

XL INSURANCE (CHINA) COMPANY LIMITED
SPECIAL CONDITIONS OF PRODUCT RECALL LIABILITY INSURANCE FOR THE SUPPLIERS OF MOTOR VEHICLE
PRODUCTS/COMPONENTS A

For the purpose of these special conditions (the “**Special Conditions**”), the following applies:

1. General Provisions

- 1.1 Any **Policy Holder** cannot apply for this product recall liability insurance (the “**Insurance**”) until the **Policy Holder** applies for and the **Company** agrees to underwrite the [product/commercial] liability insurance in accordance with the **Policy**.
- 1.2 In case of any discrepancies between these **Special Conditions** and the **Policy**, these **Special Conditions** shall prevail; the relevant provisions in the **Policy** shall govern in case those provisions are not stipulated herein.
- 1.3 Unless otherwise agreed herein, the period of these **Special Conditions** shall be consistent with the **Period of Insurance**. These **Special Conditions** will expire or be terminated automatically in case the **Policy** expires or is terminated or cancelled, as the case may be.
- 1.4 These **Special Conditions** and the **Policy** shall be read together. Any word or expression capitalized but not defined herein shall have the same meaning assigned to it in the **Policy**.

2. Insuring Agreement

- 2.1 According to the terms and conditions of these **Special Conditions**, the **Company** will indemnify the **Insured** against legal liability for financial losses arising from:
 - established product defects or suspected products defects on the basis of objective facts, in particular as the result of random sampling, or
 - regulatory action by a governmental body of competent authority, (each, a “**Product Recall Cause**”)

following a **Product Recall** as defined in Article 3 below in order to avoid any **Personal Injury** and / or **Property Damage** and for which the **Insured** has become liable.

- 2.2 Solely with respect to the **Insurance** provided under these **Special Conditions**, **Products** are **Motor Vehicle** components, accessories or systems manufactured, delivered or marketed by the **Insured** as listed in the item of the **Current Schedule** as well as **Motor Vehicle** components, accessories or systems of third parties which contain the products as listed in the item of the **Current Schedule**.

Motor Vehicle refers to power-driven but not rail bound land craft used to carry people or freight in accordance with the relevant national standards of People’s Republic of China.

- 2.3 The **Insurance** will not apply to claims relating to **Personal Injury** or **Property Damage**, including any financial losses resulting therefrom.

3. Insured Event

The insured event (the “**Insured Event**”) is the **Product Recall** instigated during the **Period of Insurance**.

Unless otherwise stipulated in these **Special Conditions**, **Product Recall** is the request made on the basis of statutory obligations due to the **Product Recall Causes** by

- **Motor Vehicle** manufacturers, or
- any competent authorities instead of the **Motor Vehicle** manufacturer

to owners of **Motor Vehicles** to take their **Motor Vehicle** which contain **Products** to the **Motor Vehicle** manufacturer's factory, an authorized repair shop or any other repair shops in order to undertake tests for the indicated defects and to fix any identified defects, or to carry out other specifically indicated measures.

A notification to dealerships, authorized repair shops or other workshops which is not immediately addressed to **Motor Vehicle** owners, to inspect the **Motor Vehicles** which contain **Products** for the indicated defects and to remedy them, if necessary, is also deemed to be a **Product Recall**.

4. Scope of Insurance

The **Insurance** covers exclusively the costs of third parties for measures to prevent hazard as listed hereunder, but only insofar as they are necessary within the scope of a **Product Recall**.

If the hazard can be averted by different measures comprised by the **Insurance**, coverage will only be provided up to the most favorable amount arising from the most favorable measures decided by the **Company**, regardless of which measures have actually been taken.

Up to the sublimits as set forth in Article 9 herein, and subject to the terms, conditions and exclusions of these **Special Conditions**, the **Insurance** includes the costs of third parties for any or all of the following:

- 4.1 the notification of **Motor Vehicle** holders, **Motor Vehicle** dealers, authorized and other repair shops, including the costs for respective media announcements;
- 4.2 the transfer of the **Motor Vehicles** to workshops or to the **Motor Vehicle** manufacturer's factory, if required due to lack of roadworthiness;
- 4.3 the inspection of the affected **Products** by the authorized workshops or the **Motor Vehicle** manufacturer's factory whereby the inspection must be intended to establish whether the suspected **Products** to be defective are actually defective and for which of these **Products** the measures according to Article 4.4 to 4.9 are necessary to avert the hazard. The inspection includes the necessary presorting and re-packing of the **Products**.

