

Terms & Conditions of Product Liability Insurance T002/2020

Effective as of 15 January 2021



This document is a part of an insurance contract made with the Estonian branch of AB Lietuvos Draudimas (hereinafter PZU) where the insured risk is the proprietary obligations of the insured person under civil liability. The parties to the insurance contract will follow the agreements made in the insurance contract, the Law of Obligations Act and other legislation in matters not regulated herein.

These terms and conditions are only applied to the damage caused by defect of products produced, sold or intermediated within the scope of the insured area of activity. The terms and conditions are not applied to other liability based activities (e.g. causing damage during production), employer's liability (e.g. occupational accidents and diseases) or professional liability (professional mistakes of auditors, notaries or architects). Separate terms and conditions will be applied to general liability, employer's liability and professional liability.

1. Policyholder, insured person and persons used in economic activities

- 1.1. Policyholder means a person who has an insurable interest and who has entered into an insurance contract with PZU.
- 1.2. Insured person means the policyholder or the person specified in the insurance contract whose risk has been insured.
- 1.3. The insurance cover extends to the damage caused by a person used in the economic activities of the insured person if the damage was caused in relation to the insured activity and the insured person became legally obliged to compensate for damage (e.g. a subcontractor used by the insured person was guilty of causing the damage).

2. Insured event

- 2.1. Insured event means an unexpected and unforeseeable occurrence of damage during the insurance period (hereinafter event) that is causally related to a defect in a product produced, sold or intermediated by the insured person as specified in the insurance contract and as a result of which proprietary damage was caused to the injured party and the insured person is obliged to compensate for such damage pursuant to law. **For example, damage will be indemnified if the person has insured their liability as a manufacturer of jam and the manufactured jam contains a toxic substance, which damages a client's health.**
- 2.2. A product means a movable produced, sold or intermediated by the insured person. A product may be part of another product.
- 2.3. A product has a defect if it is not safe to the extent that a person is entitled to expect. **For example, a person who buys a vacuum cleaner is entitled to expect that it will not burst in flame.**
- 2.4. The exclusions specified in point 5 are not insured events.
- 2.5. Any and all events arising from the same cause and any and all claims arising from the same event are deemed to be the same insured event. In this case, the time of occurrence of the first event is deemed the time of occurrence of the insured event. **For example, the health of clients is damaged by products from the same defective batch at different times – this is regarded as a single insured event.**

3. Term of insurance contract

- 3.1. The insurance contract remains valid for the period and at the place agreed in the contract. If the insurance contract does not specify a place of insurance, the place of insurance is the Republic of Estonia.
- 3.2. The insurance cover extends to claims that are reported to PZU within two years after the expiry of the insurance period, provided that the event giving rise to the claim occurred during the

insurance period.

- 3.3. Upon entry into the insurance contract, the parties to the insurance contract may agree on an extended reporting period. The extended reporting period extends the period for notification of claims by the agreed time.

4. Insurance indemnity, legal expenses, deductible and indemnification procedure

- 4.1. Insurance indemnity means a sum of money that is paid as compensation for damage.
- 4.2. Legal expenses means, for the purposes of these terms and conditions, the amount spent on legal assistance, expert assessments and judicial proceedings by the insured person upon the processing of claims.
- 4.3. PZU indemnifies for legal expenses if this is necessary in order to object to the claim and protect the rights of the insured person. Only the legal expenses approved by PZU in advance are subject to indemnification. PZU does not indemnify for legal expenses if they are not related to an insured event or if indemnification for damage is ruled out with the terms and conditions of insurance.
- 4.4. The limit of indemnity (i.e. the sum insured) is the maximum amount of the payouts of the obligations agreed in the insurance contract.
- 4.5. The limit of indemnity per insured event is the maximum amount that is paid out for all claims arising from the same event. If no separate limit of indemnity per insured event has been agreed, it is deemed equal to the limit of indemnity of the insurance contract.
- 4.6. The limit of indemnity decreases by the indemnity and legal expenses paid out on the basis of the insurance contract. The limit of indemnity may be restored by agreement of the parties. PZU may charge an extra fee for restoring the limit of indemnity.
- 4.7. Deductible means the amount of money agreed in the insurance contract, which will be covered by the policyholder upon the occurrence of each insured event.
- 4.8. In the case of claims arising from the same cause or event, deductible is only calculated for the first insurance indemnity to be paid out.
- 4.9. Deductible is not applied to legal expenses, unless otherwise agreed.
- 4.10. Damage is indemnified in accordance with the legislation, terms and conditions of the insurance contract, the limit of indemnity and excess in effect at the time of occurrence of the event.
- 4.11. Upon payment of the indemnity, PZU has the right to a set-off of the insurance premium payable until the end of the insurance period under the insurance contract.
- 4.12. If the insured person has come to an agreement with the claimant or already indemnified the claim or a portion thereof, it will not be binding on PZU if the actual amount of the claim has not been proven and/or the indemnification obligation of the insured person is disputable.

