

# PRODUCT LIABILITY INSURANCE CONDITIONS

## KT.0224.07

These Product Liability Insurance Conditions (hereinafter the Conditions) are applied with regard to insurance contracts made in ERGO Insurance SE, whereby proprietary obligations arising from the causing of damage by the deficiency of a product produced, sold or intermediated by the insured person constitute the object of insurance. In matters which have not been regulated by the Conditions the parties to the insurance contract shall act pursuant to the Law of Obligations Act and other legislation.

### 1. Insurer

The insurer is ERGO Insurance SE.

### 2. Policyholder and Insured Person

- 2.1. The policyholder is a person who has entered into an insurance contract with the insurer.
- 2.2. The insured person is the policyholder or a person specified or not specified in the insurance contract whose insured risk is insured.
- 2.3. The policyholder may be a person who has an insurable interest.
- 2.4. The insurance contract extends to all natural persons working for and/or carrying out an assignment of the insurer who are controlled in economic activities for performing work-related duties.

### 3. Object of Insurance

- 3.1. Proprietary obligations (hereinafter the liability) arising from the civil liability of the insured person as a producer.
- 3.2. An insured person is considered a producer if it:
  - 3.2.1. has manufactured a finished product, raw material or part of a product;
  - 3.2.2. claims to be the manufacturer of a product and indicates the person's name, trademark or other distinctive mark on the product;
  - 3.2.3. brings a product into Estonia or into a member state of the European Union with the objective of selling, leasing or marketing of the product in any other manner.
- 3.3. A product is a movable manufactured by the policyholder in its economic activities even if it constitutes a part of another movable.
- 3.4. A product is defective unless it is safe to an extent which corresponds to a person's legitimate expectations.

### 4. Insurance Period and Validity of Insurance Contract

- 4.1. The insurance period is a period of time on the basis of which insurance premium is calculated.
- 4.2. Indemnification is based on the terms and conditions of the insurance contract at the time of causing damage, the maximum indemnity and the excess.
- 4.3. Upon entry into the insurance contract the parties to the insurance contract may agree on a longer period for notification of claims filed against the insured person.
- 4.4. In the case of a longer period for notification of claims filed against the insured person, the insurance coverage extends to claims filed against the insured person within the agreed term after the end of the insurance period, whereby the damage serving as the basis of the claim was caused within the insurance period.
- 4.5. Unless a longer period for notification of claims filed against the insured person has been agreed on, the insurance coverage

shall extend to claims filed against the insured person within one year after the end of the insurance period.

- 4.6. The insurance contract shall be valid in the insurance period, on the terms and conditions and in the territory set out in the insurance contract.
- 4.7. Unless another territory has been specified in the insurance contract, the insurance contract shall apply to damage caused within the Republic of Estonia.
- 4.8. If the insurance cover is effective outside the Republic of Estonia, the provisions of private international law shall be applied.

### 5. Insured Event

- 5.1. An insured event is damage caused by a defective product manufactured, sold or intermediated by the insured person as a producer to a third party, as a result of which the insured person is by law obligated to compensate for the damage.
- 5.2. The insured event must have occurred during the insurance period.
- 5.3. The damage must have a cause-and-effect relationship with the deficiency of the product manufactured/sold or otherwise intermediated by the insured person or caused by mistakes in the user manual of the product.
- 5.4. Any and all obligations arising from the same event are considered one insured event and only one maximum indemnity and one excess is applicable to the indemnification obligations, whereby the time of occurrence of the first damage is considered the time of occurrence of the insured event.

### 6. Insurance Indemnity and Forms of Indemnification

- 6.1. The insurance indemnity is an amount of money that is paid to the policyholder for indemnification for damage suffered as a result of an insured event and/or indemnification of the required legal expenses.
- 6.2. The following shall be indemnified:
  - 6.2.1. decrease of value arising from destruction or damage of a thing of the victim;
  - 6.2.2. medical expenses of the victim, damage arising from temporary incapacity for work, damage arising from permanent incapacity for work, funeral expenses, maintenance pension, etc.
  - 6.2.3. The indemnification shall be monetary.
  - 6.2.4. The amount of the indemnity shall be decided by the insurer.
  - 6.2.5. For the purposes of these conditions, legal expenses are an amount spent on the legal assistance of the insured person, expert assessment and court proceedings.
  - 6.2.6. The insurer shall indemnify legal expenses if these are necessary for proving the absence of the liability and/or guilt of the insured person.
  - 6.2.7. Only legal expenses which have been coordinated with the insurer beforehand shall be indemnified.
  - 6.2.8. The amount of the indemnity per insured event shall be confined to the amount of claim and the maximum indemnity.