However, if one has to expect, that the costs for the inspection of the affected **Motor Vehicles** by the **Product Recall** plus the costs covered according to Article.4.4 to 4.9 on the basis of the established error rate or the assumed error based on objective facts will be higher than the costs covered according to Articles 4.4 to 4.9 in case of actual defectiveness of all **Motor Vehicles** affected by the **Product Recall**, then cover under this Article 4.3 shall be limited to payments in accordance with Articles 4.4 to 4.9. In such cases, or if establishment of defectiveness is only possible by means of destructing the **Products**, no proof shall be required, that the **Products** with suspected defects are effectively defective.

If establishing defectiveness is only possible after disassembly of the **Products** and if, in case of actual defectiveness, the replacement of such **Products** constituted the necessary hazard aversion measure according to Article.4.5, then the insurance cover provided under this Article 4.3 is limited to the insurance payments according to Articles.4.4 to 4.9. In such cases also no evidence shall be required that the **Products** with suspected defects are in fact defective. The same shall apply mutatis mutandis in case the establishment of defectiveness is only possible after disassembly of components of the **Products**, and in case of actual defectiveness the replacement of such components constituted the necessary hazard aversion measure according to Article.4.6 ;

- 4.4 if necessary the interim storage of the recalled **Products** during a period of up to [12] months commencing from the first day of storage.
- 4.5 the replacement of defective **Products** (but not of their components), i.e. the costs of the dismantling, detaching, removal or uncovering of defective **Products** and the assembly, installation [(including installation of new/modified software)], laying or application of **Products** free of defects or products free of defects of third parties. The costs for the subsequently delivered or redelivered **Products** free of defects or products free of defects of third parties used for replacement are excluded from the insurance cover provided under these **Special Conditions**;
- The insured costs of replacement also include expenses incurred by third parties by processing and assembling of the components free of defects;
- 4.6 the replacement of defective components of fitted **Products**, i.e. the costs of the dismantling, detaching, removal or uncovering of defective components of the fitted **Products** and the assembly, installation [(including installation of new/modified software)], laying or application of components free of defects. The costs for the subsequently delivered or redelivered of components free of defects used for replacement are excluded from the insurance cover provided under these **Special Conditions**;
- 4.7 the repair of defective **Products** under built-in condition as well as the replacement and the retrofitting measures under built-in condition;
- 4.8 the cost for the transport of the subsequently delivered or redelivered products free of defects within the meaning of Article 4.5 or of single spare parts within the meaning of Article 4.6 with the exception of the costs of the transport from the place of the **Insured** to the place of fulfillment of the original delivery of the **Insured**. If the costs of the direct transport from the **Insured** or the third party to the place where the hazard must be averted are lower than the costs of the transport from the place of fulfillment of the original delivery to the place where the hazard must be averted, only the costs of the direct transport from the **Insured** or the third party to the place where the hazard must be averted are covered by these **Special Conditions**;
- 4.9 the disposal or destruction of the **Products**, if the hazard cannot be eliminated in any other way;
- 4.10 the supervision of the **Product Recall** action.

5. Insured Risk

The **Insurance** under these **Special Conditions** is only provided to the **Products** as listed in the **Current Schedule** of the **Policy** or otherwise accepted by the **Company** in writing, but only insofar as these **Products** have already been delivered to **Motor Vehicle** manufacturers or their suppliers and which are intended to be integrated into **Motor Vehicles**.

6. Exclusions

These **Special Conditions** do not cover any liability arising out of or connected directly or indirectly with:

- 6.1 claims relating to costs caused by the **Products**, the use or effect of which, considering their concrete intended purpose, was not tested according to the state of the art or were not sufficiently tested on other ways;

- 6.2 claims against the **Insured** insofar as the **Insured Event** has been caused by deliberately deviating from the statutory or regulatory provisions, ordinances or warnings as well as written instructions or conditions of the **Motor Vehicle** manufacturer or of any company in the supply chain between the **Insured** and the **Motor Vehicles** manufacturers ordering **Products** from the **Insured**;
- 6.3 claims from **Product Recalls** resulting from alleged, threatened or actual willful and/or malicious tampering of the **Products**;
- 6.4 claims arising from guarantees or based on any other contractual extensions of liability;
- 6.5 claims for other costs than those mentioned in Article.4, in particular
- for subsequently delivered or redelivered products free of defects (also individual replacement parts) used for replacement including their transport costs from the **Insured** to the place of fulfillment of the original delivery(subject to Article 4.8);
 - arising from consequential damages such as, for example, for business interruption, loss of production and loss of profit;
 - for the reimbursement of rental car, travel and other costs, incurred by the **Motor Vehicle** holders in connection with the **Product Recall**;
 - fines or penalties as well as the cost of proceedings under criminal and administrative law. However, this does not apply to any proceedings under administrative law which has been conducted at the instigation of the **Company**;
 - compensation having the character of punitive damages;
- 6.6 claims for pure financial losses asserted by Affiliates of the **Insured**; For the purpose of these **Special Conditions**, "**Affiliate**" means, as to any Entity, any other Entity directly or indirectly Controlling, Controlled by or under direct or indirect common Control with such Entity or is a director, officer of such Entity. For the purpose of this definition, "**Control**" means having the power, directly or indirectly, either to (a) vote 5% or more of the securities having ordinary voting power for the election of directors (or persons performing similar functions) of such Entity, or (b) direct or cause the direction of the management and policies of such Entity by contract or otherwise, and the terms "**Controlled**" and "**Controlling**" shall have correlative meanings; and "**Entity**" means any partnership, firm, corporation, limited liability company, association, trust, unincorporated organization or other entity.

