES ON PAINTED OR POLISHED SURFACES, OXIDATION, DETERIORATION DUE TO LACK OF USE AND TO NORMAL ATMOSPHERIC CONDITIONS.**
- b) **LOSS OR DAMAGE DUE TO WRONG CALCULATION OR FAULTY DESIGN.**
- c) **COST OF REPLACEMENT, REPAIR OR RECTIFICATION OF DEFECTIVE WORKMANSHIP AND/OR MATERIAL, BUT THIS EXCLUSION SHALL BE LIMITED TO THE PROPERTY IMMEDIATELY AFFECTED AND SHALL NOT BE DEEMED TO EXCLUDE PHYSICAL LOSS OF OR DAMAGE TO OTHER UNDAMAGED PROPERTY, BUT THAT IS DAMAGED AS A CONSEQUENCE OF AN ACCIDENT DUE TO SUCH DEFECTIVE WORKMANSHIP OR MATERIAL.**
- d) **DAMAGE OR LOSS CAUSED TO THE CONSTRUCTION EQUIPMENT AND MACHINERY DUE TO INTERNAL ELECTRIC OR MECHANICAL DEFECTS, BY INHERENT VICE, FAULTS, BREAKAGE OR BREAKDOWN, FREEZING OF THE REFRIGERATING MEANS, OR OTHER LIQUIDS, DEFICIENT LUBRICATION OR LACK OF OIL OR REFRIGERATING MEANS; HOWEVER, IF AS A CONSEQUENCE OF SUCH KIND OF FAULT OR INTERRUPTION AN ACCIDENT OCCURS CAUSING DAMAGE TO OTHER PROPERTY, SUCH DAMAGE SHALL BE INDEMNIFIED.**
- e) **PENALTIES IMPOSED TO THE INSURED FOR NON-COMPLIANCE WITH CONSTRUCTION CONTRACTS OF COVERED WORKS, AS WELL AS AESTHETIC DEFECTS OR DEFICIENCIES OF CAPACITY AND/OR PERFORMANCE.**
- f) **SHORTAGES DISCOVERED AT THE TIME OF TAKING PHYSICAL INVENTORIES OR CONTROL INSPECTIONS.**
- g) **DAMAGE TO OR DEFECTS OF COVERED PROPERTY EXISTING AT THE BEGINNING OF THE CONSTRUCTION WORKS.**
- h) **THE COST OF ANY TEMPORARY REPAIR REPRESENTING AN ESSENTIAL AGGRAVATION OF THE RISK. IN SUCH CASE, THE COMPANY SHALL BE EMPOWERED TO SUSPEND FULLY THE INSURANCE OF THE AFFECTED UNIT.**
- i) **FOR DAMAGE CAUSED BY CASTING, USE OF DEFECTIVE MATERIAL, AND DEFECTIVE WORKMANSHIP, WHEN THE INSURED IS THE MANUFACTURER OR HIS REPRESENTATIVE, THE EXPENSES FOR CORRECTING THE ERRORS OR DEFECTS CAUSING THE DAMAGE OCCURRED IN THE WORKSHOP ARE EXCLUDED HEREUNDER.**

## **CLAUSE 8. SUM INSURED**

### **a) Sum Insured**

The Insured shall request and maintain, during the term of insurance, as sum insured:

- a. For the property indicated in the construction contract: The total value of the construction contract at the work completion, including materials, workmanship, freights, customs duties, replacement cost of the new equipment forming a part of the construction, taxes and materials or items supplied by the principal.
- b. For construction equipment and machinery, if contracted: The replacement cost thereof.

In case that the sum insured does not correspond to the replacement cost of the covered property, Clause 4. "Proportional Rule" of the GENERAL CONDITIONS shall be applied hereunder.

### **b) Replacement Cost**

For the purposes of this Policy, the replacement cost is understood as the necessary amount to acquire new property of like kind and capacity, including the cost of transportation, erection, taxes and customs duties, if any.