5. Exclusions

- 5.1. PZU does not indemnify for the fines, penalty payments, cautionary fines, default interest, etc. imposed in misdemeanour or criminal proceedings.
- 5.2. PZU does not indemnify for non-material damage.
- 5.3. PZU does not indemnify for loss of profit, excl. the decrease in income related to damage to the health. **For example, the difference in a person's salary during sick leave is damage subject to indemnification.**
- 5.4. PZU does not indemnify for damage caused by negotiorum gestio, unjust enrichment, award notification or presentation of a

thing.

- 5.5.** PZU does not indemnify for damage caused by an event or circumstance of which the policyholder or insured person was aware before the entry into the insurance contract.
For example, damage is not indemnified if the insured person knows before insuring the risk that the product they sold is defective, even if no damage has occurred or become evident yet.
- 5.6.** PZU does not indemnify sanctions, fines and other penalties added to damage
For example, if the insured person has agreed on a contractual penalty payable when damage is caused, it will not be indemnified.
- 5.7.** PZU does not indemnify damage claims arising from the contract if they expand the insured person's liability, restrict the insured person's rights or differ from the terms and conditions for indemnifying damage set forth by law in any other way
For example, agreements that expand the scale or scope of the damage, agreement on waiver of the right of recourse, extension of the limitation deadline of claims, etc.
- 5.8.** PZU does not indemnify for damage caused by non-adherence to a deadline or budget, absence of the required approvals or price changes, or breaches related to patents, copyrights or trademarks.
- 5.9.** PZU does not indemnify for damage caused by the failure to provide a service or the expenses the insured person must incur in order to replace, repair or redo the defective product (incl. the insured person's own expenses in respect of additional material or working hours).
- 5.10.** PZU does not indemnify the product recall expenses of the insured person, unless this has been separately agreed in the insurance contract.
- 5.11.** PZU does not indemnify the damage caused by the insured person's other general economic activities and not a defect in the product. This requires the existence of general liability insurance.
- 5.12.** PZU does not indemnify the damage caused by an occupational accident or occupational disease concerning a person working for the insured person. This cover requires the employer's liability insurance.
- 5.13.** PZU does not indemnify the damage caused by professional consultations, advice, measurements, calculations, design, planning, treatment and provision of any other service. This cover requires professional liability insurance.
- 5.14.** PZU does not indemnify the damage related to a known or presumed property of the product.
For example, it is known that a knife is sharp, so the damage caused by touching the blade with a finger is not subject to indemnification.
- 5.15.** PZU does not indemnify the damage caused outside the product segment agreed in the insurance contract.
For example, when production of ice cream is insured, the damage caused by sales of refrigerators will not be indemnified.
- 5.16.** PZU does not indemnify for damage caused by the obvious or known poor condition of the product or a part thereof or the failure to perform the duty of care, incl. non-application of primary measures for prevention of damage upon the detection of a deficiency.
For example, the use of a boat with crack or hole in the bottom is considered failure to perform the duty of care.
- 5.17.** PZU does not indemnify the damage caused by natural wear and tear or holes, cracks, gaps or other damage caused by weather that were foreseeable or preventable in their nature.
- 5.18.** PZU does not indemnify the damage caused by use of the product for a purpose for which it is not intended.
For example, damage is not indemnified if paint intended for use indoors is used outdoors.
- 5.19.** PZU does not indemnify the damage caused by use of an expired product.
- 5.20.** PZU does not indemnify for damage subject to indemnification on the basis of mandatory liability insurance, unless this has been separately agreed in the insurance contract.