7. Measures and Costs in Advance of Averting A Danger/Hazard

- 7.1 The costs according to Article 4.3 to 4.9 will also be reimbursed, without a **Product Recall** being required, if the **Products** have already been delivered and installed in parts intended for **Motor Vehicles** or in **Motor Vehicles** not yet delivered; provided, however, if upon delivery of the **Motor Vehicles**, a **Product Recall** in accordance with Article. 3 would have become necessary.

If the hazard can be eliminated beforehand by various measures covered by these **Special Conditions**, the **Insurance** provided under these **Special Conditions** is only provided up to the amount of the best total costs decided by the **Company**.

- 7.2 An **Insured Event** in such a case shall be the internal instructions, given during the **Period of Insurance**,

- by the **Motor Vehicle** manufacturers, or
- by a company further processing the **Products**

to perform the inspection of the **Products**.

7.3 Exclusions according to Article. 6 shall apply.

8. Disassembly and Assembly Costs Outside of Averting A Hazard (Optional)

8.1 Deviating from Article. 2.1, the **Insured's** legal liability for pure financial losses (losses neither incurred by **Personal Injury** nor **Property Damage**) due to the defectiveness of **Motor Vehicles** or Motor Vehicles parts shall be insured, in case these have been caused by the assembly, installation, laying or application of the **Products** .

The **Insurance** provided under these **Special Conditions** is only provided as far as

- there is no **Product Recall** of **Motor Vehicles** in accordance with Article. 3,
- no measures are required and no costs incurred in accordance with Article. 7, and
- at the time of delivery by the **Insured** or third parties instructed by the **Insured**, the **Products** were evidently destined for the building of or installation into **Motor Vehicles**.

In this respect, claims for damages by third parties based on material defects shall also be insured to the statutory extent, if, due to an contractual agreement between the **Insured** and his buyer/recipient concerning certain properties of the **Products**, the **Insured** is liable for the fact that these properties existed at the time of passing of the risk.

8.2 An **Insured Event** in such a case shall be the internal instructions, given during the **Period of Insurance**,

- by the **Motor Vehicle** manufacturer, or
- by a company further processing the **Products**.

to perform the inspection of the **Products**.

8.3 The coverage in such a case shall be exclusively claims for damages by third parties in respect of

8.3.1

- costs for the replacement of defective **Products** (but not of their components), i.e. the costs of the dismantling, detaching, removal or uncovering of defective **Products** and the assembly, installation [(including installation of new/modified software)], laying or application of **Products** free of defects or products free of defects of third parties. The costs for the subsequently delivered or redelivered **Products** free of defects or products free of defects of third parties used for replacement are excluded from the insurance cover provided under these **Special Conditions**;

The costs of replacement also include expenses incurred by third parties by processing and assembling of the components free of defects.

8.3.2

- the replacement of defective components of fitted **Products**, i.e. the costs of the dismantling, detaching, removal or uncovering of defective components and the assembly, installation [(including installation of new/modified software)], laying or application of components free of defects. The costs for the subsequently delivered or redelivered components free of defects used for replacement are excluded from the insurance cover provided under these **Special Conditions**;

8.3.3

costs for the transport of the subsequently delivered or redelivered **Products** and/or components free of defects or of products and/or components free of defects of third parties with the exception of the costs of the transport from the place of the **Insured** to the place of fulfillment of the original delivery of the **Insured**. If the costs of the direct transport from the **Insured** or the third party to the place of the replacement lower than the costs of the transport from the place of fulfillment of the original delivery to the place of the replacement, only the costs of the direct transport from the **Insured** or the third party to the place of the replacement are covered by these **Special Conditions**.

8.4 The **Company** shall also be liable for costs in accordance with Article 8.3, if they are incurred in compliance with a statutory obligation for replacement or elimination of defects of the **Products** by the **Insured** or the buyer of **Products**.

8.5 Exclusions in accordance with Article 6 shall apply; however, Article 6.4 shall not apply with regard to agreements within the meaning of para. 3 of Article 8.1

No cover is provided if the **Insured** itself has installed or assembled the defective **Products** or had them installed or assembled on their behalf, for their account or under their direction. However, this does not apply, if the **Insured** can prove that the defectiveness did not result from installation, assembly or assembly directions but exclusively from manufacture or delivery.

