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PRODUCT LIABILITY INSURANCE

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In accordance with the provisions of these liability insurance terms and conditions of the company's activities, any special terms and conditions endorsed in the policy document, safety guidelines and general terms and conditions of contract, Tapiola shall undertake to

- assess any compensation liability by the policyholder
- compensate for any personal injury or property damage caused to a third party resulting from a product released to the market, for which the policyholder is liable
- deal with any legal proceedings arising from the issue of indemnity.

The company may be liable for loss or damage incurred to third parties through its activities. A proportion of this risk may be transferred to Tapiola by way of liability insurance. Tapiola shall then assess liability for claims for compensation within the scope of the insurance. Where necessary, Tapiola shall employ expert services in different fields and deal with any possible legal proceedings. In the event that liability is established, Tapiola shall compensate the party to have suffered a loss accordingly.

1 SCOPE OF VALIDITY OF THE INSURANCE

The insurance shall be valid in Europe and relates to claims for compensation processed in Europe.

The insurance shall cover product liability losses incurred in Europe. Any expansion of the insured territory may be separately agreed.

2 INSURED LOSSES

Personal injury and property damage caused to a third party under the insurance shall be indemnified, where

- the loss is observed during the period of insurance
- the loss is resultant from the lack of safety or fault with any product
- the policyholder, under current legislation, is liable for the losses.

The insurance shall cover personal injury and property damage caused from the usage of a product which is lacking in safety or faulty. Personal injury or property damage incurred in private usage of the product shall not, in normal circumstances, imply negligence by the party liable for compensation. Even a prudent policyholder may become liable for compensation. In other circumstances, rise to liability for compensation is usually resultant from an error, carelessness or neglect by the policyholder.

EXAMPLE

A maintenance worker climbed up a ladder to the roof. One of the steps of the ladder broke, the maintenance worker fell down and injured his head. In the investigation to the incident, it was discovered that a manufacturing fault with the ladder led to the breaking of the step. The product liability insurance of the Finnish ladder manufacturer shall pay compensation for the personal injury, as the event of loss was caused by a product lacking in safety.

3 INDEMNITY

3.1 Losses incurred to the policyholder

The insurance shall not cover any losses incurred to the policyholder.

3.2 Losses incurred to the product

The insurance shall not cover losses incurred to a sold or surrendered product.

EXAMPLE

The entire batch of coffee percolators of an importer proved faulty. After only a few times of usage, the percolators became unusable. The insurance extends to losses derived from a faulty product. Any damage to the product itself is not covered. The product liability insurance of the importer does not extend to the damage to the coffee percolators.

3.3 Financial losses

The insurance shall not cover any financial losses unrelated to personal injury or property damage.

EXAMPLE

The output of a furniture manufacturer was disrupted due to a fault in the assembly machine. In examining the reason for the fault, a manufacturing fault was discovered with the assembly machine. The supplier of the machine was obliged to replace the faulty machine with a new one. No other property damage was incurred as a result of the fault. The product liability insurance of the machine supplier does not extend to any financial losses incurred by the furniture manufacturer for disruption in output.

3.4 Liability under contract

The insurance shall not cover losses incurred insofar as such liability is based on a contract entered into by the policyholder or the insured, guarantee or any other obligation, where liability would not exist save for that obligation.

The insurance shall not cover losses incurred from any failure of a chemical or drug to provide the prescribed effect, performance or action.

The insurance shall not cover losses insofar as any other party has committed to compensation on behalf of the insured.

3.5 Reclamation or product withdrawal

The insurance shall not cover losses incurred from product reclamation, return, repair, replacement, destruction or withdrawal from the market.

3.6 Breach of laws and regulations

The insurance shall not cover any losses resulting from the breach of laws, statutes, stipulations or instructions by the authorities, of which the policyholder was aware, or should have been aware.

3.7 Neglect of inspections

The insurance shall not cover any losses resulting from a failure to perform standard inspections, tests or analyses.

3.8 Known risks

The insurance shall not cover any losses where the policyholder was aware, or should have been aware, of the fault or lack of safety of a product.

3.9 Compensation for special events of loss

The insurance shall not cover losses incurred insofar as they are covered by the Traffic Insurance Act, Nuclear Liability Act, Statutory Accident Insurance, or corresponding international law or international insurance.