- 5.21.** PZU does not indemnify the damage caused by asbestos, genetically modified substance or organism, electromagnetic field, infection or pandemic, radioactive radiation, weapons, explosive substance or device, tobacco or tobacco product, narcotic substance or toxin, incl. pesticides, medicinal products, medications, incl. hormone products, implants, contraceptives or medical blood.
- 5.22.** PZU does not indemnify the damage caused by defects in products manufactured, sold or intermediated for the automotive industry, aviation, shipping or space technology, unless this has been separately agreed in the insurance contract.
- 5.23.** PZU does not indemnify claims between insured persons and claims between the policyholder and the insured persons.
- 5.24.** PZU does not indemnify claims filed against the insured person by their parent company, subsidiary or a related company or a person who is the insured person's legal representative, owner, manager, family member or insider.
- 5.25.** PZU does not indemnify for damage related to regular pollution, pollution charges, relocation of species or individuals or reparation charges or other obligations arising from the Environmental Liability Act or Directive (ELD).
Insurance cover relating to damage caused to the environment only extends to the damage caused by an unexpected and unforeseeable events (e.g. unexpected leak etc.) and only the direct material damage and the cost of removal of the pollution are subject to indemnification.
- 5.26.** PZU does not indemnify damage caused by Force majeure, war, coup d'état, revolution, strike, mass disruption, emergency, confiscation, nationalisation, crime, terrorism, cyber attack or a natural disaster.
- 5.27.** PZU does not indemnify for damage caused with a crime, unless the crime was not pre-meditated or intentional and if the crime does not constitute financial or insurance fraud. If PZU indemnifies for damage caused due to a crime, it has the right of recourse against the person who committed the crime in terms of the indemnity and adjustment expenses.
- 5.28.** PZU does not indemnify for damage caused intentionally or by gross negligence.
For example, ignoring fire safety rules when doing work involving an open flame is considered gross negligence.
- 5.29.** The insurance cover does not extend to claims and/or liability related to a region or a country in relation to which financial and/or trade restrictions (e.g. an embargo) are applied. Neither does the insurance cover extend to a person who has been declared subject of an international financial, economic or another trade sanction on the basis of a national or an international law, resolution or agreement even if an insurance contract has been entered into in relation to this person. The insurer is not obligated to indemnify in the above cases and upon the occurrence of the above circumstances, the insurance undertaking reserves the right to terminate the insurance contract prematurely.
- 5.30.** PZU does not indemnify damage related to failure to comply with the requirements established in regulation (EU) 2016/679 of the European Parliament and the Council (General Data Protection Regulation) and in the national implementation acts of the Republic of Estonia adopted on the basis of the regulation or damage caused by any breaches of the personal data processing requirements.

6. Safety requirements

Insured persons are regarded as equal to the policyholder in terms of adhering to safety requirements.

- 6.1.** The policyholder and the persons equal to the policyholder are obligated to follow the safety requirements that arise from the legislation in force in the Republic of Estonia, relevant user manuals, good practice and the insurance contract.
- 6.2.** The policyholder and the persons equal to the policyholder are obliged to act with prudence and diligence in order to prevent any harmful consequences and take the usual measures for prevention of damage.
- 6.3.** During the term of the insurance contract and in the course of loss adjustment, PZU has the right to inspect the implementation of the safety requirements and other circumstances pertaining to the insured risks and demand that the policyholder and the persons equal to them submit information about the aforementioned circumstances.

7. Obligations of the policyholder

The policyholder is responsible for the conduct of the insured person

in the performance of the obligations arising from the insurance contract in the same way as for the policyholder's own conduct.

