

ARAG Lease

Legal Expenses Insurance for owners of residences and/or premises for lease

This insurance contract is governed by that agreed in these General Conditions and in the Specific Conditions of the policy, pursuant to the provisions of Spanish Law 50/1980, of 8 October, on the Insurance Contract, and of Spanish Law 6/2004, of 29 November, approving the rewritten text of the Law of Arrangement and Supervision of Private Insurance.

Definitions of interest

Insurer.

ARAG S.E., Sucursal en España.

Insurance policyholder.

The person or legal entity that signs this contract with the Insurer, with the obligations and rights deriving therefrom.

Insured.

The person or legal entity in whose name the insured interest is subscribed, as lessor of one or more residences or premises.

Beneficiary.

The person or legal entity to whom the right of compensation pertains, by express transfer and assignment of the Insured, that, when applicable, will be registered in the Specific Conditions of the policy.

Policy

The contractual document containing the conditions governing the insurance policy, formed by these General Conditions, by the Specific Conditions that itemise the risk and by the additions or appendices issued as addenda or modifications to the contract.

Premium

The price of the insurance.

Limit of expenses or sum insured.

The amount established in each cover of the policy, which constitutes the maximum limit the Insurer must pay in the event of claim. In Legal Expenses cover, in the event that several provisions are applicable to a single claim event, the amount established as

a limit in each will also be the maximum limit of expenses for the provisions as a whole. For cover of Non-payment of Rents and Acts of Vandalism to the Property Structure, the amounts established in each of said guarantees will be cumulative up to their respective limits.

New value.

This is the new market purchase value of the goods covered by the policy, at the time the claim event occurs.

Value of the goods covered by the policy.

This is the New Value of said goods at the time of the claim event.

Proportional rule.

If at the time of the occurrence of the claim event, the Insured Sum is less than the value of the Goods Covered by the Policy, the Insured will assume both payment thereof him or herself and, in the same resulting proportions, the economic consequences of the claim event.

Excess.

The amount that is deducted from the compensation to be paid by the Insurer, when expressly established in the policy, as a contribution by the Insured.

Automatic Annual Revaluation.

In each annual extension of the contract, the Limit of Expenses or the Insured Sum will be increased by the same proportion as that indicated in the Consumer Price Index published by the Spanish Institute of Statistics. Annual revaluation will not be applicable to the limits of compensation, the limits of percentage coverage, excesses, the minimum claim event, or to the maximum limit of 12 months' rent for residences or 6 months' rent for premises in cover for the Non-payment of Rents.

Landlord.

The person or legal entity that transfers, by contract to another party, the right to use a residence or premises, in accordance with an agreed time and price. Tenant or lessee.

The person or legal entity to whom the right to use the residence or premises of a third party is transferred, in exchange for the payment of rent.

Rent.

Regular income yielded by a leased property, including all the items that appear on the receipt.

Eviction proceedings.

Legal proceedings aimed at ensuring the eviction from a residence or premises by the occupant or holder thereof.

Insured residence.

Residence leased by virtue of L.A.U. (Urban Leases Act) and destined to be the regular home of the tenant and his or her family.

Insured premises.

Business premises leased by virtue of the L.A.U (Urban Leases Act) and destined by the lessee exclusively for commercial use or as an office.

Structure of the Residence or Premises.

The building assigned for use as a residence or premises, including the foundations, structures, exterior and interior walls, roofs, ceilings, floors, doors and windows; including the following fixed installations: water, gas, electricity and heating.

The following elements incorporated on a fixed basis in the insured residence or premises: sunshades, Persian blinds, railings and sanitary ware.

The following buildings and constructions located on the same estate, which are the private property of the Insured: junk rooms, garage, basements, outside walls, perimeter fences, and supporting walls, provided that these are leased to the tenant or lessee of the residence or premises covered by the insurance.

Structural deterioration of property.

Damages, destruction and alterations caused to the structure of the residence or premises, as defined above.

Theft from the structure.

The illegal theft or appropriation of the goods that form the structure insured and defined above, against the will of the Insured and by means of acts that involve force or violence to things, and the material damages caused to the structure as a result of theft or the attempt thereat.

General Conditions

1. Who is insured by this policy?

The landlord, by contract governed by the current Urban Leases Act, of one or more residences or business premises, of which he or she is the legitimate owner or usufructuary and that are detailed in the Specific Conditions of this policy.

2. What is the object of this insurance?

The purpose of this ARAG policy is to cover the LANDLORD for the LEGAL DEFENCE of his or her rights and interests with regard to the insured RESIDENCE or PREMISES and to compensate the expenses and economic damages arising from non-payment of rent by the tenant or lessee, and the material damages that the latter may cause to the structure of the residence or premises, by means of the following compulsory cover:

1. Expenses and claims regarding the leasehold contract

ARAG covers the defence or pursuit of the rights of the Insured, in court, in disputes directly associated with the leasehold contract effective for the residences or premises described in the policy and governed by the Urban Leases Act. Eviction proceedings for non-payment or for construction without consent when the Insured is the plaintiff are likewise covered. The claim of non-paid rents is also covered, provided that the debtor has not been declared insolvent by legal ruling.

