

Terms and Conditions of the Compensation Legal Expenses Insurance Rider

for General Liability Insurance Policies

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Terms and Conditions of the Compensation Legal Expenses Insurance Rider for General Liability Insurance Policies

INTRODUCTORY PROVISIONS

In the case indicated in the insurance application, the insurance policy (basic policy) concluded with reference to the Collection of General Liability Insurance Conditions is supplemented by the legal expenses cover set out in these terms and conditions.

The Legal Expenses Cover shall be governed by the provisions of these terms and conditions. In matters not covered by these Conditions, the General Conditions of Liability Insurance, the Customer Information and the General Provisions governing Insurance Policies shall apply mutatis mutandis in the above order of precedence.

The Legal Expenses Insurance regulated by these policy conditions may be taken out as an insurance rider to a general liability insurance policy; therefore, it cannot be taken out separately without a basic liability insurance policy.

Since the insurance company registers the legal expenses insurance cover under the same policy number as the basic liability insurance policy, the insurer shall use the policy number and the product code of the basic liability insurance policy on the premium statement (pro forma invoice) sent to the policyholder in a manner depending on the method of payment, which contains the premium for the basic liability insurance policy as well as the premium for the legal expenses insurance cover. Given that the regular premium is payable together with the premium for the basic policy, failure to pay the premium will result in the termination of both the basic policy and this legal expenses insurance rider. In the event of the termination of the basic liability insurance policy for any reason, this legal expenses insurance rider shall also terminate, and the insurance coverage shall end therewith.

I. SUBJECT OF THE INSURANCE

- I.1. Under the legal expenses insurance cover, the insurer provides assistance to the insured in protecting his/her legal interests – in legal disputes which qualify as insured events – as provided for in these policy conditions; in particular the insurer
 - offers the insured legal advice,
 - offers the insured legal representation in litigation and in out-of-court proceedings, and
 - up to the amount of the sum insured, covers the costs of legal advice, legal representation and the expenses of legal proceedings necessary to protect the legal interests of the insured.
- I.2. The insurance cover is limited to **legal expenses in tort** in the covered cases, as set out hereunder.

The insurer undertakes to

- a) if **a third party makes an ungrounded claim for damages against the insured for a loss or damage covered under the liability insurance policy** and therefore the insurance company refuses to pay the claim under the liability insurance policy, the insurer will provide the insured with legal expenses cover against the claimant in order to defend against the claim for damages (**passive compensation legal expenses coverage**).
 - b) if **a third party causes personal injury or damage to property subject to non-contractual liability in connection with the insured person's activities** covered under the liability insurance policy, the insurer will provide the insured with legal expenses cover against the third party causing the damage (**active compensation legal expenses coverage**).
- I.3 For the purposes of these policy conditions
- a) the claim for damages is 'ungrounded' if the insured is not liable for the damage suffered by the injured party under the laws governing liability for damages, or if the claim for damages cannot be pursued against the insured in court (e.g. because the damage was not caused by the insured/or by a person for whom the insured is liable, or the insured may be exempted from liability, or the injured party has not fulfilled the burden of proof in relation to the damage, or the claim for damages is time-barred, etc.)
 - b) 'personal injury':
 - means the death, health impairment or bodily injury of a person, for the purposes of passive compensation legal expenses cover
 - means the death, bodily injury or health impairment of an insured or a person who is an employee or member of an insured legal entity, for the purposes of active compensation legal expenses cover
 - c) 'material damage' means the damage to or loss of a property item or it becoming unusable. 'material' means physical objects (property and chattel) which may be possessed, including cash and securities.
 - d) non-contractual liability means loss or damage caused to the insured person by
 - a person who is not contracted with the insured person in relation to the activity covered by the insurance policy or who is not a recipient of the service provided by the insured person (nor is the insured person a recipient of the service provided by the person who caused the damage), or
 - a person who has a valid contract with the insured, but the loss or damage occurs independently of the fulfilment of the contractual obligations.

