



Terms and conditions of product liability insurance T002/2023

Valid from 01.01.2024

This is unofficial text. In case of dispute the Estonian wording shall prevail.

This document is part of an insurance contract made with the Estonian branch of AB Lietuvos Draudimas (hereinafter referred to as PZU*), where the insured risk is the proprietary liabilities of the insured person under civil liability. In matters not regulated by this document, the parties to the insurance contract are guided by the agreements in the insurance contract, the Law of Obligations Act and other legislation.

These terms and conditions only apply to loss and damage caused by defects in products produced, sold or intermediated within the scope of the insured area of activity. These terms and conditions do not apply to public liability (e.g. causing damage during production), employer's liability (e.g. occupational accidents and diseases) or professional indemnity (e.g. consultancy or professional mistakes of auditors, notaries or architects). Public liability, employer's liability and professional liability are subject to separate terms and conditions.

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 damage caused by a person used in the economic activities of the insured person if the damage was related to the insured activity and the insured person became legally obligated to compensate for the damage (e.g. a sub-contractor used by the insured person was at fault in causing the damage).

2. Insured event

- 2.1. Insured event means an unexpected and unforeseeable occurrence of patrimonial damage to a third party 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 the insured person is obligated to compensate for the damage pursuant to law.
For example, damage will be compensated if the person has insured their liability as a manufacturer of jam and the manufactured jam is defective, containing a toxic substance that damages a client's health during the insurance period.
- 2.2. Product means a movable good produced, sold or intermediated by the insured person. A product may be a part of another product.
- 2.3. A product is defective if it is not safe to the degree that a person may reasonably expect.
For example, a person who has bought a vacuum cleaner may reasonably expect that it will not spontaneously combust when used.
- 2.4. The exclusions listed in clause 5 are not insured events.
- 2.5. All events and claims arising from the same cause and all claims arising from the same event are treated as a single insured event. In this case, the time of occurrence of the first event is considered to be the time of occurrence of the event. Indemnification will be based on the terms and conditions of the insurance contract in force at the time of the event.
For example, defective products of the same batch sold to different customers, who consume it at different times and suffer health damage, is a single insured event.

3. Validity of the insurance contract

- 3.1. The insurance contract is valid for the period and at the place agreed in the contract. Unless otherwise agreed in the insurance contract, PZU will indemnify an insured event if the damage was caused by a product manufactured, sold or intermediated in the Republic of Estonia and the claim for damages was brought under

the law of the Republic of Estonia, and is subject to the court allocation of the Republic of Estonia.

- 3.2. The insurance cover extends to claims of which PZU is notified within three years after the end of the insurance period, but the underlying event occurred during the insurance period.
- 3.3. The parties to an insurance contract may agree on an extended claims reporting period at the time of the conclusion of the insurance contract. An extended claims period prolongs the period for notification of claims by the agreed time.

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

- 4.1. Insurance indemnity means the sum of money paid to compensate for the damage suffered in an insured event.
- 4.2. Legal expenses are understood as the amount the insured person spends on legal advice, expert opinions and court proceedings when handling claims.
- 4.3. PZU will indemnify legal expenses if necessary to defend a claim against the insured person and to protect the rights of the insured person. Indemnity will only be paid for the legal expenses agreed upon with PZU in advance. PZU will not indemnify legal expenses if the claim does not concern an insured event or if indemnification for damage is excluded by the insurance terms and conditions.
- 4.4. The limit of indemnity (sum insured) is the maximum amount of payouts for all the liabilities agreed upon in the insurance contract.
- 4.5. The limit of indemnity per insured event is the maximum payout in respect of all claims arising from the same event. In the absence of a separate agreement on the limit of indemnity per insured event, it is deemed to be equal to the limit of indemnity in the insurance contract.
- 4.6. In addition, a separate limit of indemnity may be agreed upon in the insurance contract for a specific product or risk as defined in the insurance contract. In the absence of an agreed limit of indemnity for a specific product or risk, the limit is deemed to be equal to the limit of indemnity in the insurance contract.
- 4.7. The limit of indemnity is reduced by any indemnities and legal expenses paid under the insurance contract. The limit of indemnity may be restored by an agreement between the parties. PZU may charge an additional premium for restoring the limit of indemnity.
- 4.8. Deductible is the amount of money agreed in the insurance contract that the policyholder will cover upon the occurrence of an insured event.
- 4.9. Where several claims arise from a single cause or event, deductible is only applied to the first indemnity paid.
- 4.10. Deductible is not applied to legal expenses, unless otherwise agreed.
- 4.11. Indemnification is based on the terms and conditions of the insurance contract, the limit of indemnity and deductible in force at the time of the event.
- 4.12. PZU has the right to set off any outstanding premiums under the insurance contract up to the end of the insurance period against the payment of indemnities.
- 4.13. If the insured person has reached an agreement with the claimant or has already compensated the claim or part of the claim, PZU will not be bound to it..