### **c) Actual Cash Value**

For the purposes of this Policy, the actual cash value of the covered property is understood as the replacement cost thereof, minus the corresponding depreciation, but including the cost of transportation, erection, taxes and customs duties, if any

## **CLAUSE 9. INSURED'S PARTICIPATION**

In each loss meriting indemnity, the Insured shall be charged the amount resulting from applying the percentage shown in the specification of the Policy to the sum insured of the damaged property.

## **CLAUSE 10. COMPANY'S LIABILITY FOR DAMAGE TO COVERED PROPERTY**

### **Termination of the Company's liability**

Within the term in force of the Policy, the Company's liability terminates in the date shown in the specification of the policy.

Notwithstanding, the Company's liability shall end in advance for such covered property that had been received or in commissioning prior to the termination date specified in the Policy, whichever occurs first.

If the period of construction is greater than the time for which the Policy was issued, at the request of the Insured, the Company may extend the term of insurance, by means of the collection of an additional premium.

### **Interruption of the construction**

When the Insured interrupts the construction, due to any circumstance, it is binding on the Insured to notify the Company the period of such interruption. The Company may agree with the Insured a limited coverage for the period of interruption.

If after supplying the property or part thereof, the beginning of the construction works is delayed in the site of work for more than one month, the prestorage risk may be included in the insurance, subject to the terms and conditions of this policy.

### **Partial Loss**

In case of partial loss, the claim shall include the expenses necessarily incurred in order to leave the damaged property in equal conditions to those existing immediately prior to the occurrence of a loss.

Such expenses shall be:

1. The repair cost, as per invoice provided by the Insured, including the cost of dismantling, reconstruction or re-erection, ordinary freight and customs duties, if any. The Company agrees to pay the amount of the premium of the Transportation Insurance that covers the damaged property during its transfer to and from the workshop, wherever the repair is taking place.
2. The Company shall make the payment only after the Insured has provided the invoices and documents of the repairs made or replacement effected, as the case may be.
3. All repairable damage shall be repaired, but if the cost of the repair is equal or exceeds the value of the property immediately before a damage occurred, the adjustment shall be made based on provisions in Clause 10. "Total Loss" of the PARTICULAR CONDITIONS.
4. The costs of any temporary repair will be borne by the Company, provided these constitute part of the final repair expenses.
5. The cost of reconditioning, modifications or improvements made shall be borne by the Insured.
6. Expenses of debris removal shall be paid by the Company only in case a limit of indemnity has been contracted and specified for this coverage, and the Insured has paid the corresponding additional premium.

The actual cash value of any salvage shall be deducted from all claims hereunder.

### **Indemnity for partial loss**

In case of new property, if the amount of each loss calculated in accordance with the above item and the existing prices for material and workmanship at the time of loss exceed the deductible specified in the Policy, the Company will indemnify up to the amount of such excess.

In case of used property, the Company will indemnify the amount of each loss calculated in accordance with the above paragraph.

The Company's maximum liability for one or more losses occurring during the term of the Policy shall not exceed the value insured of the damaged property, less the deductible.

- a. Each indemnity paid by the Company, during the term in force of the policy, reduces the liability by an equal amount, and the indemnities of subsequent losses shall be paid up to the limit of the remaining amount, irrespective of the proportion to be indemnified as a consequence of the previous indemnities paid.
- b. The Company, at the Insured's request, can readjust the reduced amounts charging the corresponding premiums at pro rata.
- c. If the policy comprises various items, the reduction or readjustment shall apply to the item or items involved.

The Company can repair or replace, at its own option, the damaged property, at the Insured's satisfaction, or pay in cash.

### **Total Loss**

In case of destruction or total theft of the covered property, the claim shall include the value of such property or that immediately prior to the occurrence of the loss, less the deductible and salvage value, if any.

When the repair cost of the covered property is equal or greater than the amounts payable, in accordance with the above items, the loss shall be considered as a total loss.

After an indemnity for total loss, the insurance of the damaged property shall be terminated hereunder.

## **CLAUSE 11. CONTINUITY IN CONSTRUCTION WORKS**

When the Company receives the immediate notice of the loss, at its option, may authorize the Insured, in writing, to carry out the necessary repairs, under provisions of Clause 12 of the PARTICULAR CONDITIONS.