II. INSURED EVENT

- II.1. The insurance covers the following events:
 - a) a claim for damages brought against the insured for a loss or damage covered under the insured's liability insurance policy is refused by the insurer during the liability insurance claim settlement because it is found to be ungrounded (Clause I.3.a), but the injured party sustains the claim for damages against the insured (**passive compensation legal expenses coverage**),
 - b) a third party causes personal injury or damage to property subject to non-contractual liability in connection with the insured's activities covered under the liability insurance policy, but the third party refuses to pay the damages (**active compensation legal expenses coverage**).
- II.2. Additionally, the insurance also covers the filing of (defense against) a claim for damages due to a violation of the insured's rights relating to personality, provided that the violation of personality rights is directly related to the tortious conduct as defined in Clause II.1.
- II.3. If claims made on the insurance policy arise out of events which were caused by the same incident, these events will be regarded as a single insured event, regardless of whether one or more insured parties were affected (related claims). The sum insured shall be the amount prevailing at the date of the first infringement or injury claim which qualifies as an insured event.

III. TERM OF THE INSURANCE COVER

- III.1. **The insurance covers the insured incidents if the date of the tortious conduct and the damage has occurred during the coverage period of the insurance, and the insured's claim for legal expenses insurance services is notified to the insurer no later than within 90 days of the termination of the insurance policy.**
- III.2. The insurance coverage shall only be provided, furthermore, if
- the tortious conduct giving rise to the insured event,
 - in respect of continuing tortious conduct, the start date of such tortious conduct,
 - in respect of related claims (within the meaning of Clause II.3), the first one of the underlying events, occurs while the insurance policy is in force.
- III.3. If tort is due to omission, the date of the insured event shall be the day when the omission could still have been remedied without causing loss or damage.
- III.4. Subject to the provisions in this chapter, the insurer shall continue to be liable for pending judicial or public proceedings until their binding resolution even if the insurance policy has terminated. Nevertheless, if the insurance terminates as a result of the policyholder's cancellation or for a default of premium payment, the legal expenses coverage shall terminate at the time when the policy terminates and the insurer will no longer provide legal expenses coverage, nor will it pay the legal expenses.

IV. GEOGRAPHICAL LIMIT OF THE INSURANCE COVER

The insurance provides coverage for insured events which occur within the territory of Hungary and are referred to the jurisdiction of Hungarian courts or other Hungarian authorities.

V. EXCLUSIONS FROM THE INSURANCE COVERAGE

- V.1. **In respect of passive and active compensation legal expenses coverage, the insurance does not cover the defense of legal interests:**
- a) in legal disputes between parties who are insured under the same insurance policy;
 - b) in the enforcement of claims which have been assigned to the insured, or claims for commitments which the insured assumed from a third party;
 - c) in respect of claims arising out of the insured's willful and unlawful misconduct;
 - d) in respect of claims not enforceable by court and claims enforced before international or supranational courts (e.g. European Court of Human Rights);
 - e) in legal disputes arising out of taxes, customs duties, company and associations law, copyright and patent law;
 - f) in legal disputes relating to the insured person's transactions in securities and financial investments;
 - g) if the amount disputed or claimed (the value of the claim made by or against the insured) is less than HUF 50 000;
 - h) in legal disputes related to insurer (Generali Biztosító Zrt);
 - i) in respect of claims arising in connection with industrial action or any other form of employee disobedience movement by the insured's employees, even if it does not constitute a strike;
 - j) in legal disputes relating to the loss or damage caused (and suffered) by motor vehicles, vessels or aircraft owned or operated by the insured;
 - k) in legal disputes arising out of or in relation to loss or damage caused during war, combat operations, hostile actions of foreign forces, terrorist acts, civil war, revolution, rebellion, demonstration, procession, labor acts, work misbehavior, or civil disorders. For the purposes of these policy conditions, terrorism shall in particular mean unlawful acts involving violence or the threat of violence which endanger human life, tangible or intangible assets or the infrastructure in support of political, religious, ideological, ethnic purposes or which are intended to influence any government or to create fear and terror in the whole or a part of society, or which are suitable for the above.
- V.2. With respect to passive compensation legal expenses coverage (Clause II.1.a.), the exclusions set out in the general conditions, the insurance riders' conditions and the Specific Clauses applicable to the policyholder's liability insurance policy shall apply mutatis mutandis, in addition to the exclusions listed in Clause V.1.