5. Exclusions

- 5.1. PZU will not indemnify any fines, penalty payments, cautionary penalties, penalties for late payment, etc., imposed in misdemeanour or criminal proceedings.
- 5.2. PZU will not indemnify non-patrimonial loss (pain and suffering claims).

- 5.3.** PZU will not indemnify purely financial loss, i.e. loss that is not related to damage to property or to a person.
- 5.4.** PZU will not indemnify loss of income, except for decrease in income related to damage to a physical person's health.
For example, the difference in a person's salary while on sick leave is indemnified.
- 5.5.** PZU will not indemnify loss or damage caused by unauthorised handling, unjust enrichment, a public promise to pay or presentation of the matter.
- 5.6.** PZU will not indemnify loss or damage caused by an event or circumstance of which the policyholder or the insured person was aware before the conclusion of the insurance contract.
For example, damage will not be indemnified if the insured person knew before insuring the risk that the product they sold was defective, even though the damage has not yet occurred or become apparent.
- 5.7.** PZU will not indemnify any sanctions, fines, penalties, warranty claims, excise or customs duties or any penalties in addition to damages.
- 5.8.** PZU will not indemnify claims arising from a contract if the claims extend the liability of the insured person, limit the rights of the insured person or otherwise differ from the conditions for indemnification set out in the law.
For example, agreements extending the amount or scope of damage, agreements waiving recourse, extending the limitation period for claims, etc..
- 5.9.** PZU will not indemnify any loss or damage caused by copyright or trademark infringements.
- 5.10.** PZU will not indemnify any loss or damage caused by failure to provide services, failure to meet deadlines or budgets for services, changes in prices, lack of approval or disruptions of supply of a product.
- 5.11.** PZU will not indemnify costs related to the depreciation, damage or destruction, repair, replacement, reworking or recall from the market of a defective product, unless specifically agreed upon in the insurance contract.
- 5.12.** PZU will not indemnify the cost of the defective product itself.
- 5.13.** PZU will not indemnify any loss or damage caused by the insured person's other general economic activity, not by a defective product. The type of insurance cover is provided by public liability insurance.
- 5.14.** PZU will not indemnify any loss or damage caused by an accident at work or an occupational disease suffered by a person working for the insured person. This type of insurance cover is provided by employer's liability insurance.
- 5.15.** PZU will not indemnify any loss or damage caused by professional consultations, advice, measurements, calculations, design, planning, medical treatment or other services provided. This type of insurance cover is provided by professional indemnity insurance.
- 5.16.** PZU will not indemnify any loss or damage related to a known or expected characteristic of a product, or damage based on the product not having the promised effects or properties.
For example, it is a known fact that a knife is sharp, and therefore the damage from a cut caused by touching the blade with a finger will not be indemnified.
- 5.17.** PZU will not indemnify any loss or damage caused outside the product segment agreed upon in the insurance contract.
For example, if the insurance covers the production of ice cream, damage incurred in the refrigerator sales segment will not be indemnified.
- 5.18.** PZU will not indemnify any loss or damage caused by the apparent or known poor condition of the product or part of the product, or by the failure to exercise due care, including the failure to take primary measures to prevent damage upon discovery of a defect.
For example, a product is sold with visible defects.
- 5.19.** PZU will not indemnify any loss or damage caused by natural wear and tear or by holes, cracks, fissures or other damage caused by weather conditions, which were inherently foreseeable or avoidable.
- 5.20.** PZU will not indemnify any loss or damage resulting from the improper use of a product or the failure to adhere to the user manual.
For example, damage caused by the outdoor use of a product which is only intended for indoor use will not be indemnified.
- 5.21.** PZU will not indemnify any loss or damage resulting from the use of a product that has exceeded its use-by date.
- 5.22.** PZU will not indemnify any loss or damage covered by compulsory liability insurance, unless specifically agreed upon in the insurance contract.
- 5.23.** PZU will not indemnify any loss or damage covered by any other applicable cost-based insurance cover (such as property insurance, construction all risk insurance, social or health insurance). This insurance contract applies only to events where the limit of indemnity under another cost-based insurance contract has been exhausted or where a recourse claim is received from the insurance company that has paid an indemnity under the other insurance contract.
