



Professional Indemnity Insurance Terms and Conditions No. 7.4/3

1. Terms and Definitions

Terms used in these Terms and Conditions but not explicitly defined herein, shall bear the same meaning as defined in the General Insurance Terms and Conditions of ADB "Gjensidige" Latvian branch.

- 1.1. **Insured** – a qualified person specified in the Insurance Contract in favour of whom the Insurance Contract has been concluded and whose professional third party liability is insured.
- 1.2. **Insured Professional Activities** – professional activities specified in the Insurance Contract for commencing or execution of which in the territory of the Republic of Latvia special requirements are defined concerning the education of the person executing the professional activities, the documents certifying the professional qualification, as well as the availability of relevant licences or certificates in cases stipulated by the regulatory enactments of the Republic of Latvia.
- 1.3. **Third Party** – any person who has suffered losses in the result of the insurable event and to whom the insurance indemnity is payable. For the purpose of these Insurance Regulations, the following persons shall not be deemed as Third Parties:
 - 1.3.1. relatives of the Policyholder and the Insured up to the third generation, a spouse, as well as the in-laws up to the second generation;
 - 1.3.2. The Policyholder and the Insured, employees of these persons, owners of the share capital (members, having significant partnership), representatives of the management institutions and related companies;
 - 1.3.3. the employer of the Insured (natural person) and the employees of the employer.
- 1.4. **Liability Limit** – Sum Insured expressed in the amount of money, which is specified in the Insurance Contract, within the limits of which the Insurer shall indemnify losses. The Insurance Contract may specify liability limit for one insurable event, total liability limit for all insured events within the insurance period and sublimit for separate types of losses.
- 1.5. **Claim** – a written application of the Third Party to the Insured on the occurrence of the insurable event and indemnification of losses.
- 1.6. **Insurance Claim** – a written application of a certain form submitted by the Insured to the Insurer on the occurrence of the insurable event and indemnification of losses.
- 1.7. **Extended Reporting Period** – the period of time specified in the insurance Contract after expiry of the insurance period during which the Insured may submit an Insurance Claim to the Insurer. According to these Terms and Conditions, the extended period for claiming losses of 3 (three) years shall be automatically applied to each Insurance Contract unless otherwise specified in the Insurance Contract.
- 1.8. **Retroactive Period** – the period of time specified in the Insurance Contract before the Insurance Period, during which the losses shall be indemnified that are caused by an event being a casual effect of losses and occurred within a Retroactive Period, i.e. before the beginning of the Insurance Period, if none of the Parties knew about the possibility of occurrence of such losses at the moment of conclusion of the Insurance Contract. Retroactive Period of the Insurance Contracts concluded consecutively, without a break, is the insurance period of all previous Insurance Contracts.
- 1.9. **Force Majeure** – circumstances beyond the control of the parties of the Insurance Contract (hereinafter the Force Majeure Circumstances): a strike, insurrection, domestic disturbances, civil disobedience, riot, armed conflict, terrorism, mass disorders, revolution, military takeover, usurped military power, war (with or without war declaration), civil war, military emergency, warlike activities, invasion, activities of foreign enemy, actions taken by state or local government, amendments of laws or other regulatory enactments, government orders, such irresistible natural disasters as floods, earthquakes, storms.

2. Insurable Object

The insurable object of this Insurance Contract is the professional third party liability of the Insured for his/her mistakes or negligence, in the result of which losses were caused to a third party while performing the Insured Professional Activities.

3. Liability of the Insurer

- 3.1. Pursuant to the terms and conditions, limits, exemptions and other conditions of this Insurance Contract, there is a basis for paying the reimbursement of losses if all of the following requirements are met:
 - 3.1.1. the source of harm and losses is the event occurred in the territory covered by the Insurance Contract and within the Retroactive Period or the Insurance Period specified in the Insurance Policy;
 - 3.1.2. The Insured bears third party liability for the caused losses in compliance with the applicable legal enactments;
 - 3.1.3. the losses have been first time discovered within the Insurance Period or within the Extended reporting period;
 - 3.1.4. a Claim for indemnification of losses has been lodged within the Insurance Period or within the Extended reporting period;
 - 3.1.5. a written Insurance Claim has been submitted to the Insurance Company within the Insurance Period or within the Extended reporting period.
- 3.2. Pursuant to the terms and conditions, limits, exemptions and other conditions of this Insurance Contract, the coverable losses are:
 - 3.2.1. all amounts of money for which the Insured bears civil liability and which are payable to a Third Party in order to compensate the losses incurred:
 - 3.2.1.1. harm to health and life of a third party (expenses related to medical treatment of the third party, loss of ability to work, temporal disability and death) shall be calculated in accordance with the procedure and to the extent stipulated in the laws and regulations of the Republic of Latvia, unless any other type of compulsory insurance provides cover for it;
 - 3.2.1.2. in case of physical damage or loss of property, compensation for damages shall be determined by virtue of a principle of compensation, taking into account the actual value of the damaged or lost objects right before and after an insurable event, i.e. in view of wear and tear and the extent of damage of the object;
 - 3.2.1.3. financial losses which are not resulting from the damages caused to the property or the harm to life and health;
 - 3.2.2. if specially indicated in the Insurance Contract, moral damage for physical or mental suffering related to damage caused to life/health of the third party;
 - 3.2.3. costs for settling a claim or complaint not exceeding 10% of the liability limit including legal costs related to the claim against the Insured if the Insurer has accepted in writing legal proceedings before their commencement, even in the event when the court finds the claim to be unjustified.
- 3.3. Each single Insurable Event shall be deemed to be all losses arising from a continuous or recurrent effect of the same cause, and they shall be deemed as occurred during the validity of the Policy when the first loss was incurred.
- 3.4. If several sequent insurance contracts are concluded, the losses shall be indemnified in accordance with the terms and conditions of the insurance contract during the period of which the losses have been first reported.