VI. NOTIFYING A CLAIM FOR COMPENSATION LEGAL EXPENSES SERVICE, DUTY TO COOPERATE IN THE PROTECTION OF LEGAL INTERESTS

VI.1. Notifying a claim for legal expenses services to the insurer

- VI.1.1. In respect of a claim for passive compensation legal expenses services (within the meaning of Clause II.1.a.), if a claim for damages brought against the insured is refused by the insurer during the liability insurance claim settlement because it is found to be ungrounded (Clause I.3.a), but the injured party sustains the claim for damages against the insured, the insured is required to notify the legal expenses services to the insurer no later than within 15 workdays after becoming aware of the sustainment of the claim for damages.
- VI.1.2. In respect of a claim for active compensation legal expenses coverage (within the meaning of Clause II.1.b), the insured must first attempt to enforce the claim for damages out of court. If the out of court settlement is unsuccessful, the insured is required to notify the legal expenses service to the insurer promptly but no later than within 15 workdays of becoming aware of it.
- VI.1.3. Notifications of claims may be given:
- by email to the email address of the Legal Expenses Insurance Division (jogvedelem.hu@generali.com),
 - in person: to the insurance intermediary or any customer service point of the insurer,
 - by phone: call the Call Centre at +36 1 452 3333 during opening hours (disclosed by the insurer on its website),
 - on the Internet: using the online claim notification system by completing compulsory data fields of the online claim report and submitting it electronically to the insurer (<https://www.generali.hu/Ugyfelszolgalat/Karbejelentes>),
 - in a postal mail addressed to: 7602 Pécs, PO Box 888.

A claim for passive compensation legal expenses coverage (within the meaning of Clause II.1.a.) can also be notified to the email address of the claims settlement division in charge of settling liability insurance claims (felelossegikar.hu@generali.com).

If the notification is not made on the internet, it is advisable to use the form provided for this purpose. You can download the Legal Expenses Claim Form from our website (https://www.generali.hu/Biztositas/Otthon_Utazas/Generali-Juris-jogvedelmi-es-felelossegbiztositas.aspx).

- VI.1.4. When notifying a claim for legal expenses coverage, the insurer must be provided detailed information on the following:
- the facts constituting the basis of the gravamen, specifying the date and time and location of such gravamen as well as the person or organization (including name and address) against which the Insured intends to enforce a claim or which is enforcing a claim against the insured.
 - whether the insured intends to exercise the right to choose an attorney or trust the insurer with selecting a law firm.
- VI.1.5. The insured shall make the following available to the insurer:
- any and all documents which are substantial in respect of establishing the facts constituting the basis of the legal dispute (e.g. correspondence, court petitions, resolutions, etc.),
 - the case assignment concluded with the insured's attorney or the fee quotation submitted by the attorney if the insured intends to exercise the right to choose an attorney.

The insurer is entitled to request the provision of the following documents for the provision of the legal expenses service, the reimbursement of the legal fees and other costs of legal proceedings covered by the insurance, if they are necessary to establish the grounds for the legal expenses claim and are available or can be obtained in connection with the legal expenses claim:

- other certificates of coverage or other document to provide evidence for an insurance policy taken out from another insurer for the same insurable interest and in force on the day of the insured event;
- documents evidencing that the conditions stipulated in the insurance policy are fulfilled;
- documents necessary to clarify the circumstances and consequences of the loss or damage (detailed statement by the insured or other person affected by the loss or damage on the date and circumstances of the loss or damage);
- contracts (e.g. employment contracts, leases, contracts of agency, etc.) which are related to a claim for damages brought against the insured or to an insurance claim made by the insured;
- photos and documents to evidence the legal grounds and the amount of the claim for damages;
- letters and other documents delivered to and received from the opponent party;
- if judicial or administrative proceedings have been initiated in connection with the claim for damages, all the documents produced or used in the proceedings (the binding decision made in criminal proceedings or in misdemeanor proceedings only if available at the time when the insurance claim is filed or during the claim settlement procedure),
- if an expert examination has been conducted in connection with the claim for compensation, the expert opinion produced;
- the documents managed and/or processed by the social insurance organisation or another person or organization, containing data on the insured event or a circumstance leading to such an event, the entitled party's authorization for a release from the confidentiality obligation and for a request of data,
- the fee quotation submitted by the attorney to provide the insured legal representation, the contract of assignment concluded with such attorney and the brief produced by such attorney;
- in the event that any invoice is required to be issued on the legal expenses charged to the insured pursuant to any accounting regulations currently in effect (e.g. attorney's fees), then such invoice, otherwise any voucher to evidence payment of legal expenses (e.g. duties, litigation costs payable to adverse party);
- the insured's written declaration to exempt the attorney providing the legal representation from their obligation of confidentiality towards the insurer;
- if the documents are in foreign languages, their translation into Hungarian, the cost of which shall be borne by the party requesting the insurance service.

- VI.1.6. If there is any doubt as to the reliability or authenticity of the copies of the documents submitted, the insurer may request the submission of the original copies of the above documents and their submission on any medium chosen by the customer.

- VI.1.7. If any official certificate is required for the provision of the legal expenses service under this rider, the insurer shall specify in its request for documents which authority shall issue the certificate as part of its proceedings, and such certificate shall then be a prerequisite for the payment of the insurance claim. In the event that any of the authorities listed in the policy conditions is dissolved, transformed or renamed in the meantime, the successor entity – existing at the time of the loss – shall be competent to act.

The insurer may only request an authority certificate if the information necessary to investigate the circumstances of the legal expenses service claim or to settle the claim cannot be obtained by other, faster procedures/ways.

- VI.1.8. The insured must ensure that the documents submitted do not contain personal data which are not relevant to the legal expenses service claim. If requested by the insured, the insurer will specify what data or information may be relevant to the claim in question. One way of concealing personal data which are not relevant to the assessment of the claim may be to make a copy of the document by redacting the parts containing such data and submit it to the insurer.

- VI.1.9. The insurer will contact the insured within 5 working days of the notification of the claim for legal expenses service. In doing so, the insurer will inform the insured of the documents necessary for the assessment of the claim.

- VI.1.10. Within 15 days of receipt of the documents necessary for the assessment of the insurance claim, the insurer must provide duly substantiated information on the claim payment in cases where the insurer has confirmed that the claim is grounded and could also determine the amount of the loss payment for each claimed benefit or where it refuses to recognize the payment obligation.

Within 30 days of the notification of the insurance claim, the insurer shall, even in the absence of the receipt of the last document necessary for the assessment of the claim, be obliged to provide a reasoned response to each claim included in the notification in cases where the insurer refuses the insurance claim, or where the assessment of the claim is ongoing or where the amount of the loss payable has not been fully determined. If the ground for the insurance claim is doubtful or if the insurer has partially determined the amount of the claim, the insurer must inform the beneficiary of the additional documents required to be submitted, which are essential for the assessment of the claim, also within 30 days of the notification of the claim. Subsequently, the insurer may only request additional documents if the submission of such additional documents is related to the documents already submitted or their possible incompleteness or to the notification of a new insurance claim.

The insurance claim is due to be paid by the insurer within 15 days of receipt of the last document necessary for the assessment of the claim. Documents necessary for the assessment of the claim are those which evidence the legal ground for and the amount of the insurance claim.

- VI.1.11. For the purposes of this Chapter, it is considered a service provided by the insurer:
- the insurer's statement on the assessment of the notified legal expenses claim (agreement or refusal to the provision of legal expenses service);
 - reimbursement of legal costs if legal expenses cover is provided.