Also, the Company may choose to send a representative who shall inspect the damage. However, the Insured may take all the necessary measures to continue with the construction work, provided always these do not imply any modification to the loss before the inspection is carried out, without detriment of the provisions in clause 12 of the GENERAL CONDITIONS of this Policy.

## **CLAUSE 12. REPAIR**

If after damage, the covered property is temporarily repaired by the Insured, and it continues in operation, the Company shall not be liable for any subsequent damage sustained thereto, unless written authorization has been given for such temporary repairs.

The Insured shall be obliged to notify the Company of any temporary repair, indicating details thereof, such as: name of supplier who repaired the property, address, estimation of repair, replaced or repaired pieces, time of repair, warranties granted by the supplier in relation to the repair or replacement of pieces, and any other data necessary to identify the scope of repair and useful lifetime.

**If after an evaluation or appraisal carried out by the Company, with respect to the temporary repair, it is estimated that the covered property has been modified as to the conditions originally insured, and such conditions have not been notified by the Insured to the Company for the purposes to reassess the risk, the Company shall consider that the Insured has omitted such information or that has made inexact declarations on the facts of the repair of the covered property; therefore, the Company is authorized to cease in full the contract with respect to the repaired unit or units, remaining in such case, the contract for all other property covered under the same policy.**

**Furthermore, if any final repair of the property made by the Insured has not the written authorization of the Company, the Company's liability shall cease, and therefore, the contract for such determined property shall also cease.**

## GENERAL CONDITIONS

### CLAUSE 1. PREMIUM

- 1.1. The premium charged to the Insured becomes due at the time of issuing of the contract, and any subsequent agreement that may affect the Policy, which gives rise to the payment of any such additional premiums.
- 1.2. Should the Insured choose to make installment payments of the premium, the installments shall be payable in equal periods no less than a month, and the installments shall be due at the inception of each period thereto agreed upon. The financial rate of the premium shall be applied to the installment payment in force at the time of issuance or renewal of the Policy, which shall be made known to the Insured in writing.
- 1.3. The time for the payment of premium or any installment may not be greater than 30 (thirty) calendar days following the expiry date of the premium. The effects of this contract shall automatically end at the 12:00 (twelve) noon on the last day of this period. The hours shown in this item shall be the local official time in the place whereby the corresponding insurance policies are issued.
- 1.4. The agreed premium shall be paid in the Company's offices upon delivery of the corresponding receipt thereof.
- 1.5. In the event of loss, the Company shall deduct from the indemnity the total premium pending or outstanding installments not paid, until the total premium corresponding to the period of insurance contracted is completed.

### CLAUSE 2. REINSTATEMENT

**Notwithstanding the provisions in Clause 1 "Premium" of these General Conditions, the Insured may, within the 15 (fifteen) days following the last day of the aforementioned grace period, pay the premium for this insurance or the corresponding part should installment payments have been agreed upon. In this case, upon making such payment, the effects of this insurance shall be reinstated as of the hour and day shown in the payment voucher, and the Company shall refund at pro rata, at the time of receiving the payment, the corresponding premium to the period during which the effects of this insurance ended, in accordance with provisions in Article 40 of the Insurance Contract Law.**

Moreover, if the Insured requests in writing at the time of making such payment, that the insurance term is to be extended, this shall be automatically accepted by the Company, and extended for a period equal to that comprised between the last day of such grace period and the hour and date in which such reinstatement becomes effective.

In the event that the hour is not clearly shown in the payment voucher, it shall be understood that the insurance is reinstated at midnight on the date of payment. The hours shown in this item shall be the official local time in the place whereby the corresponding insurance policies are issued

The reinstatement referred to in this Clause shall be registered by the Company on the receipt issued for the corresponding payment for administrative purposes, and in any subsequent document issued.

