

## **RULES OF DAMAGE RISK PROTECTION**

### **DEFINITIONS OF THE RULES**

Lessee – a person who rents property from the Lessor and who has concluded an agreement on the damage risk protection in favour of himself or others.

Lessor – limited liability company UAB Bokštelis.lt.

Damage risk protection interest – Lessee’s interest not to incur any losses because of a compensable event.

The object of damage risk protection – property interests related to property rented by the Lessee from the Lessor.

Damage risk – the likelihood of an event occurring in the future which is probable and beyond the control of the Lessee.

Parties to the Agreement – the Lessee and the Lessor.

Agreement on damage risk protection – agreement between the Lessor and the Lessee, according to which the Lessee undertakes to pay the agreed instalment within agreed time limits, to fulfil other obligations set out in the Agreement and the Rules, and the Lessor undertakes to apply damage risk protection to the leased property referred to in the Agreement in case of a compensable event, in accordance with the provisions of these Rules.

A compensable event – an event specified in the Rules, if it happens, the Lessor shall not require the Lessee to pay for damage caused to the leased property beyond the amount of the stipulated deduction.

Deduction – the proportion of damage to the leased property, established in separate agreements, which the Lessee shall not reimburse to the Lessor. The deduction shall be defined by a specific amount of money and/or a percentage of the loss, unless otherwise specified. If several types of deduction are stipulated in the agreements for the same risk, the higher of the two shall always apply. A non-compensable event – an event where the damage risk protection is not applied and the Lessee is obliged to pay the Lessor for the damage suffered.

Persons related to the Lessee, who are obliged to comply with obligations imposed on the Lessee: a) persons who live with the Lessee; b) persons who are responsible for the object of damage risk protection in accordance with an agreement with the Lessee; c) persons who are

related to the Lessee in a relationship of employment, provision of services, or in any other legal relationship, and who are under an obligation to act in a manner consistent with security requirements.

### **LESSEE'S OBLIGATIONS IN THE EVENT OF DAMAGE**

To be entitled to benefit from damage risk protection in the event of an accident, the Lessee must:

1. inform the Lessor immediately, but not later than within 3 business days (unless otherwise specified herein), of the occurrence of the event in accordance with the procedure set out in these Rules.
2. if the Lessee informs the Lessor of the event late, the Lessee must prove that it was not possible to inform in time;
3. inform competent authorities immediately (e.g. treatment facility, fire safety and rescue department, police, emergency services etc.);
4. to carry out all the instructions given by the Lessor and to take all measures to mitigate and prevent the occurrence or aggravation of damage;
5. to enable the Lessor to inspect the scene of the incident, to investigate and to interview witnesses in such a way so that the Lessor could determine the cause and extent of the loss;
6. to submit all information and documents as requested by the Lessor, including commercial secrets, if they are known to the Lessee, so that the Lessor could determine reasons of the incident and the amount of the damage;
7. to keep the scene of the incident intact, if possible, until the arrival of a Lessor's representative, unless otherwise instructed by the Lessor;
8. If the object of the incident cannot be preserved without altering its condition after the incident for grounded reasons, arrange for photographs of the damaged property to be taken as soon as possible or for the damaged property to be filmed to record the damage and send the photographs or video to the Lessor.

If the Lessee intentionally or grossly negligently fails to comply with the obligations set out in the Regulations, the Lessor shall have the right to reduce the application of damage risk protection or to refuse to apply it at all.

### **PROCEDURE FOR COMPLAINTS AND DISPUTE RESOLUTION**

All disputes arising between the parties shall be settled by negotiation. If amicable agreement cannot be reached, all disputes arising out of the Contract and relating to the breach, termination or invalidity of the Contract shall be settled by the courts of the Republic of Lithuania

in accordance with legislation of the Republic of Lithuania, in the courts of the Republic of Lithuania according to the address of the Lessor's registered office.