### 7. Maximum Indemnity

- 7.1. The maximum indemnity is a sum specified in the insurance contract, which constitutes the maximum limit of all insurance indemnities disbursed.
- 7.2. In addition to the maximum indemnity, the maximum indemnity per isolated event may be agreed on. The maximum indemnity per isolated event is the maximum insurance indemnity paid

with regard to all claims arising from the same causing of damage.

- 7.3. The maximum indemnity and the maximum indemnity per isolated event shall be specified in the insurance contract. If the maximum indemnity per isolated event has not been specified, it shall be deemed to equal the maximum indemnity.
- 7.4. The maximum indemnity shall decrease by the indemnity disbursed on the basis of the same insurance contract.
- 7.5. An additional contract may be made for restoration of the maximum indemnity.

## 8. Multiple Insurance

- 8.1. Multiple insurance is a situation where the object of insurance has been either partially or fully insured against the same insured risk by several insurers.
- 8.2. In case of multiple insurance the insurers shall bear solidary liability.

## 9. Insured Risk and Notification of Increase Thereof

- 9.1. The insured risk is a danger which is being insured against. An increase of the probability of occurrence of the insured event is considered an increase of the insured risk.
- 9.2. The circumstances which the insurer has requested information about are considered circumstances affecting the insured risk.
- 9.3. The insurer shall be immediately notified about an increase of the probability of the insured risk, unless the increase of the probability of the insured risk has been caused by a generally known circumstance.

## 10. Excess

- 10.1. The excess is an amount of money specified in the insurance contract which is compensated by the policyholder upon any insured event.
- 10.2. In the case of claims arising from the same insured event the excess is taken into account only with regard to the first insurance indemnity disbursed.

## 11. Insurance Premium

- 11.1. The insurance premium is an amount of money which the policyholder shall pay the insurer.
- 11.2. The insurance premium or a part thereof shall be paid by the due date set out in the insurance contract.

## 12. Conclusion and Entry into Force of Insurance Contract

- 12.1. Upon entry into the contract, the policyholder shall notify the insurer of any and all circumstances that, by their nature, have an impact on the insurer's decision to enter into the contract or do it on the agreed terms and conditions (material circumstances).
- 12.2. Upon entry into the insurance contract, the insurer shall introduce the terms and conditions of insurance to the policyholder.
- 12.3. The policyholder shall introduce the terms and conditions of insurance to all insured persons.
- 12.4. The insurance contract shall enter into force and the insurance coverage shall commence on the start date of the insurance period indicated on the insurance policy.
- 12.5. If the insurance premium or a part thereof has not been paid by the agreed date, the insurer shall be released from the obligation to perform the insurance contract.

## 13. Expiry and Termination of and Withdrawal from Insurance Contract

- 13.1. The insurance contract shall expire:
  - 13.1.1. upon expiry of the insurance period or the longer period of notification of claims;

- 13.1.2. upon termination of the insurance contract;
  - 13.1.3. upon withdrawal from the insurance contract;
  - 13.1.4. upon disbursement of the sum insured;
  - 13.1.5. on other grounds prescribed by law.
- 13.2. The parties to the insurance contract have the right to terminate the insurance contract pursuant to the procedure and on the grounds prescribed by law.
  - 13.3. The insurer has the right to terminate the insurance contract:
    - 13.3.1. if the insured person has violated the terms and conditions of the insurance contract;
    - 13.3.2. if the insured person has deceived or tried to deceive the insurer in connection with the circumstances of the insurance contract or the insured event;
    - 13.3.3. upon an increase of the insured risk;
    - 13.3.4. if the policyholder has failed to pay the insurance premium or an instalment of the insurance premium.
  - 13.4. The insurer does not have the right to terminate the insurance contract if the breach of the terms and conditions of the insurance contract does not increase the probability of the insured risk or the obligation of the insurer to perform the insurance contract (except upon failure to pay the instalment of the insurance premium).
  - 13.5. After the insured event both parties may terminate the insurance contract by notifying the other party thereof one week in advance. Upon termination of the insurance contract, the insurer shall remain obligated to perform the insurance contract with respect to the insured events which have occurred during the term of validity of the contract.
  - 13.6. The insurer has the right to withdraw from the insurance contract if upon entry into the insurance contract the policyholder has failed to notify the insurer about the material circumstances which affect the insured risk or if the policyholder has intentionally given false data. The insurer has the right to withdraw from the contract within one month as from the time when the insurer learned about the breach of the notification obligation.
  - 13.7. If the policyholder has failed to pay the first insurance premium within 14 days after the agreed due date and if the insurer has not given the policyholder a new payment deadline during such term, it shall be deemed that the insurer has withdrawn from the contract.
  - 13.8. Upon termination of the insurance contract by the policyholder, the policyholder has the right to a refund of the insurance premium paid for the time remaining until the end of the insurance period, less the business expenses of the insurer (15% of the annual insurance premium). If the insurance contract is terminated after an insured event, the insurer shall have the right to debit the insurance indemnity with the overdue insurance payments until the end of the insurance period.
  - 13.9. Upon withdrawal from the insurance contract, the insurer shall refund the insurance premium paid to the policyholder, less the business expenses of the insurer (15% of the annual insurance premium).

