

TERMS AND CONDITIONS OF LIABILITY INSURANCE FOR ARCHITECTS AND DESIGNERS

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These Terms and Conditions of Liability Insurance for Architects and Designers (hereinafter „the Terms and Conditions“) shall be applied to such insurance contracts concluded by Salva Kindlustuse AS where the object of insurance includes proprietary liabilities that arise from the civil liability (hereinafter „liability“) accompanying the provision of designing services by the Policyholder (action or inaction). In issues not regulated under these Terms and Conditions, the parties to insurance contract shall act pursuant to the applicable legislation.

1. CONCLUSION OF INSURANCE CONTRACT

- 1.1 The Insurer shall issue an insurance policy, based on data presented by the Policyholder. Insurance contract shall take effect on the day following the reception of insurance premium or the first instalment of insurance premium. Insurance cover shall commence on the first day of the period of insurance specified on insurance policy, if insurance premium is paid in due time.
- 1.2 If the Policyholder fails to pay the insurance premium, it is assumed that s/he did not wish to conclude the contract under the policy conditions and the contract has not been concluded. In this case there is no insurance cover.

2. POLICYHOLDER AND INSURED PERSON

- 2.1 Policyholder shall be the person who has signed an insurance contract with the Insurer.
- 2.2 Insured person shall be:
 - 2.2.1 Policyholder;
 - 2.2.2 A physical person who is subordinated to and/or working under the directions of the Policyholder and is exploited for the performance of duties in the area of insured professional activities;

- 2.2.3 A subcontractor, who is a legal person, or any cooperation partner of the Policyholder who is mentioned by name in the insurance contract.

3. OBJECT OF INSURANCE

- 3.1 Object of insurance shall include the Insured person's statutory and contractual civil liability accompanying the designing of buildings and structures or parts of these buildings and structures.
- 3.2 Object of insurance shall not include the civil liability accompanying the designing of bridges, viaducts, tunnels, airports, power plants, waste treatment facilities, hydraulic structures, machinery and equipment (including production lines) and the parts of the above.

4. PERIOD OF INSURANCE

- 4.1 Period of insurance shall be the period that commences and ends on the date and under the conditions indicated in the insurance contract.
- 4.2 When concluding an insurance contract, the parties to the contract may agree on a retroactive insurance coverage and/or an extended period for reporting of the occurrence of insured event.
- 4.3 In case of the retroactive coverage of an insurance contract, the insurance protection shall also encompass any pre-contractual events, provided that the Insured person did not know and should not have known that the violation of a professional obligation had already occurred.

5. VALIDITY AREA OF INSURANCE CONTRACT

Insurance contract shall be valid for any loss events that occur on the territory specified in the contract.

6. INSURED EVENT

- 6.1 Insured event shall be the breach of any professional obligation during the period of insurance due to the negligence of the Insured person, leading to the Policyholder's indemnification obligation.
- 6.2 Insured event shall not include the indemnification obligation resulting from a deliberate breach of a professional obligation or from gross negligence.
- 6.3 Pursuant to these Terms and Conditions, an event shall only be deemed to be an insured event if the following conditions coexist/are met:
 - 6.3.1 Losses have incurred during the performance of professional activities by the Insured person;
 - 6.3.2 The breach of the Insured person's obligation leading to the claim occurred during the period of insurance;
 - 6.3.3 The claim submitted to the Insured person is forwarded to the Insurer during the period of insurance or during the specified time after the period of insurance agreed upon in the insurance contract;

- 6.3.4 There is a causal link between the wrongful act committed during the performance of the Insured person's professional activities and the occurred loss;
- 6.3.5 The Insured person has caused the loss because of his/her negligence and is responsible for causing the loss pursuant to the contract and/or legislation.
- 6.4 All claims arising from the same breach of the Insured person's professional obligation shall be deemed to be a single insured event.

