

On the basis of the Law on Insurance («Official Gazette of the Republic of Montenegro» no. **078/06** and **19/07**) and the Articles of Incorporation of „UNIQA neživotno osiguranje” a.d. Podgorica, the following business policy act was passed at the meeting of the Management Board held on August 8th 2009:



**CONDITIONS
FOR PROFESSIONAL LIABILITY INSURANCE AND LIABILITY
INSURANCE FOR PRODUCTS WITH DEFECT**

I INTRODUCTORY PROVISIONS

Meaning of certain expressions Article 1

In these conditions, certain expressions shall have the following meaning:

Insurer – joint stock insurance company with which an insurance agreement shall be concluded, »Uniqa neživotno osiguranje« a.d.

Proposer – person that wants to conclude an insurance agreement with the Insurer and for that purpose submits a written Proposal to the Insurer;

Policy holder – person concluding an insurance agreement with the Insurer and paying the insurance premium,

Insurant - person whose liability is covered by insurance,

Insurance policy – written document (on the form determined by the Insurer) about the concluded insurance agreement.

Insurance premium – amount paid on the grounds of an insurance agreement.

Proposal – written proposal of the Proposer made to the Insurer in order to conclude an insurance agreement.

Insurance sum per one loss event – max. liability of the insurer by an insured case,

Aggregate insurance sum (annual limit) – max. liability of the insurer for all insured cases during the insurance period,

Source of peril – activity (profession), objects (movable and immovable), legal relation or a certain feature from which liability as risk covered by this insurance may occur.

Third party – a natural or legal person using the services, i.e. product of the Insurant on the basis of an agreement, legal regulation or another written act.

Pure financial loss – a loss that exclusively caused a financial loss and is in no way connected with the damage on things or the damage on persons.

Implementation of conditions Article 2

These conditions shall apply to Terms and Conditions for liability insurance.

**Insured risks
Article 3**

Pursuant to these conditions, the following risks may be insured:

- 1) professional liability risk of the insurant
- 2) Liability risk of the insurant for products with defect

Provisions of these Liability Insurance conditions shall apply on losses that occur as a consequence of performing professional activity of the Insurant and from liability insurance for products with defect.

**Insurance against new sources of peril
Article 4**

If specially agreed, the cover from insurance shall be expanded also to liability from new sources of peril, that occurred with the appearance of new sources of peril at the insurant, i.e. with the change of legal regulations that regulate the activity of the insurant, after concluding the insurance agreement, if no separate insurance was concluded for that new arising source of peril.

Immediately after the appearance of a new source of peril, the insurant shall be obliged to inform the insurer in writing about the appearance of a new source of peril.

The insurer shall be obliged to inform the insurant about the acceptance into cover of new sources of peril within 8 (eight) days and on the grounds of a written information from the previous paragraph. If the insurer should not respond within eight days, it shall be considered that the new source of peril was included in insurance, if the mentioned new source of peril should be in line with the valid insurance conditions and premium tariff.

The insurer shall keep the right of calculating additional premium for the cover of new sources of peril from the previous paragraphs hereof, as well as the right of not accepting new sources of peril and it shall inform the policy holder in written form about that within the deadline mentioned in the previous paragraph.

The insurance sum that was agreed on the policy for previously insured sources of peril shall be valid for new sources of peril, too. If the policy should contain various insurance sums for some sources of peril, the insurance sum agreed for that certain source of peril shall be valid.

**Inclusions in coverage
Article 5**

Unless it is specifically stipulated and quoted in the insurance policy and additional premium is paid, insurance coverage is extended to:

1. other legal or natural person as an additional insurant on which these conditions provide protection from the damage claims of third parties
Insurance coverage that provides to an additional insurant is limited only on its liability arising from the activities of the insurant and/or liability arising from his activity in connection with the activities of the insurant.

2. cross over liability of several insurants who are covered by insurance and listed in the insurance policy, in accordance with point 1. of this paragraph, i.e. insurance coverage is extended to the mentioned insurants so that will be considered that all the insurants have

concluded this insurance separately and they can ask each other for damage claims.

