

INSURANCE COMPENSATION CONSORTIUM FOR EXTRAORDINARY RISKS

Clause of compensation by the Insurance Compensation Consortium for losses deriving from extraordinary events in insurance with combined cover of damage to persons and property and third-party liability for road vehicles

In accordance with the terms of the reviewed text of the legal Statute of the Insurance Compensation Consortium, approved by the Royal Legislative Decree 7/2004 of 29 October, the holder of an insurance contract, from among those that must obligatorily incorporate an extra charge in favor of the aforesaid public business entity, has the right to agree upon the cover of extraordinary risks with any insurance company that meets the conditions required by currently applicable legislation.

Compensation deriving from insured events that occurred due to extraordinary events that took place in Spain, affecting risks situated there and, in the case of damage to persons, also those that took place abroad when the insured has his habitual residence in Spain, will be paid by the Insurance Compensation Consortium when the holder has settled the corresponding extra charges in his favor, and should any of the following situations take place:

- a) Where the extraordinary risk covered by the Insurance Compensation Consortium is not protected by the insurance policy contracted with the insurance company.
- b) Where, even though protected by the said insurance policy, the obligations of the insurance company cannot be fulfilled due to its having been declared legally bankrupt or due to being subject to a procedure of liquidation that took place or was undertaken by the Insurance Compensation Consortium.

The Insurance Compensation Consortium will ensure that, in its actions, it abides by the terms of the afore-mentioned legal Statute on Insurance Contracts, in the Law 50/1980 of 8 October, in the Regulation of the insurance of extraordinary risks, approved by the Royal Decree 300/2004 of 20 February, and complementary provisions.

SUMMARY OF LEGAL STANDARDS

1 Extraordinary events covered

- a) The following natural phenomena: earthquakes and tidal waves; extraordinary floods, including those produced by the violent action of seawater; volcanic eruptions; atypical cyclonic storm (including extraordinary winds with gusts in excess of 120 km/hour and tornadoes); and falls of bodies from space and meteorites.
- b) Those caused violently as a consequence of terrorism, rebellion, sedition, riot and popular uprising.
- c) Facts or actions of the Armed Forces or the Security Forces and Organizations in peacetime.

The atmospheric and seismic phenomena of volcanic eruptions and the fall of bodies from space will be certified, upon the request of the Insurance Compensation Consortium, by means of reports issued by the State Meteorological Agency (AEMET), the National Geographical Institute and other public bodies with authority on the subject. In cases of events of a political or social nature, and in the supposition of damage occurring due to facts or actions of the Armed Forces or the Security Forces or Organizations in peacetime, the Insurance Compensation Consortium may obtain information from the competent jurisdictional and administrative bodies on the events that took place.

2 Excluded risks

- a) Those that give rise to compensation according to the Insurance Contract Law.
- b) Those incurred by property insured by an insurance contract other than those in which the extra charge in favor of the Insurance Compensation Consortium is obligatory.
- c) Those due to the insured properties own flaw or defect, or its manifest lack of maintenance.
- d) Those produced by armed conflicts, even when the official declaration of war did not precede them.
- e) Those deriving from nuclear energy, without prejudice to the terms of the Law 12/2011 of 27 May, on third party liability due to nuclear damage, or those produced by radio-active materials. In spite of the above, it is to be

understood that all direct damage incurred in an insured nuclear plant is included when it is the consequence of an extraordinary event that affects its own plant.