7. LEGAL EXPENSES

- 7.1 Pursuant to these Terms and Conditions, legal expenses shall be the necessary and reasonable amount within the sum insured for legal expenses specified in the insurance contract, which is or has been spent to legal assistance, expertise or legal proceedings under the claim submitted by the Policyholder in respect of the insured object.
- 7.2 Legal expenses shall be reimbursed by the Insurer, provided that they are necessary for demonstrating the liability and/or for the exoneration of the Policyholder and/or for the determination of the amount of losses.
- 7.3 If legal expenses are reimbursed to the Policyholder, the indemnity shall be diminished by the amount of retention (deductible) specified in the insurance contract (See in detail about retention in Section 10 of these Terms and Conditions). The Insurer shall pay for legal expenses within the amount that exceeds the retention (deductible) stated in the insurance contract.
- 7.4 Insurer shall only reimburse such legal expenses that have formerly been agreed with or will later be approved by the Insurer.
- 7.5 The sum insured for legal expenses is included in the sum insured specified in the insurance contract (See in detail about the sum insured in Section 9 of these Terms and Conditions).

8. EXCLUSIONS

- 8.1 The following shall not be protected under this insurance contract:
- 8.1.1 Claims that do not meet the conditions set out in Section 6;
- 8.1.2 Claims arising from a mistake, error or negligence relating to services or actions that are normally not inherently included to professional services provided by an architect and/or a designer;

Example: If a designer draws a construction plan of a building or a structure for the customer and starts thereafter himself to construct the building or a part of it under the construction contract, the insurance cover provided by the insurance contract shall only include any mistakes made by the designer in drawing the construction plan (provision of professional designing services). If losses are caused due to the construction process that does not comply with the construction plan, this loss event is not deemed to be an insured event, even if the designer and the constructor are the same person. In that case, the provision of construction services by the designer is not

deemed to be professional designing activity and it is not covered by the insurance contract.

- 8.1.3 Claims arising from project management (including the application for written authorizations and approvals), owner supervision, inspections, expert assessments, designing of technology used in the construction, planning of demolition of the building, prudent operation of the building based on its lifetime, and technical-economical assessment of maintenance;
- 8.1.4 Any claims arising from any shortcomings in the project, if the project was not signed prior to its operation by a designer / an engineer having a relevant professional certificate;
- 8.1.5 Losses caused by geological or geodetic works;
- 8.1.6 Claims that are not deemed to be claims of direct material loss (e.g. non-pecuniary losses, lost profits, etc.);
- 8.1.7 Claims resulting from excessive budgetary expenses and/or the violation of a deadline;
- 8.1.8 Claims resulting from any restrictions on use;
- 8.1.9 Claims resulting from the nonconformity of a product or material with the conditions set out in the project;
- 8.1.10 Claims resulting from over-dimensioning;
- 8.1.11 Claims resulting from reviewing or redesigning of drawings, schemes, plans, specifications and any annexes to the latter, due to the claims covered pursuant to this insurance contract;
- 8.1.12 Claims which the injured party should have met to obtain the desired result even without the occurrence of the insured event;

Example: The building insulation provided by the construction plan turns out to be insufficient. Insulation must be supplemented in order to ensure the heat retention of the building. The Insurer does not reimburse the cost of additional insulation. However, the Insurer must reimburse any additional costs for opening up the structure, which would have been unnecessary if the construction plan would have been flawless.

- 8.1.13 Claims resulting from the violation of patent law, copyright law, trade name law, trade mark law, registered industrial design law or licensing law;
- 8.1.14 Claims resulting from deliberately caused losses;
- 8.1.15 Claims resulting from gross negligence;
- 8.1.16 Contractual claims which are submitted against each other by the persons covered under the same insurance contract, including by a person:
- 8.1.16.1 who is, directly or indirectly, owned, controlled, exploited or managed by the Insured person;
- 8.1.16.2 who owns, controls, exploits or manages the Insured person;
- 8.1.17 Fines, periodic penalty payment or warning payments or other claims, which are added to direct property losses;
- 8.1.18 Claims based on any loss events, if the Insured person was or should have been aware of such events prior to the conclusion of insurance contract and if the Insured person failed to inform the Insurer in writing about

these events prior to the conclusion of insurance contract;