Total obligation of the Insurer for the agreed inclusion and expansion of coverage under the previous paragraphs does not exceed agreed insurance sum for the entire period.

Conclusion of insurance agreements

For the conclusion of a professional liability insurance agreement and liability agreement for products with defect, the provisions of Terms and Conditions shall apply, except if not otherwise stipulated with these conditions.

The insurance agreement may be concluded on the basis of an oral or written proposal of the policy holder done to the insurer.

If the insurance agreement is concluded on the basis of the written proposal and the Insurer does not reject it within 8 (eight) days from the date when the proposal arrived to the Insurer, it shall be considered accepted the proposal and that the insurance agreement is concluded when the proposer/ policy holder has signed a proposal of insurance.

The signature of the proposer/policy holder on the insurance proposal shall be considered to be the signature on the policy.

II SPECIAL PROVISIONS FOR PROFESSIONAL LIABILITY INSURANCE

Article 6

Provisions of Terms and conditions for liability insurance and provisions of these conditions shall apply to professional liability insurance.

Pursuant to these conditions, professional liability insurance shall understand insurance cover for the made professional error, badly done or inexpert proceeding, i.e. omission of the service renderer (insurant) the consequence of which shall be:

- Pure financial loss
- Death, impairment or worsening of health of the third party.
- Additional costs or profit loss of the client that arose due to non-professional and inexpert performance of services.

Insured case

Article 7

An insured case shall be a loss that was caused to the third party by professional error, badly done or inexpert proceeding, i.e. omission of the insurant and on the grounds of which the request for compensation from insurance on the basis of liability might occur.

It shall be considered that the insured case occurred at the moment when the loss event the consequence of which was the loss from the previous paragraph hereof, started producing effect:

- If the insured case is based on a written document of any kind, it shall be considered that the moment of its effect occurred at the moment when the insurant signed that document
- If the insured case occurred due to omission or oversight, it shall be considered that the insured case started with effect on the moment when an omitted action should have been

taken at the latest in order to avoid damage.

- In all other cases it shall be considered that the insured case started producing effect on the moment when at the latest it issued a wrong instruction or made a wrong action.

In cases of occurrence of serial claims, provisions of the Terms and conditions for liability insurance shall apply.

Temporal insurance validity Article 8

The insurer shall be liable if the claim occurred during the insurance validity, i.e. not later than in the period of two years from the moment of the insurance end, and the loss event started with effect in the period of the insurance duration.

General exclusions concerning professional liability insurance Article 9

Upon general exclusions defined with the Terms and conditions for liability insurance, the insurance concluded by these conditions shall not cover the following claims:

- 1) claims excluded with the Conditions for general liability insurance and terms and conditions for liability insurance
- 2) claims of aesthetic nature that occurred as the consequence of inadequate rendering of services,
- 3) liability of the insurant on the basis of contractual expansion of its liability also to cases for which by law it is not liable
- 4) claims caused outside the territory of the Republic of Montenegro, except if the territorial insurance validity is not expanded with the insurance agreement,
- 5) claims on roads that are not the result of accident and which were caused by vehicles or work machines the insurant was operating with,
- 6) losses or damages on constructions (e.g. roads, embankments, supporting walls etc.) due to weight or movement of heavy machines and vehicles, or claims caused by wading of the soil/land or crops,
- 7) claims from activities the consequence of which is environmental pollution,
- 8) claims caused by original agricultural products (farming products, products of cattle and fish raising), and hunting products.

1) Liability insurance for architects, planners, engineers, consultants and persons performing supervision

Article 10

Upon these conditions, legal and natural persons that offer services in the feature of the engineer or supervisory bodies, i.e. architects and planners may be insured, for claims that are caused as the consequence of a made professional error, badly done or inexpert proceeding, i.e. omission and which is contrary to the rules of the profession.