## 14. Policyholder's Rights and Obligations

- 14.1. The policyholder is entitled to demand that the insurer explain the terms and conditions of insurance.
- 14.2. The policyholder shall:
  - 14.2.1. upon entry into the insurance contract, notify the insurer about any and all material circumstances known to him or her, which may affect the insurer's decision to enter into the insurance contract or to do it on the agreed additional conditions;
  - 14.2.2. at the request of the policyholder, submit additional information pertaining to the insured risk;
  - 14.2.3. introduce the insurance documents to all insured persons;
  - 14.2.4. do everything in his or her power to prevent an insured event, not increase the insured risk and not allow the risk to be increased by the persons for whom he or she is liable;
  - 14.2.5. immediately notify the insurer about the emergence of multiple insurance and/or an increase of the insured risk;
  - 14.2.6. allow the representative of the insurer to evaluate the insured risk;
  - 14.2.7. within one week after the policyholder learned of the

circumstance or submission of the claim, notify the insurer of submission of a claim and/or a circumstance which may result in the occurrence of an insured event;

- 14.2.8. immediately notify the insurer of institution of court or other proceedings that may cause the liability of the insurer with respect to the policyholder or of a circumstance that may serve as a basis of filing a claim against the policyholder;
- 14.2.9. immediately take measures for preventing an increase of the claim.

## 15. Insurer's Rights and Obligations

- 15.1. In the case of an increased insured risk the insurer has the right to demand that the policyholder take additional measures and ask the policyholder for a higher insurance premium. The aforementioned does not exclude the insurer's right to immediately terminate the insurance contract if necessary.
- 15.2. The insurer shall:
  - 15.2.1. before entry into the insurance contract, introduce the documents of the insurance contract to the policyholder;
  - 15.2.2. maintain the confidentiality of the data disclosed to the insurer in connection with the insurance contract;
  - 15.2.3. after a claim has been filed or a petition regarding the circumstances specified in clause 14.2.7 herein had been filed against the insured person, immediately commence handling the claim;
  - 15.2.4. identify whether the claim against the policyholder and/or insured person is justified and true;
  - 15.2.5. make the loss adjustment decision or a decision of refusal thereof immediately, but not later than within 10 working days after receiving all the documents required for identification of the liability of the insured person. If criminal or misdemeanour proceedings have been instituted, the insurer shall have the right to postpone the adoption of the decision until charges have been brought against the suspect or until the ruling on termination or suspension of the proceedings has been received. The insurer shall immediately, but not later than within 5 working days as from making the decision, notify the insured person in writing about refusal to indemnify the damage, indicating the reason and basis for refusal or reduction of the insurance indemnity;
  - 15.2.6. pay the insurance indemnity in accordance with these conditions.

## 16. Procedure for Indemnification

- 16.1. The insurance indemnity shall be disbursed to the policyholder immediately but not later than within two weeks after the insurer has deemed the claim filed against the policyholder and/or the insured person as proven, in accordance with the terms and conditions specified in section 5 and/or after a respective court judgment has entered into force.
- 16.2. If a part of a claim filed against the policyholder and/or the insured person has not been proven, the insurer shall indemnify only the proven part.
- 16.3. If the policyholder and/or the insured person has come to an agreement with the claimant or indemnified the claim or a part thereof, the insurer shall not be under the obligation to indemnify if the actual amount of the claim has not been proven and/or the indemnification obligation of the insured person is disputable.
- 16.4. If the partial or solidary liability of the policyholder and/or the insurer person is concerned, the insurer shall indemnify only the part of the claim in respect of which the insured person is liable under these conditions of liability insurance.
- 16.5. Upon failure to perform an obligation by the due time the insurer shall pay default interest in the amount of 0.2% of the indemnified sum per day, but not more than 10% of the indemnified sum.

## 17. Releasing Insurer from Obligation to Perform Insurance Contract

- 17.1. The insurer shall be partially or fully released from the obligation to perform the insurance contract if:
  - 17.1.1. the policyholder has violated at least one of the terms and conditions specified in clauses 1-9 of subsection 14.2 and there is a link between the violation and the insurer's liability;
  - 17.1.2. the policyholder has failed to pay the insurance premium by the agreed date (if the insurance premium is paid in instalments, by the additional due date specified by the insurer) and the damage is suffered or claim filed after the due date of the insurance premium;
  - 17.1.3. the policyholder and/or the insured person has misled or attempted to mislead the insurer in terms of the circumstances and/or extent of loss or tried to deceive the insurer in another manner in respect of the insurance contract or the circumstances of performance thereof.
- 17.2. The insurer shall decide on the extent of the release from the obligation to perform the insurance contract.