- 8.1.19 Claims related to any additional contractual commitments made by the Insured person (including any contractual fines or default interest in excess of the statutory default interest rate);
 - 8.1.20 Claims resulting from damage to or loss of data media;
 - 8.1.21 Claims that are or should be paid pursuant to the Motor Insurance Act, pension or other social security insurance, or another mandatory insurance contract, except for another professional civil liability insurance;
 - 8.1.22 Claims that are, directly or indirectly, caused by the following:
 - 8.1.22.1 Radioactive, toxic or explosive feature of any substance;
 - 8.1.22.2 Any actual, alleged, or threatening contamination or pollution. The Insurer is not obliged to participate in defending or satisfying a claim related to any pollutant;
 - 8.1.22.3 Asbestos dust, diethylstilbestrol (DES), dioxin, or acquired immune deficiency syndrome (HIV, AIDS), infection, or drugs;
 - 8.1.22.4 Chemical or biological substances that are not used for peaceful purposes;
 - 8.1.23 Claims resulting from flooding or rising groundwater, sinking of soil or a building, earthquakes, vibrations (including the vibration caused by ramming works);
 - 8.1.24 Claims caused by force majeure;
 - 8.1.25 Claims that that are outdated or could be clearly outdated, but in respect of which the Insured person has not submitted an objection based on the end of limitation period;
 - 8.1.26 Claims that are manifestly unfounded, but which are recognized by the Insured person notwithstanding the Insurer's objections or in respect of which the respective compromise is agreed for the settlement.
- 8.2 See in detail about the Insurer's entitlement to refuse the payment of or diminish the insurance indemnity in Section 13.

9. SUM INSURED

- 9.1 Sum insured shall mean the amount of money that is specified in the insurance contract and is the maximum amount of insurance indemnity to be paid.
- 9.2 Sum insured of a single insured event shall be the maximum insurance indemnity to be paid for all claims (including legal expenses) resulting from the same insured event.
- 9.3 Insurance contract shall specify the sum insured for the period of insurance and the sum insured for a single insured event. These sums insured may overlap.
- 9.4 Sum insured shall be reduced by the insurance indemnity paid out under the same insurance contract.

10. RETENTION (DEDUCTIBLE)

- 10.1 Retention (deductible) shall mean the part of loss specified in the insurance contract that is covered by the

Policyholder after the occurrence of insured event, or a part of the Policyholder's legal expenses that is covered by the Policyholder irrespective of whether the insured event has occurred or not and whether the Policyholder has the obligation to reimburse the losses or not.

- 10.2 A single retention rate shall be applied for a single insured event, unless agreed upon otherwise.
- 10.3 Retention shall be provided as an amount of money and/or a percentage of the loss amount.

11. INDEMNIFICATION PRINCIPLES

- 11.1 Insurance indemnity shall mean the amount of money that is paid out to reimburse the losses and any necessary legal expenses.
- 11.2 Indemnification is performed in a form of monetary indemnity.
- 11.3 The amount of indemnity shall be established by the Insurer.
- 11.4 The amount of insurance indemnity for a single insured event shall be limited to the amount of loss, the sum insured and the maximum indemnification limit of a single insured event.
- 11.5 If any part of a claim submitted against the Policyholder is unproven, the Insurer shall only pay the indemnity for the proven part of the claim.
- 11.6 If the Policyholder has reached to an agreement with the person who submitted the claim or has already indemnified the claim or a part thereof, the Insurer shall not be bound by it, when the actual amount of the claim is not proven and/or the Policyholder's indemnification obligation is disputable.