Insurance shall cover claims that arise during the performance of operations by the insurant, architects, engineers, planners or supervisory bodies that are employed or are in another contractual relation which is not employment with the insurant and for which the insurant shall be

obliged to pay compensation pursuant to the provisions of the Law on obligatory relations and other positive legal regulations.

The insurer shall cover requests for compensation that result from

- 1) errors in plans and projects that the insurant worked out or revised,
- 2) errors in plans and projects done by architects, engineers that are employed or in another contractual relation with the Insurant,
- 3) claims from the field of operations of the supervisory engineer shall be covered by this insurance, if the supervision activity is done by the insurant concerning the project that is worked out on the basis of own plans.

Exclusions from liability insurance of architects, planners, engineers - consultants and persons performing supervision

Article 11

In addition to exclusions mentioned in the insurance conditions for general liability, the insurant shall not compensate the following:

- 1) when the insurant performs the activity out of the conditions prescribed by law and when it has no corresponding licenses or permits
- 2) when the insurant participates or should participate in performing works, building or assembling, or processing of a product in the feature of the main contractor, subcontractor, supplier, entrepreneur or in any other feature.
- 3) exceeding of authorities that result from the contract on the basis of which the Insurant performs an activity for the client of the Insurant.
- 4) in case when the insurant knew or could have known that there were legal reasons due to which it was obliged to reject to perform the activity for its client.
- 5) Activity of the insurant as the advisor, leader or employee in a company, association, union or enterprise of any kind.
- 6) Prognoses of optimization, speculation, terms and similar.
- 7) To miss the terms for the delivery of plans and drawings, if these terms are not determined by law or regulation
- 8) Explanation within the duration of works and delivery deadlines
- 9) Claims referring to giving licenses
- 10) Requests for claims that would unavoidably occur even during regular planning and/or building of objects. Costs of defence against requests that refer to the aforementioned are covered with the insurance cover.
- 11) Exceeding of the calculation if it is exclusively in calculation, and there are no lacks in the construction itself
- 12) Violation of the obligation of secrecy
- 13) Losses at loans or capital investments
- 14) violation of copyrights, patents, trade marks
- 15) Additional costs incurred due to repeated planning/building because of difficulties in the procurement or fitting of materials,
- 16) Costs that result from non-observing the final deadlines for planning or additional costs due to such a delay,
- 17) Losses or additional costs that result from price increase,

- 18) Losses that result from lack of aesthetic nature or obsolescence of the subject of work,
- 19) Losses that result due to reasons attributed as the subcontractor's fault
- 20) Losses that result from non-obtaining corresponding official licenses,
- 21) Losses due to interruption of work or production loss due to an insured event or loss of profit of the damaged party/submitter of the request for compensation,
- 22) Losses that result from errors in the data base that is included in technical and financial plans on condition that these data were not provided, i.e. checked by an engineer.

2) Liability insurance for persons rendering security services

Article 12

Upon these conditions legal and natural persons that perform operations of security protection of people and property may be insured against liability for damages that might appear for the person ordering services of security or a third party referring to the performance of security services and that are the consequence of the made professional error, badly done or inexpertly done proceeding i.e. omission.

The insurant shall be any natural or legal entity (entrepreneur or business company) performing operations regarding security and that possesses a corresponding license issued by the competent body in line with the law.

Insurance shall cover claims that arise when rendering security services to the insurant or persons that are employed at the insurant and for whom the insurant is obliged to pay indemnity pursuant to the provisions of the Law.

The insurer shall cover requests for compensation that result from:

- a) injuries of persons (death, permanent disability, bodily injury) that are suffered by third parties due to implementation of excessive force during the property protection,
- b) injuries of persons (death, permanent disability, bodily injury) that are caused to third persons (but excluding persons that illegally break through the protected zone or object) or their assigners or officials when protecting persons or property,
- c) losses or damages on protected objects, furniture and devices, caused when protecting persons and property,

on condition that the liability of the Insurant for the caused losses may be determined in all three cases.