## **CONFIDENTIALITY**

The Parties undertake not to disclose to third parties any confidential information obtained under contractual or pre-contractual legal relationship, nor to use such information in a manner that would violate interests of the other Party. The Lessor shall have the right to make available to independent experts and other relevant entities all necessary information obtained on the basis of insurance contractual or pre-contractual relations and to store it in the Lessor's databases. This obligation shall not apply where the parties are obliged, in accordance with the requirements of the legislation of the Republic of Lithuania, to provide information to competent state authorities.

## **OTHER CONDITIONS**

Any notice required to be given by the Lessee or the Lessor to each other shall be given within time limits set out in these Rules by one of the following methods:

1.1. by delivery to the Lessor, at the addresses indicated in the contracts or other written documents or in the parties' notices of changed addresses of registered offices;

1.2. by registered mail;

1.3. by e-mail, where the parties have provided for this method of communication in the contract, or by expressing their consent to the exchange of information in this way by means of conduct.

The Agreement on Damage Risk Protection shall be concluded on the basis of these Rules. In the event of a difference between the terms of the contract/agreement and these Rules, the terms of these Rules shall prevail. The Lessee and any other person who acquires rights under the Agreement of Damage Risk Protection shall comply with the obligations set out in these Rules. These Rules shall come into force on the date of their publication.

## **COMPENSABLE EVENTS**

Specialised damage risk protection to the machinery is available in the event of sudden and unexpected damage, destruction or loss due to the following insured events. The Lessor shall indemnify against the following risks:

1.1. An accident is a road traffic accident in which specialised machinery in traffic, in a place reserved for road traffic, is damaged or destroyed by collision with another vehicle or with other

moving or stationary objects, or by overturning. The incident must be recorded in accordance with the procedure laid down in the Road Traffic Regulations. Damage risk protection is not valid if the specialised machinery was operated in areas not intended for road traffic (frozen water bodies, forests, fields, meadows, construction sites, quarries, etc.);

## 1.2. Fire:

1.2.1. a fire means a fire (including arson) which originates in or escapes from a fireplace other than a fireplace intended for that purpose and can spread spontaneously. Also, damage caused by extinguishing the fire;

1.2.2. a lightning strike – a direct discharge of lightning into the specialised machinery. This includes trees or other objects that have been struck by lightning and fell on the property;

1.2.3. an explosion (including blasting) is a change in the physical state of a substance which results in the release of great amount of suddenly heated and expanding gases or vapours which impact the environment with a large shock wave;

1.2.4. a drone - means a drone, its parts or its load falling on the insured specialised machinery.

## 1.3. Natural forces:

1.3.1. a storm – a strong wind with a gust speed of 17 m/s or more. This is damage caused by trees or other objects falling on the property during a storm;

1.3.2. a torrential rain – short-term intense rain with a rainfall of 15 mm or more in 12 hours or less;

1.3.3. hail – short-term precipitation of ice balls, mostly characteristic of the warm season;

1.3.4. snow pressure - a heavy snowfall of 20 mm or more in a period of 48 hours or less, with a snow cover of at least 20 cm and breaking or damaging the property by its weight;

1.3.5. a flood – a sudden rise of water in rivers, lakes and the sea, spilling over the banks, causing dams to burst, flooding of lower parts of towns, villages, agricultural crop areas, stretches of roads, and damage to industrial facilities. Puddles caused by melting snow or prolonged rainy weather are not considered to be a surface water body. An unforeseen flood shall be considered to have occurred in the area less than 2 times in the last 20 years.

1.3.6. Where the quantitative parameters of the storm, torrential rain, hail or snow pressure cannot be determined at the scene of the incident, measurements made by the meteorological service in that region or in the nearest region shall be used, and/or the fact that the natural forces listed above have caused similar damage in the same region.

1.4. Intentional actions of the third parties:

1.4.1. vandalism is a deliberate destruction or damage to the specialised machinery by arson, bombing, or other deliberate unlawful means, including damage caused by attempts to steal or rob it.

