



SEGURO DE TODO RIESGO DE CONSTRUCCIÓN

General Conditions References

Nevertheless this contract has been written in the English language, for its interpretation and execution prevails the text in Spanish language.



INTRODUCTION.

The Construction All Risks insurance (CAR Insurance) is the international version of the German construction works insurance and along with the Erection Assembly Insurance it constitutes a relatively recent field in Technical Insurance. An insurance especially designed to cover all types of civil works in construction, which provides broad protection both against damages suffered by the works, including the contractor's construction equipment or the contractor's construction machinery or the construction machinery, and against third-party claims for damages to their assets or to themselves arising from the above-mentioned construction works. The progress of technique in the construction sector; an increasing demand for all types of works; the increasing value of the different constructions with the consequent expansion of the technical and economical risk caused by this increase in value has given rise to an increasing demand for CAR insurance all over the world. On the other hand, the ever-increasing competition in the construction field does not allow construction companies to include surcharges broad enough to absorb all unforeseen risks in their bidding offers. Now, if we consider that the insurance premium obtained by companies professionally dedicated to run risks for obvious reasons may be calculated with a much greater degree of accuracy than the contractor's surcharge for unforeseens, then CAR insurance significantly contributes to decrease construction costs while providing at the same time an effective financial protection to all interested parties.

Hence it is fully justified that an ever-increasing number of owners of works, consulting engineers, architects and credit institutions demand as a requirement for the awarding of contracts or the granting of credits, that the contractor takes CAR insurance. Also regarding governmental contracts for public works, for quite some time, it has been established as a requirement, that the Contractor takes on CAR insurance for works commissioned to him.

WHO CAN BE INSURED UNDER CAR INSURANCE?

The contracting party of the Insurance may be:

- The owner of the work, and
- The contractors that work on the project, including all subcontractors.

In order to avoid overlapping or deficiencies in coverage, always try to have the Insurance Policy issued in favor of all interested parties.

WHAT MAY BE INSURED?

CAR Insurance is applicable to all kinds of construction civil works. Among others, the following may be mentioned:

- Buildings for dwelling or office purposes, hospitals, schools and theaters;
- Factory rooms and industrial buildings, plants and airports;
- Roads and railroad tracks, airports;

- Bridges, dams, hatches, tunnels, risk and drainage works, canals and ports.

With respect to particular works, this insurance can cover the following:

CIVIL WORK (Coverages E, F, G):

It is understood that all works contracted by the Contractor and his subcontractors belong to the civil work, including all site preparation operations, such as excavations and levelings, and auxiliary constructions and temporary deviation canals and cofferdams. All materials stored on-site and intended to the construction itself are included here also. When the civil part is predominant, the erection of heavy equipment, installations, and steel structures may be included in the CAR insurance. That is, when the value of the objectives to be erected, including the erection costs, is less than 50% of the total insured sum.

CONSTRUCTION EQUIPMENT (Coverage J):

Camps, storage facilities, facilities for preparing and mixing materials, scaffolding, supply facilities (electricity, water) and similar ones belong to this concept.

CONSTRUCTION MACHINERY (Coverage K):

Among others, earthmoving machinery, cranes, etc. Vehicles used on the construction site are also included, provided that they are not authorized to use public roads. Whether the heavy equipment belongs to the Contractor or not (rented heavy equipment) does not imply any difference whatsoever in coverage possibility.

EXPENSES FOR THE REMOVAL OF DEBRIS (Coverage I):

Expenses incurred in removing debris caused by a covered loss.

CIVIL LIABILITY (Coverages A and C):

Third-party claims for damages caused to their assets or to themselves arising from construction works, where the Insured Party is legally responsible for them. Claims for accidents suffered by the Insured Party's employees or workers are excluded. It is also offered in LUC and LAP. Maximum 35% of the Aseger Coverage "E" sum.

OBJECTS ON WHICH OR NEXT TO WHICH WORK IS PERFORMED:

Objects under the care or custody of the Insured Party are contemplated here. (Third-Party properties that are not under construction may be covered by the Civil Liability insurance).

WHAT RISKS ARE INSURED?