Exclusions from liability insurance of persons offering security services

Article 13

The insurer shall neither compensate for damages that result from illegal usurping of the guarded property/objects (theft, burglary) nor for damages covered by other insurances.

7) Insurance of professional liability of doctors and other medical staff

Article 14

According to these conditions, the subject of insurance shall be the civil and legal liability of the insurant for losses that occurred due to death, bodily injury or health impairment of third parties that occurred as the consequence of a professional error of the doctor or other medical staff.

On behalf of the insurant, the insurer shall indemnify the submitter of the request for compensation for damages due to impairment of health, bodily injury or death that were caused because of the violation of professional rules when performing medical services for which the Insurant is obliged to pay compensation pursuant to positive legal regulations of the Republic of Montenegro.

Exclusions from professional liability insurance of doctors and other medical staff

Article 15

This insurance shall not cover the following cases:

- 1) Losses that might occur from the activity of the insurant that is performed without the permit of the competent body,
- 2) Losses that arise from handling movable and immovable property/objects which is necessary for rendering medical services,
- 3) Costs suffered by the submitter of the demand for compensation due to the non-performance or delay in performing services,
- 4) Expenses which refer to the repeated performance of defective services or expenses necessary to correct lacks,
- 5) Loss of objects that the patient takes with it,
- 6) Losses caused during surgery in the field of plastic/aesthetic surgery except for reconstruction surgery being the consequence of an accident and/or congenital defect.
- 7) Negative effect of x-rays or other forms of radiation, including also losses caused by radioactive materials,
- 8) Loss – bodily injury, worsening of the general health conditions that may be attributed to the transport by an ambulance vehicle,
- 9) Losses caused during the activity of a university or academic student, health care of a specialist or pupil of a secondary medical school within education, practice or examinations,
- 10) Expenses for criminal charges or subjects in court against the media,
- 11) Other losses from liability which were not caused in regard to the medical profession.
- 12) Offered medical help without valid diagnostic or therapeutic support;
- 13) Usage of medicine intended for body weight reduction;
- 14) Activities of a dentist in general anaesthesia;
- 15) Demands for compensation that are in any way connected with the infection with HIV and hepatitis viruses;
- 16) Fines determined by courts and state bodies;
- 17) Clinical examinations; intra-hospital infections;
- 18) All procedures referring to safeguarding, transport and blood tests concerning blood transfusion;
- 19) All actions referring to artificial insemination;
- 20) Medical procedures of an unqualified or insufficiently qualified medical staff;
- 21) Accidents at work/illnesses due to work.

8) Liability insurance of physical therapists

Article 16

Upon these conditions persons rendering services in the feature of a physical therapist may be insured for losses due to death or health impairment of third parties that arise as the consequence of the made professional error, badly done or inexpert procedure, i.e. omission and which are contrary to the rules of the profession.

Insurance shall cover claims that arise when performing jobs by the insurant, physical therapist that is employed or in another contractual relation which is not employment with the insurant, and for which the insurant is obliged to pay indemnity pursuant to the provisions of the Law on obligatory relations and other positive legal regulations.

Exclusions from liability insurance of physical therapists

Article 17

This insurance shall not cover the following cases:

- a) jobs/activities performed by the Insurant without corresponding license,
- b) disturbance of the body of aesthetic nature and psychic health disturbance,
- c) losses from liabilities that were not caused in relation to the activity of the Insurant.

9) Liability insurance of auditors, actuaries, tax advisors, renderers of accounting services, court experts and lawyers

Article 18

These conditions shall provide insurance cover for pure financial losses suffered by third parties due to professional error or omission of the insurant in performing jobs related to rendering professional services.

According to these conditions, third parties shall be considered to be persons that are not subjects of the insurance agreement, i.e. which are not the policy holder, insurant or insurer.