In addition, no cover is provided for

- claims arising from the fact that items or work supplied are afflicted by a defect of title (e.g. losses due to the infringement of patents, industrial property rights, copyright, rights to privacy, infringements with regard to competition and advertising);
- claims for costs of the elimination of defects which have no effect on the reliability performance/functionality of the **Motor Vehicles** or individual parts of Motor Vehicles (e.g. color deviation).

9. Sublimits / Supplementary Payments

9.1 The sublimits of the insurance coverage provided under these **Special Conditions** shall amount to be

XXXX per **Insured Event**, up to a maximum of
XXXX for all **Insured Events** during **Period of Insurance** (Total)

These sublimits above shall form part of and not be in addition to the **Limit of Liability** set forth in the **Current Schedule**.

9.2 Except in relation to the **Insured Events** occurred within the United States of America or Canada, or the **Insured Events** to which the laws of the United States of America or Canada apply, the **Company's** expense

for costs shall be deducted from the limit of liability for supplementary payment set forth in the **Current Schedule** which is in addition to the sublimits as set forth in Article 9.1.

In relation to the **Insured Events** occurred within the United States of America or Canada, or the **Insured Events** to which the laws of the United States of America or Canada apply, in case the **Company** and the **Policy Holder** otherwise agree that the afore-mentioned **Insured Events** shall be covered, the **Company's** expense for costs shall be deducted from the sublimits as set forth in Article 9.1.

The aforementioned costs shall be lawyers', experts', witness or court costs, expenditure to avert or minimize losses on or after the occurrence of an insured event as well as costs regarding ascertainment of loss and travel costs, not incurred by the **Company** itself but in connection with the **Insured Events**. This shall apply even if such costs have been incurred on instruction of the Company.

10. Serial Loss

Several **Insured Events** occurring during the **Period of Insurance**

- arising from the same cause, such as the same construction, manufacturing or instruction defect unless there was no inherent connection between the several same causes, or
- from the supply of such **Products**, containing the same defects

shall be deemed (irrespective of their actual occurrence) as one **Insured Event** and occurred at the point in time at which the first of such **Insured Events** occurred.

11. Self-Insured Retention / Deductible

With regard to each **Insured Event**, the **Insured** shall contribute with % of the insured costs, with a minimum of XXXX, maximum of XXXX. The **Deductible** specified in the **Current Schedule** is fully applicable to the coverage available under these **Special Conditions**.

12. Time Limitation

The insurance cover provided under these **Special Conditions** shall extend to those **Insured Events** which occur during the **Period of Insurance**, but only within a period of X years after delivery of the **Products**.

This does not apply to products delivered prior to **【Date】** by the **Policy Holder** or in name of the **Policy Holder**. It is agreed by the **Policy Holder**, that if there is knowledge by the **Policy Holder** or any **Additional Insured** and/or their representatives of faulty/defective products delivered prior to inception date, any claim or loss subsequently emanating therefrom shall be excluded from coverage under this **Policy**.

13. Territorial Scope

The **Insurance** provided under these **Special Conditions** shall also cover **Insured Events** occurring abroad arising out of **Products** supplied abroad by the **Insured** or any third party assigned by the **Insured**, or due to the **Products**, which have reached a foreign country without the **Insured** or any assigned third party having delivered them.

14. Acquisition of Companies

The **Insurance** provided under these **Special Conditions** does not provide automatic coverage for any companies acquired by the **Insured** after the inception date of the **Policy** set forth in the **Current Schedule** or the **Policy Holder's** application of this **Policy**.

The insurance of an acquired company always is subject to a special agreement reached with the **Company**.

15. Applicable Law/Jurisdiction

It is agreed that should any dispute arise concerning these **Special Conditions**, the dispute will be determined in accordance with the laws of the People's Republic of China.

In relation to any such dispute, the **Company** and the **Insured** shall use their best efforts to reach amicable settlement through negotiation. In case of failure to reach a settlement through negotiation within [] days after either the **Company** or the **Insured** notifies the other party to initiate the negotiation, the dispute shall be submitted to the arbitration authority stated in the **Current Schedule** for arbitration. If there is no arbitration authority agreed in the **Current Schedule** and no arbitration agreement is reached after the dispute arises, the dispute shall be submitted to the people's court of the PRC for litigation.

16. Extension of statutory warranty period

The **Company** shall not object if the **Insured**, before the **Occurrence** of an insured event, has conceded to its customer(s), contrary to the statutory warranty period, a period of X years after delivery, rendering of services or completion of works or after takeover of facilities.

Subject otherwise to the terms, conditions and exclusions of the **Policy**.