12. RIGHTS AND OBLIGATIONS OF THE POLICYHOLDER

- 12.1 Policyholder shall be obliged to:
 - 12.1.1 Inform the Insurer during the conclusion of insurance contract about all relevant circumstances that are known to the Policyholder and that may affect the Insurer's decision to conclude the insurance contract or to conclude it under the agreed terms and conditions;
 - 12.1.2 Present additional information related to the insured risk, if requested by the Insurer;
 - 12.1.3 Inform the Insured persons about the obligations arising from the insurance contract;
 - 12.1.4 Make every effort to prevent the occurrence of insured event, and not to increase the possibility of insurance risk and not to allow it to be increased by any persons whom s/he is responsible for;
 - 12.1.5 Inform the Insurer immediately about the existence of multiple insurance and the possible aggravation of insurance risk;
 - 12.1.6 Allow the Insurer's representative to assess the insurance risk;
 - 12.1.7 Inform the Insurer about any claim or action or another claim submitted in any form by the injured person against him/her, or about any circumstances that might

lead to the submission of a claim against him/her. The Insurer must be informed immediately, but not later than in one week after the date on which the Policyholder became aware of the claim or of the relevant circumstance. All relevant documents and information must be presented to the Insurer together with the claim, relating to the submitted claim or any operations performed during the processing of that claim;

- 12.1.8 Present to the Insurer all relevant information or documents related to the claim, if requested by the Insurer in order to establish the performance obligation;
- 12.1.9 Apply promptly any measures to prevent the increase of losses;
- 12.1.10 Pay the insurance premium or the instalment of insurance premium by the date specified in the insurance contract;
- 12.1.11 Submit any objections based on the end of limitation period against the claims that are outdated (or could be outdated);
- 12.1.12 Repay any legal expenses formerly paid by the Insurer, which have been adjudicated in favour of the Policyholder by a court decision and have been received by the Policyholder.
- 12.2 The Policyholder shall not be permitted without the consent of the Insurer to recognize any claims submitted against him/her in any form or to enter into any agreements to meet the claims.

13. RIGHTS AND OBLIGATIONS OF THE INSURER

- 13.1 The Insurer shall be entitled to refuse the indemnification or reduce the amount of indemnity, if the claim is related to the fact that the Insured person was in a state of intoxication – caused by the use of alcohol, narcotic or toxic drugs or other substances – during the underlying action (or inaction).
- 13.2 Insurer shall be obliged to:
 - 13.2.1 Allow the Policyholder to read any documents concerning the insurance contract before the conclusion of the contract;
 - 13.2.2 Maintain the confidentiality of any information that has become known to the Insurer in relation with the insurance contract;
 - 13.2.3 Commence immediately with the loss adjustment process after the reception of a written application relating to the claim submitted against the Policyholder or the circumstances provided in Section 12.1.7 of these Terms and Conditions;
 - 13.2.4 Ascertain whether the claim against the Policyholder is legally justified and the amount of claim is proven;
 - 13.2.5 Adopt the decision on indemnification or refusal within a reasonable period of time, but not later than in 30 days after the reception of all documents required for the determination of the Policyholder's liability. In case of open criminal, administrative or civil proceedings, the outcome of which may impact the determination of the Insurer's performance obligation, the Insurer shall be entitled to postpone the adoption of the decision until

the prosecution of the suspect or the reception of a decision about the suspension or termination of the relevant proceeding;

- 13.2.6 Inform in writing about the indemnification or the refusal of or diminishing the insurance indemnity immediately, but not later than in five working days after the decision is adopted, indicating the reason and basis for the refusal of or diminishing the insurance indemnity;
- 13.2.7 Pay out the insurance indemnity in accordance with these Terms and Conditions.

14. RIGHT OF RECOURSE OF THE INSURER

- 14.1 The Insurer shall be entitled to demand the repayment of the paid indemnity, if the circumstances excluding the indemnification have become known after the payment of indemnity by the Insurer.
- 14.2 The Insurer shall be entitled to demand the repayment of any legal expenses paid by the Insurer, which have been adjudicated in favour of the Policyholder by a court decision and have been received by the Policyholder.