According to these conditions third parties shall not be considered to be:

1. employees, i.e. each natural person that is employed at the insurant, as well as any other natural person that on any grounds performs the job or offers services or is getting trained for work at the insurant
2. spouse and other members of the household and other persons that the insurant is obliged to support;

a) Authorized auditors

Article 19

This insurance shall cover liability for caused damage, if it occurred due to professional accounting or auditing activity of the Insurant, if the activity is performed in line with the Law on accounting and audit.

The insurant shall be a natural person having the title of an authorized auditor and that is the member of the Chamber of authorized auditors of the Republic of Montenegro or that works in an auditing company that is registered by the Chamber and which performs auditing operations in line with the Law on accounting and audit.

An insured case shall be an event the consequence of which shall be pure financial loss that was caused to the client by professional error, badly done or inexpert proceeding, i.e. omission of the insurant concerning:

- audit of financial reports of business companies covered with the Law on accounting, determination of the regularity, reliability of financial reports,
- assessment, verification, giving expert opinions in the meaning of offering consulting services of the auditor concerning establishment, transformation i.e. cease of work of business companies,
- jobs of a financial, tax and accounting expert referring to the establishment, transformation, continuation of operations, financial management and IT system of the business companies
- giving expert opinions and advice regarding that,
- performance of other tasks of the auditor, that are stipulated by the law.

b) Authorized actuaries **Article 20**

The insurant shall be a natural person having the title of an authorized actuary and performing actuary operations in compliance with the Law on Insurance.

This insurance shall cover the liability for caused damage if it occurred from professional actuary activity of the Insurant, if the activity is performed in line with the Law on insurance.

The activity of the Insurant shall understand to give opinion about:

- the manner of calculating the insurance premium tariff;
- whether technical reserves were created in line with the regulations and acts of the insurance company's business policy acts;
- the business policy acts in the procedure of their passing, i.e. in the procedure of changing and amending and implementing the business policy acts of the insurance company;
- financial reports and annual report on business operations of the insurance company;
- report on performing the policy of coinsurance and reinsurance;
- whether the mathematical reserve was calculated in line with the law;
- transfer of the insurance portfolio;
- whether the solvency margin and guarantee reserves of the insurance company are correctly calculated.

b) Tax advisors **Article 21**

The insurant shall be a natural person or auditing company dealing with rendering of consulting services and giving advice referring to regulations that control tax obligations of business companies.

An insured case shall be an event the consequence of which shall be a pure financial loss that was caused to the client by professional error, badly done or inexpert proceeding, i.e. omission of the insurant concerning giving advice, rendering of consulting services and assistance referring to tax, tax obligations of legal and natural persons, participation in carrying out obligations, representation in tax bodies, elaboration of tax return, and on the basis of a written authority.

c) Rendering of accounting services **Article 22**

An insurant shall be a natural person – auditor or authorized accountant that possesses a certificate of the Chamber of authorized accountants and auditors, or an auditing company

dealing with offering consulting services and elaboration of financial reports of business companies in line with the Law on accounting and audit of the Republic of Montenegro.

An insured case shall be an event the consequence of which shall be a pure financial loss that was caused to the client by professional error, badly done or inexpert proceeding, i.e. omission of the insurant in performing tasks referring to the:

- Elaboration of the system and methodology of the accounting policy, financial reports, elaboration of financial reports,
- Booking of data through the General ledger,
- Analysis of data shown in reports and in accounting records, drawing of conclusions that give grounds for reaching adequate decisions, preparation and delivery of correct internal and external information in line with the law and basic accounting principles,
- delivery of tax returns to tax bodies, representation at tax bodies.

c) Court experts Article 23

An insurant shall be a natural person having the title of a court expert dealing with rendering services as an expert of forensic medicine and that is registered in the register of court experts within its specialty.

d) Lawyers Article 24

This insurance shall cover liability for damage caused to the client of the lawyer, if it occurred from professional lawyer activity of the Insurant, i.e. if the activity is performed in compliance with the Law on legal practice and other positive legal regulations of the Republic of Montenegro.