7.1. The policyholder must:

- 7.1.1. submit full and correct information for assessment of the insured risks and inform of any and all substantial circumstances known to the policyholder, which affect PZU's indemnification obligation, incl. the likelihood of occurrence of an insured event, the scale of the damage caused and PZU's decision to enter into the insurance contract on the agreed terms and conditions;
- 7.1.2. allow the representative of PZU to inspect the place of insurance, the risks and the required documentation;
- 7.1.3. immediately inform PZU of an increase in the likelihood of the occurrence of damage and/or an increase in the damage that has already occurred (changes in comparison with the provisions of the insurance contract or the circumstances presented at time the insurance contract was signed);
- 7.1.4. immediately notify the insurer about the emergence of multiple insurance;
- 7.1.5. introduce the terms and conditions of the insurance contract to all insured persons and persons used in economic activities;
- 7.1.6. explain the duties and obligations arising from the insurance contract to the persons whose activities may bring about the policyholder's liability and to persons who, because of their duties, are required to ensure the performance of the insured person's obligations under the insurance contract;
- 7.1.7. follow the legislation in force in the Republic of Estonia, instructions on use, storage, etc. of materials or other things, the safety requirements and the special and additional conditions set out in the insurance contract;
- 7.1.8. make every effort to prevent an insured event and reduce damage, prevent an increase in the possibility of the insured risk and ensure that the persons whose activities may bring about the liability of the insured person do the same;
- 7.2.** Upon the occurrence of a loss event or when becoming aware of damage, the policyholder must:
 - 7.2.1. immediately take measures to limit and reduce the scope and scale of the damage;
 - 7.2.2. immediately notify the following of the event:
 - 7.2.2.1. in the event of an offence, the police;
 - 7.2.2.2. in the event of fire or an explosion, the Rescue Board;
 - 7.2.2.3. a competent authority or person in the case of other events that call for the notification obligation;
 - 7.2.3. notify PZU of the event or damage in a format that can be reproduced in writing as soon as possible after becoming aware of the above either personally or via a representative. If the exact time when the event occurred cannot be determined, the time when the insured person should have learned of the event will be deemed the time of occurrence of the event;
 - 7.2.4. where possible, keep the scene of the event intact until receiving instructions from PZU;
 - 7.2.5. follow the instructions received from PZU.
 - 7.2.6. submit to PZU all of the information required for determining the contractual obligations of PZU or exercising the right of recourse, incl. all documents concerning the causes and scale of the damage, and authorise PZU to obtain the required information and documents.
 - 7.2.7. immediately notify PZU if the damage is indemnified for by a third party;
 - 7.2.8. the aforementioned list of the insured person's obligations is not exhaustive. Other articles of these terms and conditions and other documents of the insurance contract may also include other obligations.

8. Obligations of PZU

PZU is obliged to:

- 8.1.** introduce the documents related to the insurance contract to the insured person before the insurance contract is entered into;
- 8.2.** explain the amendments made to the standard terms and conditions of PZU and/or the insurance premium during the term of the insurance contract;
- 8.3.** not disclose the information that has become known to it in relation the insurance contract. Information may be transferred to the insurer's partner or the representative of the policyholder for signing new insurance contracts, loss adjustment,

requesting an expert opinion or exercising the right of recourse;

- 8.4.** register a loss notice and, at the request of the insured person, issue the respective confirmation;
- 8.5.** start with loss adjustment immediately after receiving a loss notice and identify the scale of the damage to be indemnified;
- 8.6.** inform the insured person as soon as possible of the documents required for identification of the cause and scale of the damage caused by the event;
- 8.7.** make a decision on the indemnification of damage or refusal to indemnify not later than within 10 working days as of receipt of all the required documents and identification of the scale and the circumstances of occurrence of damage. In the event a criminal procedure has been initiated, PZU has the right to postpone making a decision if the criminal procedure concerns an insurance fraud and/or the indemnification obligation depends on the outcome of the procedure;
- 8.8.** indemnify the damage immediately or as soon as possible after making an indemnification decision. At the request of the insured person, PZU will pay out the indemnity in advance to the extent in which the scale of the indemnification obligation and the size of the indemnity are known.

9. Release of PZU from obligation to perform insurance contract

PZU is released from the obligation to perform the insurance contract in part or in full if:

- 9.1.** the policyholder or the insured person has breached their contractual obligations or safety requirements and it causally related to the occurrence of the insured event and/or the scale of the damage resulting from it;
- 9.2.** the insured event has taken place due to gross negligence or intent.
- 9.3.** the insured person waives their right of resource, provided that indemnification for the damage could have been claimed from a third party if the claim had not been waived.