**IN NO EVENT SHALL THE COMPANY BE LIABLE FOR LOSSES OCCURRED DURING THE**

**PERIOD COMPRISED BETWEEN THE EXPIRY OF SUCH GRACE PERIOD AND THE HOUR AND DAY OF SUCH PAYMENT REFERRED TO IN THIS CLAUSE.**

### **CLAUSE 3. INSPECTION**

The Company shall have at all times the right to inspect, during the term of this insurance, the property covered, at any working hours and by duly authorized persons thereby.

The Insured is obliged to furnish the Company's surveyor with all necessary details and information for the appraisal of the risk.

**In case the inspection discloses an essential increase of hazard in any covered property, the Company shall request in writing to the Insured the elimination of such increase of hazard. If whereby the Insured fails to comply with these change notifications during a period stipulated therein, the Company shall not be liable for loss or damage caused by such increase of hazard, if such fact is a direct contribution to the occurrence of the loss.**

### **CLAUSE 4. PROPORTIONAL RULE**

The Sum Insured has been fixed by the Insured, and such shall be neither a proof of existence of nor the value of the property. The sum represents exclusively the basis to limit the maximum liability of the Company.

If, at the time of the occurrence of a loss, the property has a total value greater than the amount covered, the Company shall only be liable proportionally for the damage caused. Should the policy include various items, this provision shall be applied separately to each item.

### **CLAUSE 5. PROCEDURE IN THE EVENT OF LOSS**

Should the covered property be damaged by a not excluded risk, the Company shall indemnify the Insured for the value of such property, or at its option, may choose to replace or repair to the Insured's satisfaction, or pay in cash the value of such property; within the limits or sublimits of liability together with the terms and conditions set forth in this Policy.

#### **5.1. Protection and Recovery Measures**

When the Insured has knowledge of any such loss caused by any of the covered risks by this Policy, he is obliged to take action to lessen and avoid further damage. If delay is not considered dangerous, the Insured shall request and adhere to instructions given by the Company.

Expenses borne by the Insured and not considered inappropriate shall be covered by the Company, if and when they are given in writing and thereafter anticipate such expenses.

**Should the Insured omit to give such advice or provoke an essential increase of hazard, the Company's obligations shall thereafter terminate, thus affecting the Insured's rights in the terms of the Insurance Contract Law (Article 52).**

#### **5.2. Notice of Loss**

Upon the occurrence of a loss giving rise to an indemnity, in accordance with this insurance, the Insured or loss payee shall have a maximum period of 5 (five) days to give such notice in writing, such period starts when the

Insured or loss payees have knowledge thereof, except in the case of an act of God or force majeure, which notice may be given as soon as ends one or other cause.

**Failure to give prompt notice may result in a reduction to the amount of the original indemnity, if however the Company had received prompt notice thereof.**

### **5.3. Transfer of Property**

Should the Insured, with the purpose to safeguard the property from loss or damage, transfer such property to any building, property or premises not mentioned in the Policy, in order to continue cover in the new location, he shall give written notice within the following 5 (five) working days.

### **5.4. Documents, data, and information that the Insured shall render to the Company**

The Insured shall prove the exactness of his claim and other details thereof. The Company shall have the right to demand from the Insured or loss payee, all information concerning any event related to the loss, by which the circumstances and consequences may be determined. The Insured shall deliver to the Company, as soon as possible, the following documents and data:

- 5.4.A. An original statement addressed to the Insurance Company and signed by the Insured formalizing his claim.
- 5.4.B. A statement of the damage caused by the loss indicating in the most detailed and exact manner what property was destroyed or damaged, together with the amount of the corresponding loss, taking into consideration the value of said property at the time of loss.
- 5.4.C. Estimate for the repair of damage.
- 5.4.D. A detailed list of all existing insurances of the property.
- 5.4.E. All plans, projects, books, receipts, invoices, railway guides, supporting documents, records and any other accounting-fiscal document that sustains legal possession of the property whereby giving support to such claim.
- 5.4.F. All data with respect to the origin and cause of the loss, including the circumstances giving rise thereto. At the Company's request, and at its expense, supply certified copies of investigations carried out by the Public Prosecutor or Fire Brigade, or by any other authority pursuing the investigation of the loss or facts related thereto.
- 5.4.G. Prompt notice of stock salvage, if any.
- 5.4.H. Any other information or documents required by the Company.
- 5.4.I. Penal Report.