3.10 Fines

The insurance shall not cover fines or any equivalent consequences.

3.11 Wilfulness or gross negligence

The insurance shall not cover any losses caused wilfully or through gross negligence by the policyholder.

3.12 Other liability insurance

The insurance shall not cover any losses indemnified by any other liability insurance of the policyholder.

3.13 Products not endorsed in the policy document

The insurance shall not cover any losses in relation to products which have not been disclosed and endorsed in the policy document at the time of the insurance application.

4 COMPENSATION REGULATIONS

4.1 Insured sum

The insured sum endorsed in the policy document shall form the maximum amount of Tapiola's liability in each event of loss. The agreed insured sum shall include compensation for the loss, assessment and legal expenses and any reasonable prevention costs of an imminent threat. Such prevention costs consists only of essential measures which must be immediately undertaken to avert any imminent threat, and only to the extent that the immediate danger can be avoided. Any such measures must be agreed with Tapiola in advance. A maximum of double the insured sum shall be payable for any product liability losses occurred during one insurance period. Any losses derived from the same incident or circumstance shall be deemed as one loss. Where such losses are discovered in different insurance periods, they shall be applied to the insurance period when the first loss was discovered.

The policyholder must consider the sufficiency of the sum insured. The sum insured shall be agreed with Tapiola. Any increase of the insured sum shall raise the insurance premium.

4.2 Excess

The policyholder, in each event of loss, shall be liable for an excess in relation to the total amount of the loss or prevention of any imminent threat. The amount of the excess shall be endorsed in the policy document. The insurance shall compensate losses over and above the excess amount.

The policyholder may select the amount of any excess. The amount of excess shall be agreed with Tapiola. Any increase in the excess amount shall reduce the insurance premium.

4.3 Loss assessment

The policyholder shall reserve an opportunity for Tapiola to assess the extent of any loss and to advance the settlement of any claim.

Tapiola shall assess the liability of the policyholder for any losses over and above the excess amount, covered by the insurance. It is a precondition for the assessment that any liability for compensation would exceed the amount of excess. Where required, Tapiola shall negotiate with the claimant for compensation.

4.4 Legal proceedings

The policyholder shall notify Tapiola without delay in the event that a writ of summons is received in relation to losses indemnifiable under the insurance. Tapiola shall then have the right to take any necessary measures in relation to such legal proceedings. Where the policyholder has failed to notify Tapiola of any legal proceedings, Tapiola may withhold any expenses resulting from such legal proceedings.

Tapiola shall manage the legal proceedings insofar as they relate to the question of liability under the insurance. Tapiola shall also cover any legal expenses incurred, within the limitation of the insured sum. The claim for compensation must exceed any policy excess of the policyholder.

4.5 Joint liability

Where several parties are jointly deemed liable for the same event of loss, the insurance shall cover only the policyholder's liability share of such a loss or any benefit gained by him from the event of loss. Unless otherwise shown, a propor-

tion of the total loss, divided by the number of parties involved, shall be paid.

4.6 Agreed settlement of the claim

In the event that Tapiola should notify the policyholder that it is prepared to enter into a settlement agreement, within the limitations of the policy, with the party which has suffered a loss, and where this is unacceptable to the policyholder, Tapiola shall not be liable to cover any costs incurred thereafter nor to undertake any further assessments of the matter.

In the event that the policyholder should compensate for the damage, settle the claim or accede to any demand presented, this shall not be binding on Tapiola, unless the quantity and grounds for compensation are clearly justifiable.

5 CALCULATION OF THE INSURANCE PREMIUM

The product liability insurance premium shall be dependent on the turnover of the company, insured product group, insured sum, excess amount and the territory of the insurance. These shall be endorsed in the policy document.

Where, due to the nature of the operation, the insurance premium can only be estimated in advance, the final insurance premium shall be determined at the end of the insurance period, when any difference between this and the advance premium shall immediately be settled or refunded. Should the policyholder fail to supply Tapiola with the information necessary for calculation of the final premium within one month of request, Tapiola shall have the right to confirm the insurance premium as any amount it may consider reasonable. The policyholder shall notify Tapiola in the event that there is a material difference between the predicted and actual turnover.



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