1.5. Glass breakage – breakage or shattering of lights, mirrors, cab glass of insured specialised machinery.

## **NON-COMPENSABLE EVENTS**

Unless otherwise stipulated in the contract, the LESSOR shall not compensate for damage caused by:

1. special or environmental conditions (Force majeure):

1.1. acts of terrorism (acts by using or threatening to use force or violence by or on behalf of any third party acting individually or in concert with, or for the benefit of, an organisation or a government, carried out for political, religious, ideological or ethnic reasons, and the intent of which is to place the government or the public or its part in jeopardy); losses resulting from taking precautionary actions against acts of terrorism are not covered as well;

1.2. war, invasion, hostile acts by a foreign state, military or equivalent operations, such as civil war (with or without declaration of war), riot, strike, insurrection, rebellion, revolution, martial law, marauding, vandalism or sabotage; strike, lock-out, disturbance of public order amounting to a coup or a riot, confiscation of property, nationalisation, if caused or sanctioned by a public authority, whether lawful or not; other political risks and any other loss or expense incurred directly or indirectly as a consequence of the prevention of such acts, shall not be covered either;

1.3. direct or indirect nuclear explosion, exposure to nuclear energy or radioactive preparations, direct or indirect radioactive contamination;

1.4. The Lessor is not able to compensate any loss, if such actions would violate sanctions, prohibitions or restrictions imposed by United Nations resolutions or trade or economic sanctions, or by regulatory acts of the European Union, the Republic of Lithuania, the United Kingdom or the United States of America;

1.5. legislation issued by the State;

1.6. declared extreme situation or a state of emergency, directly or indirectly related to any measures taken to avoid extreme situation or a state of emergency;

1.7. earthquake;

1.8. epidemic or pandemic.

2. in addition to non-compensable events, the Lessor shall not compensate for damages suffered if the loss is caused by:

2.1. spontaneous ignition or explosion of specialized machinery, due to electric shock in equipment, overheating, fluid dripping, leaks in the system and internal combustion engines. This point applies to specialized machinery which, at the date of the accident, was more than 7 years old;

2.2. penetration or intrusion of rain, hail, snow, mud, water or water-borne objects through a leaking roof, leaking or not fully closed windows, doors, ventilation openings, leaks in the structural elements of the specialised machinery (gaps, cracks, splits, inadequate hydroisolation of the connection points, the body, the cab), or any other openings, unless these openings occurred due to a compensable event;

2.3. indirect lightning, electric current in electrical equipment (short circuits, lack of contact, exceeding permissible voltage loads, malfunctions of measuring or protective devices), except in the case of spontaneous combustion of machinery and where the age of the machinery is not more than 7 years old;

2.4. when exact circumstances of the event cannot be established, unexplained disappearance, fraud, extortion, embezzlement, misappropriation;

2.5. if the event was caused by the intent or gross negligence of the Lessee and/or persons connected with the Lessee;

2.6. any computer viruses, incorrect data processing or misuse of computer software.

2.7. damage was caused to the engine or its components, cooling and heating equipment or the transmission and other machinery, or was caused or aggravated by an insufficient level of lubricant, coolant or other liquids, or by the use of an incorrect type of oil, coolant or fuel, or by inadequate circulation of them, and that it was caused or aggravated by the expiry of fuel;

2.8. specialised equipment was stolen using the original keys or the original control security system of the specialised equipment;

2.9. after the theft, the Lessee fails to deliver to the Lessor all the sets of ignition keys (keys, alarm keyfobs, immobilisers) provided by the manufacturer or installed in the rented equipment;

2.10. specialised machinery was left in an unfenced or unguarded area, except for theft from the backyard of a dwelling house (occupied more than 250 days a year);