Without prejudice to the aforementioned documents and information, in the event of unlawful cases, the Insured shall render the penal report, the confirmation thereof, and evidence of ownership and pre-existence.

**The prompt advice, the information provided by the Insured to the Company or their representatives, together with the assistance that the Company may give to the Insured for determining the loss; in no event whatsoever shall be construed as an acceptance of liability by the Company.**

In no case, the Company may demand that the loss is proven in lawsuit, according to provisions in Article 71 of the Insurance Contract Law.

## **CLAUSE 6. MEASURES THAT THE COMPANY MAY TAKE IN THE EVENT OF LOSS**

In all cases of loss that destroys or damages the property or whilst the amount of the corresponding indemnity has not been fixed definitely, the Company may:

- 6.1. Enter the buildings or locations where the loss occurred in order to determine the cause and consequence

thereof.

6.2. Examine, classify and appraise the property wherever so located.

**In no event shall the Company be compelled to undertake the sale or settlement of the property or remnants thereof, or shall the Insured be entitled to abandon such property to the Company.**

## **CLAUSE 7. ARBITRATION**

In the event of dispute between the Insured and the Company as to the amount of any loss or damage, the matter shall be given over in writing to an Arbitrator of mutual agreement; however, in such cases where no single Arbitrator can be agreed upon, two such arbitrators shall be named; one for each party, within a period of 10 (ten) days from the date on which either of the parties has required the other to do so in writing. Moreover, before commencement of arbitration, the two arbitrators shall name an umpire in case of further disagreement.

If either of the parties shall refuse or simply neglect to designate his arbitrator at the request of the other, or if the arbitrators do not agree upon the umpire, then the judicial authority shall, at the request of either of the parties, make the appointment of the arbitrator or the umpire, or both if necessary.

The death of any party, if an individual; or the dissolution, if a corporation, during the arbitration process shall not cancel or affect the authority or powers of the arbitrator, or arbitrators or umpire, as the case may be; or in the event of the death of an arbitrator or umpire of either of the parties die before a decision is made, another shall be appointed by such respective (party, arbitrator, judicial Authority) as a substitution therein of.

Expenses and fees originated by the arbitration shall be divided equally between the Insured and the Company, but each party shall pay the fees of his own arbitrator.

The arbitration referred to in this Clause shall not be construed as an admission of liability by the Company; it shall only determine the amount of the loss which shall eventually be payable by the Company, and while giving both parties liberty to exercise the corresponding objections.

## **CLAUSE 8. PLACE AND PAYMENT OF INDEMNITY**

The Company shall pay any indemnity at its office, within the 30 (thirty) days following the date of receipt of the documents and information, which are the fundamental base of the claim, in the terms of Clause 5 "Procedures in the Event of Loss" of the General Conditions of the Policy.

## **CLAUSE 9. REDUCTION AND REINSTATEMENT OF THE SUM INSURED IN THE EVENT OF LOSS**

All indemnities paid by the Company shall be reduced in the same amount as the insured sum; however, this may be reinstated upon previous acceptance of the Company, and at the request of the Insured, who shall be obliged to pay the corresponding additional premium of this Policy.

Should the Policy consist of various limits and sublimits, the reduction or reinstatement shall apply to such affected limits and sublimits.

## **CLAUSE 10. SUBROGATION OF RIGHTS**

In all terms of Law, the Company shall be subrogated, up to the amount paid, to the Insured's rights, together with the corresponding actions against those liable or responsible for the loss. Should the Company so request, at its expense, the Insured shall place in record such subrogation in notarized documents. If due to acts or omissions of the Insured, such subrogation is inhibited, the Company shall be wholly or in part released from its obligations forthwith.

If only a part of the damage is paid, the Insured and the Company agree to exercise their rights in the same corresponding proportion.

There shall be no subrogation of rights in case the Insured has a marital or blood relationship or kinship up to the second degree with the person(s) that are known to have committed the damage or if the Insured may be civilly liable for the such person.