CAR insurance offers the contracting party the possibility to choose and combine for himself, the insurance coverage that is adequate for his own needs. In addition to the basic

coverage A, which covers risks caused by the construction itself, it offers clients the following additional coverages:

- “F” Earthquake, Tremor
- “G” Cyclone, Hurricane, Flash Flood and Flood
- “Q” Maintenance period
- “A” Civil Liability, material damages
- “C” Civil Liability, personal damages

Practically all damages accidentally occurring in a sudden or unforeseen way suffered by the insured assets while the insurance is in force will be covered, provided that the cause of the loss is covered under the basic coverage A or the additional coverages, respectively, and that they do not belong to the few exclusions expressly set forth in this Insurance Policy. Usually, the causes of losses listed below give rise to a payment obligation for the Insurer under the following coverages:

- Fire, lightning, explosion.
- Robbery, theft.
- Construction defects, manufacturing defects, calculation errors, material flaws, casting defects.
- Breakage due to centrifugal force.
- Short circuit and other electrical phenomena.
- Physical explosion.
- Flaws in driven pile foundations.
- Damages caused by defective workmanship or defective materials.
- Damages caused by third party wrongful acts and willful misconduct.
- Other accidents not expressly excluded by the policy.
- Earthquake, tremor, seaquake and volcanic eruption.
- Hurricane winds of all kinds.
- Tide, flash flood, flood, rain.
- Snow, avalanches.
- Subsidence, landslides and falling rocks.
- Standard coverage (usual) of the maintenance period. In this case, the responsibility of the Insurer during the maintenance period is limited to covering losses or damages caused by the Insurance Contracting Party to covered assets, while performing the works he is bound to perform during this period under the contractual maintenance clause.
- Extended maintenance coverage (through Exhibit).
- Maximum 12 months

Likewise, loss, damage or destruction of construction material, construction equipment and construction machinery, even during its movement or transportation within the work site, is covered.

The same applies to the temporary on-site storage or to damages during assembly and disassembly of construction equipment and machinery.

EXCLUSIONS

Only a few internationally accepted exclusions oppose to the above. These certainly understandable exclusions are set forth in the Policy.

These are mainly the following:

- Damages due to military-type measures, war or acts of war, strike, riot, disturbances, suspension of work, confiscation ordered by an authority. (After studying them very carefully, occasionally strike and riot risks may be insured).
- Acts of willful misconduct and express recklessness of the Insurance Contracting Party
- Damages caused by nuclear energy.
- Coverage for contractual fines, capability and performance deficiencies, and any other economic losses.
- Internal mechanical and electrical damages in construction machines, that is, damages arising from external causes (however, accidents arising from these causes are covered).
- Damages caused by design or project deficiencies or errors (construction errors)
- Elimination of construction defects (for example, by using defective or inadequate material). However, when parts of the work poorly constructed with defective material cause damage to other parts of the work properly constructed, in principle these damages may be covered.

FOR HOW LONG ARE CONSTRUCTION OBJECTS COVERED?

Coverage starts when construction works begin or once the insured assets are unloaded on the construction site, respectively at the service of the fully constructed work. The Insurer's responsibility regarding construction equipment and machinery starts after the equipment has been unloaded on the construction site, and ends when they abandon the site. In addition to the above, it is possible to extend the effectiveness of the maintenance period.

INSURED SUM

HOW ARE THE INSURED SUM AND THE PREMIUM DETERMINED?

With respect to the civil work, the insured sum is composed by the value of the construction contract, plus the amount for the materials provided or services performed directly by the owner. Every increase in these amounts must be informed immediately to the Insurer to avoid underinsurance in case of loss. Once works are completed, the insured sums will have to be reviewed to verify whether they have corresponded to the real effective values at risk.

If necessary, the premium must be readjusted. When dealing with fixed-rate construction contracts, salary increases and costs of materials do not lead to an increase in the insured sum, but they do increase the repair costs in case of loss. This problem may only be eliminated through an adequate calculation of premiums and deductibles. Usually, insured sums are listed separately for the following concepts:

- Construction equipment and machinery (the value of

these objects must correspond to the new purchase price when the insurance starts, including freight, erection costs and customs duties).

- Already existing constructions, expenses for the removal of debris (in these cases, one must make sure that the assigned sums, which at the same time are indemnification limits, are sufficient).

Also special indemnification limits for the Civil Liability coverage are established as insured sum. These limits are applied per event.