- VI.1.12. **In the event that the insured fails to perform the obligations set out in this clause and therefore substantial circumstances regarding the assessment of the insured event and the insurance claim may not be revealed, the insurer shall not be obligated to provide a legal expenses service and shall be entitled to reclaim any amounts already paid for the costs of legal proceedings.**

VI.2. Matters to do before enforcing or averting claims and in the course of legal procedures

If the insurance company not only offers legal advice but also covers legal expenses, the insured is required to:

- a) cooperate with the insurance company to reach an out-of-court settlement of claims;
- b) request the insurance company's consent to any measure or procedural act (e.g. submitting a statement of claim or an appeal, requesting the court to delegate an expert) which affects or may affect the insurance company's obligation to pay the insurance claim. The insurance company shall be entitled to deny payment for any expenses undertaken where the insurance company's approval was not previously requested.
- c) request the insurance company's statement before the enforcement or aversion of claims before any court, challenging a court decision, and any major procedural acts – particularly as regards success perspectives – and to coordinate with the Insurance company in concluding compromises. Compromises failed to be agreed with the insurance company shall not be binding on the insurer in respect of the payment of the claim.
- d) keep the insurer informed on the status of claim enforcement (court / authority procedure) and to deliver any procedural documents (e.g. statement of claim, minutes of negotiations, petitions, court resolutions) to the insurer within 5 days of reception thereof.

VII. CONDITIONS FOR CLAIMING LEGAL EXPENSES SERVICE

VII.1. Conditions for claiming service under the legal expenses coverage

The insurer will provide the covered legal expenses service service if all the following conditions are met:

- the notified event is an insured event within the meaning set out in the policy conditions (refer to Chapter II) and it is not excluded from coverage (refer to Chapter V) and
- the insurance covers the underlying legal dispute both in respect of the policy term and the geographical limit (refer to Chapters III and IV), and
- in respect of a claim for active compensation legal expenses service (Clause II.1.b), the insured has already attempted to settle the claim for damages out of court, but it was not productive and
- in respect of a claim for active compensation legal expenses service (Clause II.1.b), based upon the insurer's assessment of the prospects of success, it is found that the claim may be reasonable pursued (refer to Clause VII.2).

VII.2. Assessment of the prospect of success

- VII.2.1. In respect of a claim for passive compensation legal expenses service (Clause II.1.a), the insurer does not assess the prospects of success.
- VII.2.2. In respect of a claim for active compensation legal expenses service (Clause II.1.b), the insurer is entitled to commence an examination when an insurance claim is notified and at any time during the procedure in respect of the prospective success of enforcing the claim (assessment of the prospects of success).

For the purposes of these policy conditions, success of enforcing a claim is presumable if:

- it can be rendered probable by applying the facts and the pertinent regulatory provisions that a court / authority resolution to award the insured shall be passed; and
- the recovery of the claim is likely.

- VII.2.3. In the event that upon examining the facts and based on the legal situation and the status of evidence, the insurer comes to the conclusion that there is sufficient perspective of the success of enforcing the claim, the insurer shall provide a written statement of fulfilling the claim for benefits and undertake to pay the costs insured.

In the event that, upon examining the facts and based on the legal situation and the status of evidence, the Insurer comes to the conclusion that there is no perspective of the success of enforcing the claim, the Insurer shall be entitled to reject the fulfillment of legal expenses service.

- VII.2.4. The insurer shall be obliged to inform the insured in writing about the results of its assessment of the prospects of success within 15 days of the notification of the claim, i.e. whether or not the insurer can accept the claim. Denial shall be justified by at least the fact rendering a reason for it or by calling attention to the legal or contractual provisions applicable thereto.
- VII.2.5. When communicating the denial, the insurer shall also advise the insured in writing of the possibility of a conciliation procedure and of the fact that if the conciliation procedure fails to be productive, the insured will be entitled to choose a legal representative in order to protect the insured's interests related to the insurance policy.
- VII.2.6. If the insurer finds that additional facts must be determined or additional documents must be submitted for the assessment of the prospects of success, it will call the insured to cooperate in the matter. In this case, the time limit of 15 days shall commence at the time when all the documents required for the assessment of the prospect of success have been received.