## **CLAUSE 11. FRAUD, DECEIT, BAD FAITH OR GROSS NEGLIGENCE**

### **THE COMPANY'S OBLIGATIONS SHALL TERMINATE:**

- 11.1 IF THE INSURED, LOSS PAYEE OR THEIR REPRESENTATIVES WITH THE OBJECT OF INDUCING THE COMPANY TO COMMIT AN ERROR, DISSIMULATE OR MAKE INEXACT DECLARATIONS, WHEREBY EXCLUDING OR RESTRICTING SUCH OBLIGATIONS.**
- 11.2 MOREOVER, IF WITH THE SAME INTENTION THEY DO NOT FURNISH, IN DUE TIME, TO THE COMPANY THE DOCUMENTS NECESSARY FOR THE CORRECT PROCEDURE OF THE PAYMENT OF THE LOSS (BASED ON PROVISIONS IN CLAUSE 5 "PROCEDURE IN THE EVENT OF LOSS" OF THE GENERAL CONDITIONS OF THE POLICY).**
- 18.3 DECEIT OR GROSS NEGLIGENCE ON THE PART OF THE INSURED OR LOSS PAYEE OR ASSIGNEES OR ATTORNEYS, HIS REPRESENTATIVES OR PERSONS LIABLE FOR THE TECHNICAL DIRECTION; IF AND WHEN SUCH ACT OR NEGLIGENCE IS DIRECTLY ATTRIBUTABLE TO SUCH PERSONS**

## **CLAUSE 12. INCREASE OF HAZARD**

When the premium has been fixed in accordance with the characteristics of the risk, described in this Policy, the Insured shall advise the Company of any essential increase of hazard during the validity of this insurance, within a period of 24 (twenty four ) hours upon having such knowledge thereof. **SHOULD THE INSURED OMIT TO GIVE SUCH ADVICE OR PROVOKE AN ESSENTIAL INCREASE OF HAZARD, THE COMPANY'S OBLIGATIONS SHALL TERMINATE HEREINAFTER.**

## **CLAUSE 13. ADVANCE TERMINATION OF CONTRACT**

Notwithstanding the term of the Policy, the parties agree that such Policy may be terminated by means of written notice.

When the Insured terminates the Policy, the Company shall have the right to retain that part of the premium corresponding to the time during which the insurance had been in force, in accordance with the following short term tariff (percentage of the annual premium):

SHORT TERM TARIFF	
Up to 7 days	10%
Up to 15 days	15%
Up to 1 month	25%
Up to 2 months	35%
Up to 3 months	45%
Up to 4 months	55%
Up to 5 months	65%
Up to 6 months	70%
Up to 7 months	75%
Up to 8 months	80%
Up to 9 months	85%
Up to 10 months	90%
Up to 11 months	95%
Up to 12 months	100%

When the Company requests the termination of the contract, such shall be by means of written notice to the Insured. The insurance termination shall become effective 15 (fifteen) days after the corresponding notice; and the Company shall return such part of the premium in proportion to the unexpired term, at the moment when giving such notice. Consequently, the cancellation shall not be effective without such herefore stated requirement.

#### CLAUSE 14. STATUTE OF LIMITATIONS

All actions derived from this insurance contract shall prescribe in **2 (two) years**, in the terms of Article 81 of the Insurance Contract Law, as of the date of the occurrence thereof, unless exceptions consigned in Article 82 of the same law.

The prescription shall be interrupted not only by ordinary causes, but also by those referred to in the **Ley de Proteccion y Defensa al Usuario de Servicios Financieros (CONDUSEF) Law of Protection and Defense of Financial Services Users.**

Article 81 and 82 of the Insurance Contract Law:

Article 81: All actions derived from an insurance contract shall prescribe in two years, as of the date of the occurrence giving rise thereto.

Article 82: The term referred to in the previous article shall not be effective in case of omission, false or inexact declarations of the risk. However, in such case, where loss has occurred it shall be effective when the interested parties have proven that they had no previous knowledge of such loss occurrence taking place but on such date when the company has knowledge thereof. With respect to third party loss payees, they should also be aware of the vested rights in their favour.