- 5.24.** PZU will not indemnify any loss or damage caused by a genetically modified substance or organism, infection or pandemic, tobacco or tobacco product including e-cigarettes and their components, narcotic substance or poison including pesticides, carcinogenic substances (e.g. aspartame), medical product, medicine including hormonal product, implant, contraceptive, vaccine or medical blood.
- 5.25.** PZU will not indemnify any loss or damage caused by asbestos, mould, dry rot, electromagnetic fields, radioactive or other radiation, nuclear energy, fuel and energy including gas and electricity, any weapon, explosive substance or explosive device.
- 5.26.** PZU will not indemnify any loss or damage caused by PFAS (per- and polyfluoroalkyl substances), urea-formaldehyde, diethylstilbestrol, dioxin, furan, or substances prohibited in cosmetic products (such as diethanolamine, monoethanolamine and triethanolamine, 1,4-dioxane, xylene, xylol or dimethylbenzene, etc.) or plastic additives known to be hazardous (such as phthalates, melamine, polyamide, bisphenol A, perfluoro compounds or nonylphenol and its derivatives) or transmissible spongiform encephalopathy (TSE), including bovine spongiform encephalopathy (BSE) or Creutzfeldt-Jakob disease (vCJD).
- 5.27.** PZU will not indemnify any loss or damage arising from a defect in or damage to any product manufactured, sold or intermediated for motor vehicles, aircraft, vessels, space equipment, offshore or hydraulic engineering objects, unless specifically agreed upon in the insurance contract.
- 5.28.** PZU will not indemnify any claims between insured persons.
- 5.29.** PZU will not indemnify claims made against the insured person by their parent, subsidiary or affiliated company or by a person who is the legal representative, owner, manager, family member of or person connected with the insured person.
- 5.30.** PZU will not indemnify any loss or damage related to regular pollution, pollution charges, translocation of species or specimens, remediation charges or other obligations under the Environmental Liability Act or the Environmental Liability Directive (ELD). Insurance cover for damage to the environment extends only to damage caused by an unexpected and unforeseeable event (such as an unexpected spill, etc.) and only covers direct property damage and the cost of cleaning up the pollution.
- 5.31.** PZU will not indemnify any loss or damage caused by force majeure, war (including special operations, etc.), coup d'état, revolution, strike, riot, state of emergency, confiscation, nationalisation, natural disaster, crime, terrorism, cyber risk including security hole, hacking, cyber attack or other cyber incident.
- 5.32.** PZU will not indemnify any loss or damage caused by intentional damage, gross negligence, criminal offence, fraud, sabotage of a product, deliberate damage to a product or damage caused by the injured person to themselves.
For example, failing to comply with the sanitary requirements for the production of a product is gross negligence.
- 5.33.** Insurance cover does not extend to a claim and/or liability relating to a region, country or person subject to a financial and/or trade restriction (e.g. embargo or sanctions). Similarly, insurance cover does not extend to a person who has been declared the subject of an international financial, economic or other trade sanction under a national or international law, decision or agreement, even if that person is covered by an insurance contract. The insurer is not obligated to indemnify in the above cases, and upon the occurrence of the above circumstances, the insurer reserves the right to terminate the insurance contract prematurely.
- 5.34.** PZU will not indemnify any loss or damage caused by non-compliance with the requirements of Regulation (EU) 2016/679 of the European Parliament and of the Council (EU) (General Data Protection Regulation) and the national implementing legislation of the Republic of Estonia adopted on the basis of the Regulation, nor for any damage caused by non-compliance with the requirements for processing personal data.

6. Safety requirements

For the purposes of safety requirements, insured persons and persons used in economic activities are treated as equivalent to the policyholder.

- 6.1.** The policyholder and persons treated as equivalent to the policyholder are obligated to comply with the safety requirements arising from the Republic of Estonia applicable legislation, relevant guidelines, standards, good practice and the insurance contract.
- 6.2.** The policyholder and the persons treated as equivalent to the policyholder have a duty to act prudently and with due care to avoid harmful consequences and to take the usual precautions to avoid damage.
- 6.3.** PZU has the right, during the validity of the insurance contract and when handling an insured event, to verify the implementation of safety requirements and other circumstances related to the insured risks and to request information from the policyholder and persons treated as equivalent to the policyholder regarding the above circumstances.