The client of the lawyer shall be a person to whom the insurant shall offer legal assistance on the basis of a lawyer contract, proxy, authority or another written act. Offering legal help shall mean:

- to give legal advice;
- to write legal suits, complaints, requests, petitions and other petition requests;
- elaboration of contracts, wills, statements and other documents;
- representation and defence of natural and legal persons in courts and other state bodies, companies and other legal entities;
- representation of natural and legal persons in their legal operations by concluding contracts and settlements, receipt and disbursement of money and giving statements and cancellations;
- performance of other jobs concerning legal help on behalf of and for the account of a natural or legal person on the basis of which this person realizes any right.

Intermediaries and representatives in insurance Article 25

This insurance shall cover liability for the caused damage, if it occurred from professional activity of the insurant, if the activity was carried out in line with the Law on insurance or from possessing things or from the features as sources of peril that are marked in the insurance policy, i.e. in the insurance conditions.

Trustees in bankruptcy Article 26

This insurance shall cover liability for caused damage, if it occurred from the scope of operations of the trustee in bankruptcy, if the operations of the trustee in bankruptcy were performed in line with the law on bankruptcy.

When concluding an insurance agreement, the policy holder or insurant shall be obliged to deliver data to the insurer about legal entities for which the insurant was appointed trustee in bankruptcy.

The scope of operations of the trustee in bankruptcy shall be all jobs defined with the Law on bankruptcy that the insurant shall be obliged to perform on the basis of the Decision of the court on instituting a bankruptcy procedure with which the insurant shall be appointed the trustee in bankruptcy and particularly:

- taking measures in order to protect the bankruptcy debtor's property;
- inventory of property;
- elaboration of the opening balance;
- insurance of property and employment of persons;
- payments to creditors and delivery of the closing balance;
- and performance of other operations from the Law on bankruptcy.

Real estates agents Article 27

This insurance shall cover liability for the damage caused to the client, if it occurred from professional activity of the insurant, if the activity is performed in line with the law.

The client of the real estates agent shall be a person that participates in the business and that is an ordering party to the intermediary for proceeding and if an intermediary agreement about that exists signed by the seller or purchaser, i.e. one participant in the exchange, lessor or lessee.

Exclusions from insurance Article 28

This insurance shall not offer protection in cases of:

- 1) non-observance of the agreed deadlines, if the client of the insurant is responsible for that;
- 2) exceeding of authorities;
- 3) compensation due to damage, destruction or losing of money, checks or securities or their consequences;
- 4) actions of the Insurant as the supervisory, consulting, managing or steering body, director, chief, proxy or employee in a company, union, association, alliance or company of any kind;
- 5) forecasts of optimization, speculation, terms and similar;
- 6) financial, pecuniary, credit operations (credits, mortgages) operations referring to securities;
- 7) violation of the obligation of secrecy;
- 8) exceeding of cost and loan calculations, as well as loss at loans or capital investments;
- 9) fraud by the employee of the Insurant or other persons that help, i.e. work for it;
- 10) for losses that occurred due to lack in the cash box, errors at disbursement or fraud by the employee of the insurant.
- 11) penalties charged to the insurant due to omission.
- 12) losses caused by the insurant to its contractual partners by violating contractual provisions with which expand its liability also to cases for which otherwise by law it would not be responsible.