#### CLAUSE 15. NOTIFICATIONS

Any declaration or notification in respect to this contract shall be submitted in writing to the Company's registered

address indicated in the Specification of this Policy.

In all such cases where the address of the offices of the Insurance Company is different from such indicated in the issued Policy, the Company shall advise the Insured the new address in the Republic of Mexico for all requests and notifications that should be sent to the Insurance Company for any legal effect.

The requirements and notifications that the Insurance Company shall make to the Insured or his assignees shall be valid to the last known address given to the Insurer.

## **CLAUSE 16. OTHER INSURANCE**

If the covered property is insured, wholly or in part, by other insurance covering the same risks, whether acquired on the same date or another, the Insured is under the obligation to declare such immediately in writing to the Company and/or this should be mentioned in the Policy or enclosure thereto; also indicating the name of the insurance companies and the sums insured.

Should the Insured intentionally omit to give such notice referred to in this Clause, or acquire other insurance in order to obtain an illicit gain, the Company shall be released from its obligations.

When the Company has been duly notified that the same covered interests by this Policy are insured by other companies, the Company is obliged to pay the full value of the damage sustained within the limits of the Sum Insured, and thereafter shall be repeated proportionally against other companies which have issued coverage for the amount insured.

## **CLAUSE 17. BENEFITS FOR THE INSURED**

If during the period of the insurance, the General Conditions are modified in similar contracts, the Insured shall have the right to request in writing to the Company the corresponding modifications in his Policy in order that the new conditions are applied thereto, but if such modifications grant higher benefits for the Company, the Insured is obliged to cover the equivalent increase in the corresponding premium.

## **CLAUSE 18. JURISDICTION**

All information and claims arising from claims made to the company may be effected before the specialized unit for the assistance of information and claims of the users in the insurance company or before the National Commission for the Protection and Defense of Financial Services Users in its main office or branches thereof.

In the event of controversy, the plaintiff may go before the National Commission for the Protection and Defense of Financial Services Users, whether in its main office or branches thereof, or directly before the competent courts, in accordance with provisions in article 136 of the General Law of Insurance Institutions and Mutual Societies.

## **CLAUSE 19. ARREARS INTEREST**

In the event that the Company, even though it has received the documents and information with reference to the basis for the claim made, does not fulfil the obligation of paying the indemnity, capital or rent, in the terms of Article 71 of the Insurance Contract Law, then, by fault of paying the legal interest applicable, the Company is obliged to pay the Insured, loss payee or third party sustaining damage, an arrears interest under the terms provided in Article 135 Bis of the General Law of Insurance Institutions and Mutual Societies, covering the delay period. Such interest shall be calculated as of the following day in which such obligation is so demanded.

## **CLAUSE 20. BEGINNING AND TERMINATION OF TERM**

The policy term shall begin and terminate in the dates indicated therein at twelve hours in the place where the covered property is located.

## **CLAUSE 21. TERRITORY LIMIT**

This Policy has been contracted in accordance with Mexican Laws and to cover damage and/or loss occurred within the territory of the Mexican republic.

## **CLAUSE 22. CURRENCY**

Both the payment of the premium and indemnity, if any under this Policy, are payable according to the terms of the Monetary Law in force at the date of payment.

## **CLAUSE 23. ERRORS OR OMISSIONS**

Subject to the General Conditions of the Policy, it is understood and agreed upon that any accidental error or omission in the description of the covered property shall not prejudice the Insured's interest, as the sole intention of this document is to grant full protection at all times, but not exceeding the limits established in the Policy and without considering any additional coverage or location. Henceforth, any accidental error or omission shall be corrected when discovered, and the corresponding adjustment to the premium shall be effected, if any, subject to the tariff approved by the National Insurance and Bonding Commission.

## **CLAUSE 24. ARTICLE 25 OF THE INSURANCE CONTRACT LAW**

"In case the Policy contents or its amendments does not agree with the offer, the Insured may request the necessary amendment within the 30 (thirty) days following receipt thereof. After this expiry period, the provisions or amendments of the Policy shall be considered as accepted".