7. Policyholder's obligations

The policyholder is liable for the conduct of the insured person in performing the obligations under the insurance contract as they are for their own conduct.

- 7.1.** The policyholder is obligated to:
 - 7.1.1.** provide complete and correct information for the assessment of insurance risks and report all material circumstances of which they are aware, which affect PZU's obligation to indemnify, including both the probability of occurrence of an insured event and the amount of the damage, and PZU's decision to conclude the insurance contract on the agreed terms and conditions;
 - 7.1.2.** allow a representative of PZU to examine the place of insurance, the risks and the required documentation;
 - 7.1.3.** notify PZU immediately of any increase in the possibility of damage occurring and/or of any increase in the damage already incurred (changes compared to what was stated in the insurance contract or to the circumstances presented at the time of conclusion of the insurance contract);
 - 7.1.4.** immediately give notice of the occurrence of multiple insurance;
 - 7.1.5.** familiarise all insured persons and persons used in economic activities with the terms and conditions of the insurance contract;
 - 7.1.6.** explain the obligations arising from the insurance contract to persons whose actions may lead to the liability of the insured person and to persons who, by virtue of their duties, are required to ensure the fulfilment of the insured person's obligations under the insurance contract;
 - 7.1.7.** comply with the applicable legislation of the Republic of Estonia, the instructions for the use, storage, etc. of equipment, materials, etc., the safety requirements stated in the insurance contract and any special and additional terms and conditions;
 - 7.1.8.** make every effort to prevent an insured event and to minimise the damage, to avoid increasing the possibility of an insured risk and to ensure that the same is done by persons whose actions may give rise to the liability of the insured person.
- 7.2.** Upon the occurrence of a loss event or upon learning of loss or damage, the policyholder is obligated to:
 - 7.2.1.** take immediate steps to limit and reduce the extent and amount of the loss or damage;
 - 7.2.2.** report the event immediately:
 - 7.2.2.1.** to the police, if an offence has been committed;
 - 7.2.2.2.** to the emergency services in case of fire or explosion;
 - 7.2.2.3.** to the competent authority or person if the event requires reporting;
 - 7.2.3.** notify PZU of the event or damage by any means that can be reproduced in writing as soon as possible after becoming aware of the event or damage in person or through a representative. If it is impossible to determine the exact time of the event, the time when the insured person should have learned of the event will be regarded as the time of the event;
 - 7.2.4.** if possible, keep the site of the event intact until further instructions from PZU;
 - 7.2.5.** follow the instructions received from PZU;
 - 7.2.6.** provide PZU with all available information necessary to determine PZU's contractual obligations or to file a recourse claim, including all documents relating to the cause and amount of the loss or

damage and to authorise PZU to obtain the necessary information and documents;

- 7.2.7.** immediately notify PZU if the loss or damage is compensated by a third party.
- 7.2.8.** The above list of obligations of the insured person is not exhaustive. Other clauses of these terms and conditions and other insurance contract documents may contain further obligations.

8. PZU's obligations

PZU is obligated to:

- 8.1.** familiarise the insured person with the documents relating to the insurance contract before the conclusion of the insurance contract;
- 8.2.** clarify any changes to the PZU terms and conditions and/or to the insurance premium made during the term of the insurance contract;
- 8.3.** keep confidential any information received in connection with the insurance contract. The information may be transferred to the insurer's business partner or the policyholder's representative for the purposes of concluding new insurance contracts, handling claims, requesting an expert opinion or filing a recourse claim;
- 8.4.** register loss notices and, at the request of the insured person, issue a confirmation to that effect;
- 8.5.** immediately upon receipt of loss notice, initiate a claim handling procedure and determine the amount of loss or damage to be indemnified;
- 8.6.** inform the insured person as soon as possible of the documents necessary to establish the cause and amount of the loss or damage caused by the event;
- 8.7.** make a decision to indemnify or refuse to indemnify the loss or damage no later than within ten working days of the receipt of all the required documents and the determination of the amount of the loss or damage and the circumstances in which it occurred. In the case of criminal proceedings, PZU has the right to postpone the decision if criminal proceedings have been initiated in a case of insurance fraud and/or if the indemnification obligation depends on the outcome of the proceedings;
- 8.8.** indemnify the loss or damage immediately after the indemnification decision has been made, or as soon as possible thereafter. At the request of the insured person, PZU will pay an advance indemnity to the extent that the amount of the indemnification obligation and the amount of the indemnity are known.