Legal proceedings that amount to under 300.00 euros are not covered in any event.

2. Defence of other policies

ARAG covers the defence and pursuit of the interests of the Insured, both in and out of court, in the event of breach of contract by other private Insurers and by the Spanish Insurance Compensation Consortium (Consortio de Compensación de Seguros), in order to exert the rights which in general derive from the insurance policies in effect during the term of this contract, which have been taken out or of which it is beneficiary with regard to the residence or premises designated in this policy. The breach of contract covered occurs not only because of the express action of the Insurer, but also through tacit failure in its obligation to repair the damage or compensate its value, within a maximum period of three months from the occurrence of the claim event. In the latter case, ARAG also covers the recovery of the damages, following documentary evidence supplied by the Insured that he or she had declared the claim event within the time period and had formulated the claim in the correct manner but without satisfactory result.

This cover includes the payment of fees for opposing expert reports envisaged in such insurance policies, insofar as they are the responsibility of the Insured.

3. Criminal liability expenses.

ARAG covers the criminal liability expenses of the Insured, as landlord of the residence or premises detailed in the contract.

Acts by the Insured if they are found to have been deliberate or involving fraud or gross negligence according to any final legal ruling are excluded.

4. Claim for damages of a non-contractual origin

ARAG covers claim against identifiable responsible third party, both in and out of court, for damages caused to the residence or the premises designated in the policy and to property items located within the property of the Insured, including those caused intentionally, provided that they are not the result of breach of a specific contractual relation between the Insured and the party responsible for the damage, without prejudice to covers 2.1, 2.2 and 2.5.

5. Claim in service contracts for the repair or maintenance of installations

ARAG covers claim for breach of service contracts for the repair or maintenance of the installations of the residence or premises, both in and out of court, when payment of said services is fully payable by the Insured and has been settled thereby.

6. Defence of rights relating to the residence or premises.

ARAG covers the defence of the rights of the Insured, as landlord or usufructuary of the residence or premises detailed in the policy. This cover includes:

- Claim against his or her neighbours, situated no further than 100 metres away, for violations of legal regulations governing discharges of smoke or gas, health, persistent noise and disturbances, harmful or dangerous activities.
- The defence and pursuit of his or her interests in disputes with neighbours situated no further than 100 metres away, in matters concerning rights of way, lights, views, distances, property lines and common walls.
- The defence and pursuit of his or her interests in disputes with the owners' association of the property in which the residence or premises are located, provided he or she is up-to-date with the payment of the legally agreed instalments.
- His or her defence in criminal liability proceedings against him or her as a member of the joint owners committee of the building.

All acts by the Insured are excluded from all the cover of this article if they are found to have been deliberate or involving fraud or gross negligence on his part, according to any final legal ruling.

7. Legal helpline.

ARAG will offer the Insured a lawyer to inform him or her by telephone, in prevention of any litigation, about the scope of the rights pertaining to him or her in general as landlord, and about how they may best be defended.

This legal information will be furnished through the telephone number provided to the Insured to this effect.

8. Non-payment of rent.

ARAG will assume non-payment of rent by the tenant or lessee for up to 100% of the Insured Sum to a maximum limit of 12 months' rent for residences or 6 months' for premises that are leased and included in this policy.

Excess: The Insured will pay the first month of unpaid rent for residences and the first two months of unpaid rent for premises, while any surplus on this excess will be paid by the Insurer, up to the limits covered.

Payment of cover: The Insurer will pay the Insured the total amount of the unpaid rents due, upon deduction of the time of the excess payable by the latter and up to the limits covered, upon unappealable judgement or any other definitive judicial resolution in the eviction proceedings brought against the tenant or lessee in arrears.

In the event that this initial payment does not include the total 12 months' rent covered for residences or 6 months' for premises, the Insurer will make a second payment to the Insured for the remaining months of rent until the total cover is complete, at the end of the maximum insured period for unpaid rents, if the landlord has not previously effectively recovered his or her residence or premises.

Provided that the landlord has initiated proceedings to evict the tenant or lessee for the non-payment of rent within the subsequent 3 months at the most from the outset of non-payment, the Policyholder or the Insured may ask the Insurer to advance the total amount for the unpaid rents yielded and that exceed the excess.

After this initial advance, ARAG will continue to advance the amount of the unpaid rents that are yielded, on a monthly basis and up to the maximum limit of the monthly payments of rent covered.

The amounts that the Policyholder or Insured receive, will be considered an advance against compensation and will be settled at the time of the ruling, whereupon the Policyholder or Insured agrees to refund the respective amounts should the tenant or lessee settle the unpaid rents, or part thereof, or if for any circumstance the rulings do not favour the lessor.