4. Territory Covered by the Contract

Unless the Insurance Contract provides otherwise, the insurance protection is valid in the Republic of Latvia and the consideration of the claim shall be subject to the laws and regulations of the Republic of Latvia. For the consideration of the claim legal enactments of the country specified in the Insurance Contract and in which the insurable event has occurred may be applied in accordance with the Insurance Contract.

5. Insurance Indemnity Limit

- 5.1. The Insurer shall calculate and pay the indemnity in the amount corresponding to coverable losses less the deductible of the Insured.
- 5.2. If losses in the result of the Insurable Event are caused to several Third Parties and the amount of losses exceeds the liability limit defined in the Insurance Contract, the indemnity shall be paid until the sum of the insurance indemnities paid reaches the liability limit:
 - 5.2.1. proportionally to the amount of caused losses for all Claims submitted before the day of payment of the first Insurance Indemnity;
 - 5.2.2. in the sequence of submission of Claims if the Claims have been submitted in a sequential order.

6. The Insurer Shall not Indemnify the Following Losses

- 6.1. What is not covered:
 - 6.1.1. losses caused by a mistake or negligence that took place before the beginning of the Insurance Period or the Retroactive Period, as well as after the Insurance Period.
 - 6.1.2. indirect losses, moral damage, shortfall in planned profit, penalties, any demurrages or other similar sanctions;
 - 6.1.3. compensation payments due to the failure to observe the term for the execution of order or its delay, for the failure to fit in the cost estimates of the works to be performed;
 - 6.1.4. losses having no casual relationship with professional activities performed by the Insured, including the liability of the Insured as the owner of a real estate or a transport vehicle, the liability of a leaseholder or tenant, as well as other losses related to the occurrence of risks of general third party liability.
 - 6.1.5. losses caused to property:
 - 6.1.5.1. owned by the Insured;
 - 6.1.5.2. which the Insured works with or which is at his/her disposal, under his/her supervision or control, or which the Insured has taken over, rented, taken for sale, repair etc.
 - 6.1.6. losses to the property of third parties caused by Force Majeure circumstances;
 - 6.1.7. losses occurred in relation to consultations or advises rendered by the Insured regarding the choice of computers or computer software when such losses were directly or indirectly caused or triggered by the use of any computer, computer system, computer software, misuse of computer code or a virus, as well as by the use or implementing of any other electronic systems;
 - 6.1.8. losses incurred while using computer networks;
 - 6.1.9. losses caused to water or air transport;
 - 6.1.10. losses arising solely from the status or the activities of the Insured as the executor of the position of an official, director, board member or council member or other similar voted or elected executive position;
 - 6.1.11. losses that arose from claims based on, arising from or related to tarring of reputation, real or possible publication of any other materials affecting honour and respect, or the materials contradicting with the right of privacy and confidentiality principle;
 - 6.1.12. losses that arose due to infringement of the rules of use of patent right, copyright, company logo, company symbol, a registered design or any other trademark;
 - 6.1.13. losses that arose in the result of repairing or re-execution of works performed with unsatisfactory quality or incompletely, regardless of the person who executed the work;
 - 6.1.14. losses caused by the Insured person's criminal activity, wrongful intent or level of fault which, in terms of damages and other consequences of civil proceedings, corresponds to wrongful intent;
 - 6.1.15. losses occurred due to malicious intent by the victim herself/himself;
 - 6.1.16. losses caused while being under the influence of alcohol, drugs or psychotropic substances;
 - 6.1.17. losses caused by the Insured while performing his/her activities without necessary licences, permits, certificates etc. defined by laws and regulations of the Republic of Latvia, or without coordinating his/her activities in accordance with the requirements of regulatory enactments;