In the event of a conflict of interests, the prospects of success will be assessed by the attorney appointed in accordance with the provisions in Chapter IX.

VII.3. Conciliation procedure

- VII.3.1. In the event that the insurer refuses the delivery of legal expenses service on the basis of its assessment of the prospects of success and the insured disagrees with the decision, the insured shall be entitled to initiate a conciliation procedure within 15 days of receiving the refusal.
- VII.3.2. When initiating a conciliation procedure, the insured shall be required to name the attorney at law who represents him/her in the conciliation procedure and to submit the case assignment executed with the attorney, or the quote prepared by the attorney.

Within 5 days of the commencement of the conciliation procedure, the insurer shall also be required to name its legal representative in the conciliation procedure.

- VII.3.3. In the event that during the conciliation procedure, the legal representatives of the insured and of the insurer
- come to agree in respect of the prospect of success, both the insured and the insurer shall be obligated to accept such decision.
 - fail to agree within 4 weeks in respect of the prospect of success, the insured shall be entitled to enforce the claim for damages through a freely chosen attorney (institute court proceedings) at the insured's own expense. In the event that the insured becomes a judgment creditor in the course of enforcing a claim, the insurer shall be obligated to indemnify the insured for his/her legal expenses insured hereunder and not reimbursed in the lawsuit. In the case of a court settlement, the insurer shall bear the costs in the proportion of the judgment credit to the judgment debit. The fees of the attorney representing the insured – including out-of-pocket expenses – shall be paid by the insurer as provided for in Clause X.2.2.
- VII.3.4. The costs of the conciliation procedure shall be borne by the parties in the following proportions:
- if the result of reconciliation is in favor of the insured, the costs of the procedure shall be borne by the insurer;
 - if the conciliation procedure fails to be productive or its result is in favor of the insurer, both the insured and the insurer shall respectively bear their own costs.
- VII.3.5. If the procedure of reconciliation fails, the insured will be entitled to freely choose an attorney to protect his/her interests related to the insurance policy.

VIII. LEGAL REPRESENTATION OF THE INSURED

- VIII.1. The insured is entitled to choose his/her legal representative ('attorney') at his/her own discretion after the occurrence of the insured event has been notified and during any judicial or administrative proceedings or before the commencement of such proceedings, during proceedings aimed at avoiding legal proceedings and in the event that conciliation is unsuccessful.
- VIII.2. The right to choose an attorney shall only apply to attorneys-at-law whose law firm is located either at the insured's place of business or premises, or at the seat of the court or public administrative authority which is competent in the procedure to be instituted at first instance. If there is no or only one attorney at such place of business, another attorney within the area of competence of the county court can also be appointed.
- VIII.3. In the event that the insured does not exercise his/her right to choose an attorney, the insurer shall recommend an attorney of adequate expertise or – by way of a separate power of attorney – the insurer's general counsel shall provide the insured with legal representation.
- VIII.4. The insured shall always be the party to establish an attorney assignment with the law firm.
- VIII.5. In the event that the insured exercises his/her right to choose an attorney, the insured shall be obligated to submit the signed case assignment concluded with such attorney – which includes the attorney's fee – within 2 workdays of contract conclusion. The insurer shall only pay the attorney's fee as specified in the contract of assignment if such fee has been previously approved by the insurer.
- VIII.6. The insured shall be obligated to exempt any attorney providing him/her legal representation from their obligation of confidentiality and assign them to inform the insurer on an on-going basis as regards the status of claim enforcement (court / authority procedure) and to make available any and all procedural documents (e.g. statement of claim, minutes of hearings, petitions, court resolutions) to the insurer.
- VIII.7. The attorney shall be directly responsible to the insured for fulfilling the assignment. The insurer shall not be liable for the attorney's operations.