- 13) exceeding of authorities that result from the lawyer's contract, authority, proxy or another written act on the basis of which the insurant shall offer legal assistance to the client;
- 14) losses caused by activities of the actuary for which the take-away of the authorities in line with the Law on Insurance is foreseen;
- 15) exceeding of authorities;
- 16) in case when the actuary knew or might have known that there were legal reasons due to which it was obliged to refuse to offer professional services;
- 17) in case that the lawyer refuses to offer legal assistance by order of the court and there are no legal reasons due to which it is obliged to refuse to offer legal assistance;
- 18) if the lawyer performs operations in cooperation with pseudo-clerks;
- 19) demands for compensation that arose after the expiry of 30 days after the resignation of the proxy, and which do not concern cases of denying legal assistance according to the Law on legal procedure;
- 20) exceeding of authorities from the law on bankruptcy procedure which regulates the scope of operations of the trustee in bankruptcy;
- 21) in case when the insurant knew or might have known that there were legal reasons due to which it was obliged to refuse the appointment for trustee in bankruptcy;
- 22) in case that the insurant was appointed the trustee in bankruptcy with the decision of the court and there were legal reasons due to which the insurant cannot or could not be appointed the trustee in bankruptcy;
- 23) if the loss arose due to activities of the trustee in bankruptcy that was approved by the bankruptcy council or due to proceeding according to the instruction of the bankruptcy judge;
- 24) if the loss arose due to activities of persons that were employed by the trustee in bankruptcy, except if the loss occurred due to its failure to perform supervision over their work;
- 25) if the trustee in bankruptcy participates in the bankruptcy procedure in line with the Law on bankruptcy and liquidation of banks and insurance companies;
- 26) if the trustee in bankruptcy performs operations in cooperation with pseudo-clerks;

III SPECIAL PROVISIONS FOR LIABILITY INSURANCE FOR PRODUCTS

Article 29

Liability risk for the product quality shall be insured in line with the provisions of the Terms and Conditions for liability insurance, general liability insurance conditions and these conditions.

According to these conditions, an insured case shall be a loss that occurs from the product after its delivery due to lacks, about the existence of which the insurant did not know and the consequence of which shall be:

- 1) bodily injuries, illness or death of a third party,
- 2) losses in the form of destruction, damage or disappearance of things of third persons,

Products shall be considered to be all material objects or parts of them that appeared from the registered activity of the insurant by observing all legal and technical regulations, as well as regulations on providing quality standards, with the goal to sell these things as goods on the market. According to these conditions, products shall not be intellectual and other services, nor basic agricultural products (products from earth, cattle raising and fishing), including also additional equipment and package.

A product defect shall be an error in: planning, construction, material or manufacture, as well as lacks in the instructions for the correct usage of the product and which may cause bodily injuries, illness or death of the third party, as well as damage, destruction or disappearance of things of third parties. There is a lack when the product does not provide safety that is expected with right, taking into account all circumstances, including also advertising, then the purpose for which it is intended and the time when it was put into circulation. It shall not be considered that the product has a defect just because later a product of higher quality was put into circulation.

The delivery shall be a real delivery to the third party performed by the insurant, disregarding of the legal grounds of the delivery. The delivery shall be considered to be performed in the moment when the insurant loses the option of disposal, supervision and control over the product, i.e. option to influence the product or its implementation.

According to these conditions, the source of peril shall be the product with defect after its delivery by the insurant;

Temporal insurance validity

Article 30

The insurer shall be liable if the damage occurred in the period of the insurance duration, i.e. not later than in the period of one year from the moment of the insurance end, and the delivery of the product was performed within the insurance duration period.

Expansion of insurance

Article 31

In case of liability insurance for products with defect, the liability of the insurant due to damage caused by integral parts of the product and other elements that were ordered and procured from other persons and which the insurant – producer integrates into products under its name, shall be included, too.

If specially agreed, insurance shall cover also the insurant's liability for damages to third parties that occurred from the final product by building in, connecting, mixing the insurant's product with other products without any lacks.

On the grounds of this expansion, the insurer shall cover the following claims:

- a) expenses incurred successively concerning the technical and financially justified repair or amendment of the final product, including also costs of disassembling and removing of the defective product made by the Insurant that was already assembled by the user and expenses of assembling new products in order to replace the previous ones (but excluding procurement and transport costs of the new product), or
- b) costs of the user of the final product due to the usage of the defective product, or
- c) difference in value if the final product might be sold at a reduced price,
- d) expenses incurred by the user concerning the disassembling, assembling and cleaning of machines and technical equipment because of defective products.

Insurance shall cover also damages related to poisoning with salmonella, but not more than up to 20% from the insurance sum, which is stated on the policy.