- f) Those due to the mere action of time, and in the case of goods that are totally or partially and permanently submerged, those attributable to the mere action of normal swell or currents.
- g) Those produced by natural phenomena other than those mentioned in section 1.a) above and, in particular, those produced by the rising of the water table, the movement of hillsides, landslip or settling of land, the detachment of rocks and similar phenomena, unless they were manifestly caused by the action of rainwater which, in turn, had provoked a situation of extraordinary flooding in the area and took place simultaneously with the said flooding.
- h) Those caused by actions of civil unrest that occurred during the course of meetings and demonstrations in accordance with the terms of the Organic Law 9/1983 of 15 July, governing the right to hold meetings, as well as during the course of legal strikes, unless the aforesaid actions could be qualified as extraordinary events among those noted in paragraph 1.b) above.
- i) Those caused by bad faith on the part of the insured.
- j) Those deriving from insured events due to natural phenomena that cause damage to property or monetary losses when the date of issue of the policy or its enforcement, if later, does not precede the date when the insured event took place by seven calendar days, unless it is demonstrated that the prior contracting of the insurance was not possible due to the non-existence of an insurable interest. This grace period will not apply in the case of the replacement or substitution of the policy in the same or another entity, without interruption, unless in the part that was the object of an increase or new cover. Nor will it apply to the part of the insured equity resulting from the automatic revaluation stated in the policy.
- k) Those corresponding to insured events that took place before the first premium was paid, or when, in accordance with the terms of the Insurance Contract Law, the cover of the Insurance Compensation Consortium is suspended or the insurance is cancelled due to failure to pay the premiums.
- l) In the case of damage to property, indirect damage or losses deriving from direct or indirect damage, other than monetary losses that qualify as due for indemnity in the Regulation for the insurance of extraordinary risks. In particular, this cover does not include damage or losses incurred as a consequence of power failure or alteration in the exterior supply of electrical energy, combustible gases, fuel oil, diesel oil or other fluids, nor any other indirect damage or losses other than those quoted in the above paragraph, even when these alterations derive from a cause included in the cover of extraordinary risks.
- m) Insured events, the magnitude or seriousness of which are qualified by the national government as "catastrophe" or "national calamity".
- n) In the case of third-party liability for road vehicles, personal damage deriving from this cover.

3 Excess

- a) Excess charged to the insured will be:
 - 1) In the case of direct damage, in insurance against damage to property, the excess charged to the insured will be seven per cent of the amount of the damage due for indemnity that was produced by the insured event. However, no deduction whatsoever will be made in terms of excess to damage that affects dwellings, communities of home owners, or vehicles which may be insured by a vehicle insurance policy.
 - 2) In the case of loss of profits, the excess charged to the insured will be the same as that stated in the policy, in terms of time or quantity, for damage that may be the consequence of ordinary insured events of loss of profits. If there are several excesses for the cover of ordinary insured events of loss of profits, those stated for the main cover will be applied.
 - 3) When a combined excess is established in a policy for damage and loss of profits by the Insurance Compensation Consortium, the material damage will be settled with a deduction of the corresponding excess by the application of the terms of section a) above, and the loss of profits produced with the deduction of the excess established in the policy for the main cover, less the excess applied in the settlement of the material damage.
- b) No deduction for excess will be made in the insurance of persons.

4 Extent of the cover

- a) The cover of extraordinary risks will also apply to the same properties or persons, as well as the same sums insured that may be established in the insurance policies for the purposes of the cover of ordinary risks.
- b) In spite of the above:
 - 1) In policies that cover damage proper to motor vehicles, the cover of extraordinary risks by the Insurance Compensation Consortium will guarantee the total insurable interest even when the ordinary policy only does so partially.
 - 2) When the vehicles only have a third-party liability policy for road vehicles, the cover of extraordinary risks by the Insurance Compensation Consortium will guarantee the value of the vehicle in the condition in which it was found at the time immediately prior to the occurrence of the insured event, according to purchase prices generally accepted on the market.
 - 3) In life insurance policies that generate a mathematical deposit in accordance with the terms of the contract, and pursuant to regulations that govern private insurance, the cover of the Insurance Compensation Consortium will refer to the risk capital for each insured party, that is, to the difference between the sum insured and the mathematical deposit that the insurance company that issued it must have set up. The amount corresponding to the mathematical deposit will be paid by the afore-mentioned insurance company.

COMMUNICATION OF DAMAGE TO THE INSURANCE COMPENSATION CONSORTIUM

1. The request for damage compensation, the cover of which is incumbent upon the Insurance Compensation Consortium, will be made by means of a communication to the same by the policyholder, the insured or the beneficiary of the policy, or by anyone acting on behalf of and in the name of the above, or by the insurance company or insurance broker in charge of managing the insurance.
2. The damage and the obtainment of any information related to the procedure and the stage of negotiation of insured events may be communicated:
 - by means of a call to the Telephone Service Centre of the Insurance Compensation Consortium (952 367 042 or 902 222 665)
 - on the website of the Insurance Compensation Consortium.
3. Damage assessment:

The damage that is found to be due for indemnity in accordance with insurance legislation and the content of the insurance policy will be assessed by the Insurance Compensation Consortium, without its being bound by the assessments which, as applicable, may have been carried out by the insurance company that covers ordinary risks.
4. Guarantee of the compensation:

The Insurance Compensation Consortium will make payment of the compensation to the beneficiary of the insurance by bank transfer.