IX. PROCEDURE TO BE FOLLOWED IN CASE OF A CONFLICT OF INTERESTS

- IX.1. For the purposes of these policy conditions, a conflict of interest means all such cases where the insurer provides insurance cover to the opposing party under another insurance policy (e.g. liability insurance, legal expenses insurance) in connection with an insured event under this policy.
- IX.2. In the event of a conflict of interests
- a) the insured will be legally represented or provided legal advice by a freely selected attorney in all cases.
 - b) the obligation to provide information on the insured event shall fall on the insured towards his/her attorney only. If, however, there is a conflict of interests because legal expenses coverage is provided by the insurer to the adverse party consequent upon the same insurance event, the obligation to provide comprehensive information shall prevail towards the insurer as well.
 - c) the prospects of success will not be assessed by the insurer. The insurer accepts the position of the attorney appointed by the insured party in respect of the prospect of success, provided that the attorney – in his/her written expert opinion – describes the reasons for a prospect of successfully exercising or defending the claim by giving a statement of facts as well as applicable legislative references.
- IX.3. In the event of a conflict of interests, the insurer will promptly inform the insured in writing of the existence of such conflict of interests and the provisions set out in Clause IX.2.

X. LEGAL EXPENSES SERVICE

X.1. Legal Expenses Services

- X.1.1. In the event that a claim for services is eligible for fulfillment, the following legal expenses service shall be provided by the insurer depending on the type of the legal dispute:
- a) oral and written legal advice/expert opinion;
 - b) a recommendation of an attorney with the appropriate expertise for the dispute, if the insured does not wish to exercise the right to choose an attorney, and legal representation is appropriate or necessary to pursue (defend) the claim;
 - c) reimbursement the costs of legal proceedings in accordance with the provisions of this Chapter.
- X.1.2. The insurer will provide legal expenses coverage within the limits set out in Clause I of these Policy Conditions and up to the sum insured of the legal expenses coverage indicated in the insurance application.

X.2. Legal expenses covered by the insurance rider

- X.2.1. When the claim is for passive compensation legal expenses service, the attorney's fees are covered by the legal expenses insurance, while all other costs legal proceedings – listed in Clause X.2.2 – are covered by the liability insurance. If the sum insured agreed under the liability insurance is exhausted, the insurer will pay any unrecovered legal expenses under the legal expenses insurance up to its sum insured.

- X.2.2. Up to the sums insured per occurrence and per policy period stated in the insurance application, the insurance covers the following costs necessary to protect the legal interests of the insured:
- a) **the attorney's fees**
The insurance covers the reasonable and customary fees of an attorney undertaking the insured's legal representation in line with the actual assignment, including out-of-pocket expenses, subject to the insurer's prior consent. In the event that the insured has agreed on the attorney's fee without the insurer's prior consent, the insurer shall pay a fee corresponding to the minimum fee of an advocate as specified by law.
 - b) **costs of legal proceedings**
The insurance covers the fees, charges and costs of court, authority and mediation proceedings (e.g. witness fees, court-appointed experts, interpreters' fees, costs of on-site hearings and inspections) at all stages, provided that the insured is obliged to pay or advance these costs.
 - c) **costs incurred by the adverse party**
The insurance covers the costs incurred by the adverse party in the event that the insured is required to pay them pursuant to the final ruling and there is no other insurance protection in effect.
 - d) **enforcement costs**
Enforcement costs shall be covered for up to 2 attempts of enforcement after the legal title of enforcement (e.g. judgment) is awarded to the insured.
 - e) **the cost of winding-up proceedings**
The insurance covers the cost of bankruptcy or liquidation proceedings against an entity that is a defendant, threatened with insolvency or insolvent, provided that the insured's claim is likely to be recovered in the bankruptcy or liquidation proceedings on the basis of the entity's financial information or from other sources following the proceedings.
- X.2.3. In respect of active compensation legal expenses service (within the meaning of Clause II.1.b.), if the amount of the insured's claim for damages is not proportionate to the expected legal expenses necessary to enforce the claim, the insurer is entitled – taking into account the economic aspects of the litigation – to pay the claim for damages instead of the reimbursement of legal expenses.