## 18. Refunding Insurance Indemnity

The policyholder shall refund the insurance indemnity if the circumstances precluding the indemnification have appeared after indemnification of the claim by the insurer.

## 19. Preclusions

- 19.1. The following shall not be indemnified:
  - 19.1.1. claims based on revenue foregone or non-material claims;
  - 19.1.2. claims arising from public promising of pay;
  - 19.1.3. claims arising from competition;
  - 19.1.4. claims arising from presentation of a thing;
  - 19.1.5. claims arising from negotiorum gestio;
  - 19.1.6. claims arising from unjustified enrichment;
  - 19.1.7. claims which are based on events which caused the damage and which the insured person and/or the policyholder was aware of before entry into the insurance contract;
  - 19.1.8. claims which are based on deficiencies of a product which the policyholder was aware of before entry into the insurance contract;
  - 19.1.9. claims arising from war, an act of an external enemy, revolution, strike, civil disturbance, state of war, confiscation, nationalisation, crime, terrorism;
  - 19.1.10. claims not arising from the deficiencies of a product of the policyholder specified in the agreement, incl. additional obligations assumed under the contract (incl. written and other guarantees, default interest, etc.);
  - 19.1.11. claims arising from fines, interest, default interest and other penalties added to the damage which the policyholder is ordered to pay;
  - 19.1.12. claims associated with changes in product prices, product sabotage, product replacement, restoration or decrease of the value of a product;
  - 19.1.13. claims caused by violation of legislation of general application regulating the use of a patent, copyright or trademark, infringed by the policyholder;
  - 19.1.14. claims arising from the intent, dishonesty, an intentionally committed criminal offence by the insured person or from acts committed in a state of intoxication from alcohol, a narcotic drug, a toxic substance intoxication or in another state of intoxication;
  - 19.1.15. mutual claims of persons covered by the same insurance contract;
  - 19.1.16. claims which are or would be subject to indemnification pursuant to the Motor Third Party Liability Insurance Act or another insurance contract (the carrier's liability, the shipowner's liability, the construction and assembly all-risks insurance);

- 19.1.17. claims arising from provision of professional services by the insured person (consultations, advice, measurements, calculations, design, planning, medical services, etc.) (professional liability) or the activities of the insured person as the head or an official of a business entity, incl. the liability of a board member;
- 19.1.18. claims based on the radioactivity, radiation, toxicity or explosiveness of any substance;
- 19.1.19. claims arising from asbestos dust, toxic mould, diethyl sulphate (DES), dioxin or the Acquired Immunodeficiency Syndrome (AIDS), infection, drugs or infectious diseases or chemical or biological substances, which are not used for peaceful purposes;
- 19.1.20. claims subject to compensation under a pension or another social insurance procedure;
- 19.1.21. claims arising from Force majeure;
- 19.2. Unless otherwise agreed in the insurance contract, the insurance protection shall not extend to the following claims:
  - 19.2.1. claims filed by a person who is directly or indirectly owned or controlled by the policyholder or who directly or indirectly owns or controls the policyholder;
  - 19.2.2. claims associated with recalling a product;
  - 19.2.3. claims caused by explosives, gas and/or petrol products or other liquid fuels;
  - 19.2.4. claims arising from medicinal products, incl. medicinal products, blood banks and electronic treatment devices;
  - 19.2.5. claims arising from chemicals, excl. cosmetics and hygienic products;

- 19.2.6. claims arising from load-bearing structures, incl. ready-made mixtures (concrete, bitumen);
- 19.2.7. claims arising from electronic control equipment;
- 19.2.8. claims arising from products manufactured, supplied or installed for the automobile industry or aviation, shipping or space technology, incl. the respective vehicle itself;
- 19.2.9. claims arising from asbestos or a product containing asbestos;
- 19.2.10. claims arising from operation of manufacturing lines;
- 19.2.11. claims arising from alcohol and tobacco products;
- 19.2.12. claims directly or indirectly arising from hardware and/or software and/or processors.

## 20. Filing Complaints and Resolution of Disputes

- 20.1. The policyholder has the right to file a complaint with the Financial Supervision Authority regarding the activities of the insurer.
- 20.2. Any and all disputes arising from this insurance contract shall be resolved in the Harju County Court.

## 21. Form of Notices

Any and all notices between the parties to the insurance contract shall be given in writing.