9. Release of PZU from the obligation to perform the insurance contract

PZU will be 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 obligations under the insurance contract or safety requirements and this is causally linked to the occurrence of the insured event and/or the amount of the loss or damage caused by it;
- 9.2.** the insured event is due to gross negligence or wilful misconduct;
- 9.3.** the insured person waives their right of recourse on the assumption that, in the absence of such a claim, they could have claimed compensation from a third party.

10. Multiple insurance

- 10.1.** Multiple insurance is a situation where the same risk is insured, either in part or in full, by the same insurer or by several insurers, and the total amount of indemnity payable by the insurers would exceed the amount of the loss or damage. In the case of multiple insurance, the insurers are jointly and severally liable.

11. PZU's right of recourse and reimbursement of the insurance indemnity

- 11.1.** If PZU is released from its obligation to the insured person to perform the insurance contract, but pays an indemnity to the injured party, PZU will have a right of recourse against the insured person to the extent of the indemnity paid.
- 11.2.** In the event of loss or damage caused by a person used in the economic activities of the insured person, PZU has the right, after the payment of the insurance indemnity, to file a recourse claim against the person used in the economic activities who caused the loss or damage.

- 11.3.** The insured person must reimburse the insurance indemnity to PZU if, after the damage has been indemnified, circumstances arise that preclude indemnification or if a third party has compensated for the damage.

12. Notices

- 12.1.** All communications between the parties to the insurance contract in the course of performing the contract must be in a form that can be reproduced in writing.

13. Insurance contract made for period exceeding 12 months

- 13.1.** If the insurance contract is concluded for more than 12 months, PZU has the right to change the standard terms and conditions of the insurance contract and/or the premium, but not for the first 12 months of the insurance contract.
- 13.2.** If the insurance contract is concluded for more than 12 months, the policyholder may withdraw from the contract within 14 days of the conclusion of the contract. Sending a withdrawal application within the term is sufficient for adherence to the term. The term will not start before PZU has informed the policyholder of the right of withdrawal and the policyholder has acknowledged their receipt of the information with their signature. If the policyholder is not informed of the right of withdrawal, the right of withdrawal will expire one month after the payment of the first insurance premium.
- 13.3.** If the insurance contract is amended during its period of validity, PZU will send the policyholder the new amended contract documents; the amended part of the old policy will be invalid from the date of entry into force of the amendment as indicated in the new amendment agreement.
- 13.4.** If the contract is amended, the amended contract documents will be sent to the e-mail address notified to PZU or, in the absence thereof, to the postal address notified to PZU at least 14 days before the date of entry into force of the amendments. An amendment must not be retroactive. The documents will be deemed delivered when sent to the aforementioned e-mail or postal address.
- 13.5.** If a policyholder does not consent to the amendment of the insurance contract, the policyholder may cancel the insurance contract within 14 days of the entry into force of the amendments. Sending an application within the term is sufficient for adherence to the term. The term will not start before PZU has informed the policyholder of the right of cancellation and the policyholder has acknowledged their receipt of the information with their signature. If the policyholder is not informed of the right of cancellation, the right of cancellation will expire within one month of the payment of the subsequent insurance premium after the entry into force of the amendment.

14. Processing and protection of customer data

- 14.1.** The insurer processes customer data in accordance with the PZU Insurance Privacy Policy published on the insurer's website www.pzu.ee/isikuandmete-tootlemine.

15. Dispute resolution

- 15.1.** Any disagreements and disputes arising out of insurance contracts will be attempted to be resolved through negotiations. If the parties do not reach an agreement, the dispute will be settled in accordance with the applicable legislation of the Republic of Estonia.
- 15.2.** The policyholder has the right to refer to the insurance conciliation body of the Estonian Insurance Association to settle a dispute with the insurer. Prior to the conciliation procedure, the policyholder must submit a complaint to the insurer and give the insurer an opportunity to respond. More information on the conciliation procedure is available on the website of the Estonian Insurance Association www.eksl.ee.
- 15.3.** The policyholder has the right to file a complaint against the insurer with the Estonian Financial Supervision and Resolution Authority. For more information on how to lodge a complaint with the Estonian Financial Supervision and Resolution Authority, see www.fi.ee.
- 15.4.** In order to settle the dispute, the policyholder has the right to apply to the Harju County Court under the conditions and in accordance with the procedure laid down in the legislation.