- 2.11. the specialised machinery has been operated in a manner contrary to its technical characteristics, it was in a state of disrepair and/or in need of repair, or has been used for purposes other than those for which it was intended;
- 2.12. the specialised machinery and/or the vehicle carrying it has been driven by a person under the influence of alcohol, drugs, medicines or psychotropic substances, or he/she has evaded/refused to be tested for the consumption of alcohol, drugs, medicines and/or other psychotropic substances;
- 2.13. the specialised machinery and/or the vehicle carrying it has been driven by a person who does not hold a driving licence or is not entitled to drive that category of vehicle;
- 2.14. the driver of the specialised machinery and/or the vehicle transporting it has driven away from the scene of the accident;
- 2.15. drove the specialised machinery violating work rules or labour safety requirements;
- 2.16. the specialised equipment was used as an instrument of crime by the Lessee or a person related to him;
- 2.17. specialized machinery is used in hydrotechnical construction, in reclaimed or watery areas (marshes, moors, peat bogs, flood plains) or on floating platforms, pontoons or frozen bodies of water, unless otherwise specified in the contract;
- 2.18. used in underground mines or underground;
- 2.19. damage to the parts/assemblies of the specialized machinery if they were not mounted on the insured machinery or were removed from the insured machinery.
- 2.20. theft of specialized machinery or its components (equipment), if committed by a person to whom the machinery was leased or loaned, during storage, repair, etc;
- 2.21. no compensation is payable for modifications and improvements to the specialised machinery, for urgent delivery of parts, for downtime and fuel for specialised equipment, or for loss of income due to inability to use specialised equipment;
- 2.22. direct damage to property caused by animals, insects and rodents;
- 2.23. internal electrical or mechanical malfunctions, failures, breakages or stoppages, freezing of refrigerants or liquids, improper lubrication or lack of lubricant and refrigerant during operation.
- 2.24. the entry of foreign objects into the facility's assemblies.

2.25. other cases where the object of damage risk protection has been insured by the Lessor, but the insurance company, through no fault of the Lessor, has refused to reimburse the Lessor for the damage suffered.

2.26. burglary - theft, damage or destruction of property when a thief illegally enters premises or a fenced area by damaging locks, turning off, breaking or otherwise neutralizing alarm equipment and/or breaks into a locked building or area by damaging barrier structures (doors, windows, roof, gates, etc.) or illegally enter the premises using stolen keys. Burglary using stolen keys will be considered a compensable event only in cases where the disappearance of the keys has been reported to law enforcement authorities, an investigation has been launched into this event and there was no real possibility to change the locks or alarm equipment.

2.27. robbery - kidnapping, damage or destruction of specialized equipment, when physical or psychological coercion is threatened or used against the Lessee or a person related to the Lessee, who opposes the taking away of specialized equipment; specialized equipment is stolen from the Lessee or a person related to the Lessee who is in a helpless state due to an accident or for another reason not due to his fault and without him being able to resist.

#### **DAMAGE RISK PROTECTION COVERAGE AREA**

Damage risk protection is valid in the territory of the Republic of Lithuania, unless otherwise specified in the contract.

#### **DETERMINING THE AMOUNT OF DAMAGE SUFFERED**

The amount of the damage shall be determined in accordance with the terms and conditions agreed between the Lessor and the Lessee in the Rental Agreement.

If the event is declared compensable, the Lessee shall only bear the amount of the deduction and the costs of administration.

Claim administration is carried out within 30 calendar days.

#### **GROUND FOR EXEMPTING FROM OR REDUCING DAMAGE RISK PROTECTION**

The Lessor has the right to reduce or refuse to apply damage risk protection if:

1.1. the Lessee has provided misleading information about the facts of the damage event, which had an impact on the causes of the event, the circumstances of the event and/or the amount of the loss;



1.2. the Lessee fails to comply with the terms of the agreement or the Lessor's requirements, including but not limited to:

1.2.1. after the event, it becomes apparent that essential information about the object has been omitted or misrepresented, or that changed circumstances and/or increased risks have not been communicated;

1.2.2. the loss was caused by a deliberate failure to take reasonable steps available to him to prevent or mitigate the damage;

1.2.2. it was lost or misplaced: the registration certificate for the specialised equipment rented, the keys to start the car or the remote controls for the security system;

1.2.3. the specialised machinery was stolen together with its registration documents;

1.2.4. in other cases, established in the contract and/or laws;

1.2.5. if the Lessor has waived his/her right of recourse against a person causing the damage or if the right of recourse has become unenforceable due to the Lessee's fault;

1.2.6. if at the time the damage was caused/recorded, the Lessee was in arrears with the Lessor for services;

The Lessor has the right to refuse to compensate for the damage or to reduce the compensation, considering the fault of the Lessee, the extent of the breach of the contract or the terms of the rules and its causal link to the event or the amount of damage.