PREMIUMS

For CAR insurance, there is no price with fixed premium rates, applicable in a general way. This is so because every construction has to be analyzed according to the local characteristics and technical considerations, which differ in each case. For the proper assessment of a construction risk, the following factors must be essentially taken into account:

- Layout and exposure of the site where the construction will be performed (topographical, weather and tectonic conditions, such as danger of earthquake, flash flood, flood).
- Construction characteristics and materials used in the construction.
- Construction methods.
- Safety factors in the construction program.
- Adoption of sufficient safety measures in the performance of the works.

So that the Insurer may be in a position to establish a fair quote and adequate to the risk, it is necessary that he be allowed access to the construction contracts, to the plans and descriptive logs of the project, to the construction programs, and to all other data and documents necessary to accomplish this purpose. The more complete the data available, the more accuracy in assessing the risk, and the fairer the premium will be for the Contracting Party of the Insurance. If a construction is not completed while the insurance policy is in force, it is possible to provide an extension of the original effectiveness, so that the special circumstances at that very moment may be taken into account. Premium rates for construction equipment may be calculated for the total effectiveness of the Policy or annually. Rates for construction machinery, on the other hand, are usually calculated on an annual basis. These are average fees, in which generally the fact that not all machines are used during the entire construction period has already been taken into account.

HOW IS THE INDEMNIFICATION PERFORMED?

The Insurer reimburses to the Insured Party the necessary expenses to repair a damage caused to the insured assets. Expenses destined to eliminate defects that may have appeared are excluded, even when no loss may have occurred. In every CAR insurance policy, a deductible to be paid by the Contracting Party of the Insurance is established, and varies according to the type and magnitude of the

construction project, and according to the dangers inherent to the respective place. If a loss were to occur, these deductibles will be deducted from the indemnifications to be paid. The reason why this deductible was introduced is that on the one hand, the idea is to awaken the interest of the Insured Party in the adoption of preventive measures against damages, and on the other hand, in view of the high number of small losses, an attempt at to stop administration expenses, of both the Insured Party and the Insurer, from growing excessively is made at the same time. As a general rule, separate deductibles are usually agreed for coverages A, B, C and E, and for the construction equipment and machinery. The indemnification limit is established in all cases by the insured sum, unless the indemnification has been restricted by an event limit and/or a total limit for all losses occurring during the effectiveness of the insurance.

MAINTENANCE PERIOD

Many times the construction contract provides a maintenance period of one year after the acceptance of the construction works. Within the CAR insurance frame, coverage may be granted for this maintenance period. There are the following coverage possibilities:

Standard coverage of the maintenance period (Maintenance Visits) – Coverage Q

In this case, the Insurer's liability during the maintenance period is limited to cover losses or damages caused by the Insurance Contracting Party to the covered assets, while performing the works he is bound to perform during this period under the contractual maintenance clause.

Extended maintenance coverage, through Schedule

In addition to normal maintenance coverage, also damages arising from causes that date back to the construction period are indemnified under this coverage.

INSURANCE REQUIREMENTS SHEET

For the issuance of the ERECTION ALL RISKS (EAR) and/or CONSTRUCCION ALL RISKS (CAR) insurance policies the minimum requirements listed below must be submitted: depending on the value of the work, less than or equal to 90 million the requirements of points 1 to 6 and 12 must be fulfilled with no exception, if the amounts were greater than 90 million, the requirements of the points 1 to 8 and 12 must be fulfilled with no exception.

1. Form – duly completed form, do not omit the name and phone & fax numbers of the professional responsible for the project.
2. List name, phone, and address of the professional responsible for the project for consultation of approved construction plans.
3. Resume for the contracting and subcontracting companies.

4. Activity timetable, if possible containing the preliminary investment program.
5. Copy of the construction and erection contract entered into by the owner of the work and the main contractor, duly approved by the pertinent institutions, including works to be performed by subcontractors.
6. A copy of the maintenance contract must be provided if coverage is requested or list your contractual obligation to provide such maintenance to the work.
7. Calculation log of the seismic-resistant design.
8. Soil studies.
9. When dealing with open canals or piping or hydroelectric projects, the hydrological studies of the respective basin must be provided.
10. When dealing with projects such as ports, docks, dikes, tunnels, galleries, dams, roads, airports, railroad facilities, sewers, canalizations and bridges, the respective additional questionnaire must also be completed.
11. For wind projects, from point 1 to point 9 must be submitted, and in addition to these, the wind, feasibility and environmental impact studies.
12. Construction-site plan.