10. Multiple insurance

- 10.1.** Multiple insurance means a situation where the insured object has been partially or fully insured against the same insured risk by the same insurer or multiple insurers and the total amount of the indemnities payable by the insurers would exceed the amount of damage. In the event of multiple insurance, the insurers are jointly liable as debtors.

11. Right of recourse of PZU and repayment of insurance indemnity

- 11.1.** If PZU has been released of the obligation to perform the insurance contract in respect of the policyholder, but pays out the insurance indemnity to the injured party, PZU has the right of recourse against the insured person to the extent of the indemnity paid out.
- 11.2.** In the case of damage caused by a person used in the economic activities of the insured person, PZU has the right to exercise the right of resource in respect of the person used in the economic activities who caused the damage after it paid out the insurance indemnity.
- 11.3.** The insured person must repay the insurance indemnity to PZU if any circumstances ruling out indemnification have become evident after the damage was indemnified for or if a third party has indemnified for the damage.

12. Notification

- 12.1.** All notices between the parties to the insurance contract regarding the performance of the contract must be submitted in a format that can be reproduced in writing.

13. Insurance contract entered into for longer than 12 months

- 13.1.** If an insurance contract is entered into for longer than 12 months, PZU has the right to amend the standard terms and conditions and/or the insurance premium of the insurance contract, but not with regard to the first 12 months of the insurance contract.

- 13.2.** If an insurance contract is entered into for longer than 12 months, the policyholder may withdraw from the contract within 14 days after signing the contract. Sending a withdrawal application within the deadline is sufficient for adherence to the deadline. The term will not start before PZU has informed the policyholder of the right of withdrawal and the policyholder has confirmed receipt of the notice with their signature. If the policyholder is not informed of the right of withdrawal, the right of withdrawal will end after one month has passed from the payment of the first insurance premium.
- 13.3.** If an insurance contract is amended during its term, PZU will send the documents of the new amended contract to the policyholder and the amended part of the old policy is invalid as of the date of entry into force of the new amendment specified in the amendment agreement.
- 13.4.** Upon amendment of a contract, the amended contract documents will be sent to the e-mail address given to PZU or, upon absence thereof, to the postal address given to PZU, at least 14 days before the date of entry into force of the amendments. An amendment may not be retroactive. Sending documents to said e-mail address or postal address is deemed delivery of the documents.
- 13.5.** If the policyholder does not consent to the amendment of the insurance contract, the policyholder may terminate the insurance contract within 14 days of entry into force of the amendments. Sending an application within the deadline is sufficient for adherence to the deadline. The term shall not start before PZU has informed the policyholder of the right of cancellation and the policyholder has confirmed the receipt of the notice by their signature. If the policyholder is not informed of the right of cancellation, the right of cancellation will expire within one month of payment of the insurance premium of the month following the amendment's entry into force.

14. Customer data processing and protection

- 14.1.** The insurer processes customer data in accordance with the privacy policy of PZU Kindlustus, which are available on the insurer's website www.pzu.ee/isikuandmete-tootlemine.

15. Resolution of disputes

- 15.1.** The parties will seek to resolve any disagreements and disputes arising from insurance contracts by way of negotiations. If the parties fail to reach an agreement, the dispute will be resolved pursuant to the legislation of the Republic of Estonia.
- 15.2.** The policyholder has the right to refer the dispute with the insurer to the insurance conciliation body of the Estonian Insurance Association. Before the conciliation procedure, the insurer must file a complaint with the insurer and give the latter an opportunity to respond. Additional information about the conciliation proceedings is available on the website of the Estonian Insurance Association www.eksl.ee.
- 15.3.** The policyholder has the right to file a complaint about the activities of the insurer with the Financial Supervision Authority. Additional information about filing complaints with the Financial Supervision Authority is available on the website www.fi.ee.
- 15.4.** In order to resolve disputes the policyholder is entitled to have recourse to the Harju County Court pursuant to the conditions and procedure set out by legislation.