X.3. Terms and conditions of bearing legal expenses

- X.3.1. **The policy shall only cover costs which are incurred after the insured event has been notified to the insurer. Costs incurred before an insured event is notified shall only be covered under the policy if they are incurred as a result of measures taken by the counterparty, the competent authority or as a result of measures taken in the interest of the insured on grounds of urgency not earlier than 30 days before the insured event is notified.**
- X.3.2. In the case of a court settlement, the insurer shall bear the costs in the proportion of the judgment credit to the judgment debit. In the course of a lawsuit, the insured shall be obligated to submit a motion to the court to decide on bearing litigation costs. In the case of an out-of-court settlement, costs shall be borne by the insurer unless the adverse party undertakes to reimburse them.
- X.3.3. In the event that – in case of a joinder of parties – the insured and the insured's co-plaintiffs or co-defendants are obliged by the court to collectively bear litigation costs, this policy shall cover litigation costs in the proportion that the insured's claim or the claim against the insured bears to the total value of the claim enforced by all co-plaintiffs or that of the claim against all co-defendants.
- X.3.4. In case of an arbitration procedure, legal expenses shall be covered up to the extent that the insured would be obligated by a regular court to pay them.
- X.3.5. **The insurance does not cover**
- any fines imposed by reason of mala fide conduct of a lawsuit or negligence against the insured or his/her attorney,
 - the costs incurred by the insured or his/her attorney as a result of undue delay or failure to meet a deadline or time limit;
 - costs incurred in connection with a lawsuit brought by the insured – despite a settlement or an agreement reached in mediation – in the dispute resolved by settlement or agreement;
 - legal expenses covered by a liability insurance policy (except for the lawyer's fees as referred to in Clause X.2.1).
 - value added tax included in the legal expenses, provided that the insured is entitled to deduct it from the tax payable or to reclaim it.
- X.3.6. The insurer will reimburse the value added tax (VAT) charged on the remuneration paid for legal services to the person entitled to it only if
- the amount of the VAT is specifically indicated on the invoice issued for the remuneration of the legal services, or the amount of the VAT can be calculated from the invoice, and
 - the insured provides evidence that the insured is not entitled to deduct or reclaim VAT.
- X.3.7. If claims which are only partially insured arise in the course of proceedings, the insurer shall only pay those costs which would otherwise be payable by the insurer without taking into consideration any claims not covered by insurance protection.

XI. IN WHICH CASES SHOULD LEGAL EXPENSES BE REFUNDED TO THE INSURER?

- XI.1. In the event that the insured enters into an out-of-court settlement with the adverse party and the adverse party undertakes to reimburse the insured's legal expenses (e.g. lawyer's fees), and if, in the course of legal proceedings, the court awards the insured any litigation costs and/or attorney's fees, then any amounts collected therefrom may be claimed by the insurer up to the amount paid out by the insurer.
- XI.2. All legal expenses reimbursed in accordance with Clause XI.1 shall be refunded by the insured to the insurer within 15 days of such repayment. In the event that the insured fails to take any measures to collect legal expenses awarded to the insured, the insurer shall enforce a claim based on the agreement of assignment concluded with the insured. The insured shall be obliged to support the insurer in enforcing any claims and to issue a deed of assignment in favor of the insurer.

XII. MISCELLANEOUS PROVISIONS

- XII.1. The insurer is under the same obligation of confidentiality as an attorney with regard to the facts and data which they may obtain in relation to the proceedings brought in connection with the insured event.
- XII.2. The insurer hereby advises the policyholder that in order to avoid any conflict of interest between the insurer and the insured, the insurer has considered the options set forth in paragraphs a)-c) in Section 161 (1) of Act LXXXVIII of 2014 on the Insurance Business, and has adopted the solution described in paragraph a), which is: "its employees engaged in the management of legal expenses claims and the employees providing legal advice are not performing the same or similar services in any of the insurer's other divisions or for any other insurer in connection with any class of insurance defined in Part A) of Schedule No. 1 and that any executive manager of the insurer installed as a superior officer for these employees shall not be installed in a similar position in connection with the management of claims in other division of insurance".
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