Exclusions concerning liability insurance for products with defect

Article 32

The insurer shall not compensate for the following:

1. if the product was not delivered to the market or the producer produced or distributed the

- product outside the frame of its usual business activity,
2. the product was without errors in the moment of elaboration or distribution and the cause of the error occurred later, or if that cause could not be recognized in the moment of elaboration and distribution,
 3. the damage was not caused due to lack/defect of the insured part of the product, but it occurred due to the structure or composition of the end/final product composed of that defective part; or the defective/lacking final product might be attributed to the user's manual issued by the producer of the final product.
 4. the liability for damages that occurred due to unusual usage of the product or usage of the product for purposes it is not intended for.
 5. losses for which it cannot be proved that the product had a lack and that there is no causative connection between the product with defect and suffered damage.
 6. losses from products that the insurant has not delivered.
 7. losses from a product with lack that probably was not existing at the time when the insurant delivered the product or that lack appeared later.
 8. losses from a product that was not intended for sale and delivery by the insurant, or from a product that was not produced within the regular activity.
 9. losses due to a product with lack that arose due to the reconciliation of the product's features with the prescribed norms.
 10. losses from products with lack, if the level of scientific and technical knowledge when the product was delivered, was not enabling to discover lacks, or the causative connection between the loss and lack of the product.
 11. liability of the insurant for losses when the insurant has knowledge about the defect or lack of the product;
 12. losses if the producer i.e. insurant should not check the quality of the built-in parts which it buys at others and which it integrates into the products;
 13. losses on the produced, i.e. sold/delivered products, as well as on their spare parts;
 14. losses that occur from a product that was subsequently processed or adapted;
 15. losses that result from a product that was alienated from the producer without its knowledge or that the producer gave somebody as a gift;
 16. costs of withdrawing the product from the market (product recall);
 17. losses that do not belong either to losses due to the bodily injury or health impairment of a person or to material losses in the form of damage, destruction or disappearance of things – pure financial losses;
 18. obligations of compensation for damage on the basis of causative losses as for example work interruption or end of production;
 19. Insurance shall not offer compensation for damages that occurred from products the usage of which or effect concerning concrete purposes of use according to corresponding know-how of the technique and science were not sufficiently tried out. In order to consider the product from the previous paragraph sufficiently tried out, it shall be necessary to issue a corresponding permit (attestation) for the product itself and its use on the basis of corresponding legal and administrative regulations.
 20. purely financial losses
 21. losses that arose concerning aviation products

Except if not separately agreed, the insurer shall not accept and shall not compensate for:

1. claims caused by wrapping;
2. claims when the insurant or persons working for it set, built-in or fixed that defective product by themselves, or they ordered the product to be set, built-in or fixed by their order and for their account;
3. losses at parts, equipment or devices of motor vehicles, aircrafts or vessels;
4. losses of third parties that arise in the way that with the help of machines delivered (also maintained or fixed) by the insurant, things with defect were produced or processed, without any existence of damage on things in the sense of damage or destruction of material things and their consequences;
5. liability for products that are explosives and/or explosive substances;
6. costs of repair, reconstruction, modification or replacement of the product and/or its part and any financial loss due to necessary mentioned costs.

Changes of insurance conditions and premium tariff

Article 33

These conditions may be changed or amended in the way and by procedure as they were passed, upon prior obtaining of the opinion of an authorized actuary and notifying the Agency for supervision of insurance of Montenegro.

The policy holder shall be informed about the changes and amendments of these Insurance conditions, in compliance with the law.

Implementation of Terms and Conditions for liability insurance and legal regulations

Article 34

Concerning issues that are not regulated with these conditions, the provisions of the Terms and Conditions for liability insurance, i.e. the Law on obligatory relations shall apply.

For issues that are regulated contrary to the provisions of the Terms and Conditions for liability insurance, provisions of these conditions shall apply

III FINAL PROVISIONS

Article 35

These conditions shall take effect as of the adoption date.

President of the Management Board