- 6.1.18. losses occurred due to changes of groundwater environment or level;
- 6.1.19. losses that arose in the result of the use of construction materials and auxiliary materials with the content of formaldehyde exceeding the limits defined by applicable specifications/rules;
- 6.1.20. losses caused by mould or toxic mould, mould fungus that occurred in the result of continuous circumstances (for example, incorrect planning or construction, other peculiar qualities of a building or a structure);
- 6.1.21. losses caused by wear and tear of constructions, devices and materials, including the use of constructions, materials and devices after the end of service life defined by regulatory enactments;
- 6.1.22. losses that arose due to affecting the human mind or property by any electromagnetic field or electromagnetic radiation, including those occurred from electrical transmission lines or any electrical power products, in the result of which a damage to human health of life has been caused or the property value has reduced;
- 6.1.23. losses caused by environmental pollution or poisoning, i.e. pollution of air, water or soil;
- 6.1.24. losses caused by ionizing radiation or radioactive poisoning;
- 6.1.25. losses occurred as a result of asbestosis or any other related disease (including cancer) originating from the presence or use of asbestos, asbestos products or products containing asbestos;
- 6.1.26. losses (harm) occurred due to getting infected by HIV, AIDS or other infectious diseases;
- 6.1.27. losses caused to Third Parties by the companies and subcontractors outsourced by the Insured for execution of works basing on a contractor agreement or other third party liability agreements;
- 6.1.28. losses caused when the Insured due to his/her gross negligence or malicious intent fails to inform the Insurer on the changes of circumstances related to the insurable object or to provide other information in its regard;
- 6.1.29. losses for the liability incurred based only on the contract, agreement, contractual obligations (including in the event when the claim is for the failure to fulfil the obligations, delayed fulfilment or for the compensation as a result of the failure to fulfil the obligations);
- 6.1.30. losses occurred in case of insolvency process or bankruptcy of the Insured;
- 6.1.31. losses related to recommendations, services or estimates provided by the Insured in respect of investments.

7. Information Provided by the Insured

It shall be the obligation of the Insured to immediately notify the Insurer about any claim made or complaint brought against him/her in the court in relation to the economic activities conducted by him/her for the losses caused to Third parties.

8. Storing of Information

- 8.1. The Insured shall keep precise reports regarding his/her business activities in accordance with the procedures defined by laws and regulations of the Republic of Latvia in respect of keeping, recording and storing of accounting documents and other documents.
- 8.2. In case of claim, the Insured shall provide the Insurer with the requested information and the Insurer shall be entitled to get acquainted with all documents related to the event being the reason of the indemnity claim. Should the Insured fail to fulfil the above requirements due to his/her malicious intent or gross negligence, which results in inability of the Insurer to define the fact and the amount of losses, the Insurer shall have right to refuse the indemnity claim or to pay the indemnity in such amount which can be proven without submission of the above information.

9. Authorisation of the Insurer

When required, the Insured shall authorize the Insurer for obtaining all necessary documents or copies thereof as well as for representing the Insured person's interests in the court or other institutions. All documents, any claim, summons, subpoena or notice of trial received in connection with the particular event shall be delivered to the Insurer immediately upon the receipt thereof.

10. Processing of Claims

- 10.1. Neither the Insured nor any other person on his/her behalf shall be entitled to express their readiness to accept their fault or effect any payments whatsoever without a written consent of the Insurer. According to this Insurance Contract, the Insured shall assign to the Insurer the right to consider and settle on his/her behalf any claim or complaint notwithstanding the stage or instance of consideration thereof, as well as to bring the claim or represent the Insured's interests in the court. The Insurer shall have a carte blanche in the selection of the form and strategy of the claim settlement and it shall be an obligation of the Insured to provide the Insurer with all required information or assistance in the settlement of these cases.
- 10.2. If it is impossible to reach an agreement with the third person as to the amount of losses, the Insurer shall be entitled to request for the engagement of an independent expert. The expert's costs shall be attributed to the losses and indemnified within the limit of liability specified in the Insurance Contract.

11. Payment of Indemnity

Insurance Indemnity shall be paid to the Third Party entitled to indemnity payment, or another payout procedure may be set upon agreement by the parties.

12. Liability Limit after the Indemnity Payout

The liability limit for an Insurance Contract under which an insurance indemnity has been paid, shall be reduced by the amount of the paid insurance indemnity.

13. Regress

Upon payment of the Insurance Indemnity the Insurer shall be entitled to lodge a subrogation claim against the Insured in the amount of the paid Indemnity, if in the result of court proceedings it is proven that the reason of the Insurable Event is intentional criminal actions of the Insured.