The Insured, having received payment for unpaid rents from the Insurer, must provide the Insurer with all the collaboration necessary to recover this amount from the debtor.

Start of provision: This cover will become effective when the Insurer receives the declaration of non-payment issued by the Policyholder or Insured, provided that the first non-payment of monthly rent has occurred within the period that this policy is applicable.

End of provision: Payment of the provision covered will end from the month in which the tenant or lessee settles the rents pending or resumes payment thereof, or when the Insured effectively recovers the use of his or her residence or premises.

Reimbursement: The Insured must reimburse the Insurer the months' payments of rent received by virtue of this cover, if he or she is also paid subsequently by the tenant or lessee who owed them, whether amicably or as a result of legal proceedings.

Specific exclusions: Cover for non-payment of rents is expressly excluded when said non-payment is:

- a) Legitimated by ruling of a legal authority.
- b) Consecutive to agreements of a general nature adopted by an assembly or body that represents the tenants or lessees.
- c) The result of a fire, explosion, damage caused by water, theft or any damage that affects the solidity of the property.
- d) The result of a dispute between the landlord and the lessee dating from before the policy took effect.

9. Acts of vandalism to the property structure

ARAG will assume up to 100% of the Insured Sum, at New Value, and on the provision that there exists a claim compensated from cover for the non-payment of rent, for deterioration of the properties and/or theft from the structure of the insured residence or premises, caused by the tenant or lessee as a result of acts of vandalism or malicious intent that are registered after his or her eviction or departure from the residence or premises, upon comparison of the condition thereof with that in which they were found when the tenant or lessee signed the leasehold contract.

Excess: An excess payable by the Insured of 300.00 euros per claim event is established in this cover. The Insurer must pay the surplus over and above said excess, up to the guaranteed limit.

Specific exclusions: The following is expressly excluded from the cover for deterioration of the insured goods:

- a) Its use and gradual wear.
- b) Inherent defect.
- c) Construction defect.
- d) Defective conservation.
- e) Damages and costs of any nature caused by graffiti, scraping, scratching, scrawling, rasping, inscribing, sticking of bills and similar acts.
- f) Work normally required to maintain the goods in use is also excluded.
- g) Breakage of windows, mirrors and panes.

Those goods that are not specifically detailed in the definition of the structure are not considered as the structure.

3. What does the insurance cover?

ARAG will assume the provisions covered and the legal expenses caused as a result of the intervention of the Insured in a legal, administrative or arbitrational procedure, will provide him or her with legal assistance in and out of court deriving from the insurance cover, within the limits and up to the maximum figure contracted for each claim, as determined in these General Conditions and in the Specific Conditions of the policy.

Any events with the same cause shall, for the purposes of the insurance policy, be considered a single claim.

Non-payment of rents covered and caused by the same tenant or lessee, albeit occurring on different dates, for the purposes of the policy will be considered to be a single claim event.

All damages caused by acts of vandalism to the structures covered, attributable to the same tenant or lessee, will also be considered to be a single claim event, regardless of whether they have been caused on different dates.

The Insurer shall be obliged to pay for the service, unless the claim event has arisen on account of dishonesty on the part of the Insured.

For cover requiring the payment of a cash sum, the Insurer is obliged to honour compensation at the conclusion of the investigations and surveys necessary to establish the existence of the claim event. In all events, the Insurer shall pay, within 40 days from receipt of the declaration of the claim event, the minimum amount of what it may owe, according to the circumstances with which it is acquainted. If within a period of three months from the occurrence of the claim event, the Insurer has not produced such compensation, without justifying the reason or for reasons attributable to it, the compensation shall increase by a percentage equivalent to the legal interest on the money at that time, plus 50%.

4. What costs do the legal expenses cover?

ARAG covers the following expenses:

1. The legal fees, duties and costs deriving from conducting the procedures covered.
2. Lawyer's fees and expenses.
3. The fees and advance payments for a barrister, when such intervention becomes mandatory.
4. Notary fees and the costs of granting powers for lawsuits, as well as the documents, summonses and other acts necessary for the defence of the Insured's interests.
5. The fees and expenses of necessary experts.

Likewise, in criminal proceedings covered by the policy, the payment of any bond required by the Insured to:

1. Secure his or her temporary release.
2. Pay for court costs, excluding compensation and fines.

5. What payments do the legal expenses not cover?

The policy does not cover:

1. Compensation and interest arising from it and the fines or penalties that may be imposed on the Insured.
2. Taxes or other payments of a fiscal nature deriving from the presentation of public or private deeds before official bodies.
3. Expenses arising from joinder of legal actions or counterclaims, when they refer to matters not included in the insured cover.

6. How is the insurance formalised and what information on the risk is needed?

The data provided by the Policyholder on the insurance application constitutes the basis of this contract.

If the contents of this policy differ from the application for this insurance or from the agreed clauses, the Policyholder may demand from the Insurer, within a period of one month with effect from the delivery of the policy, that the discrepancy be rectified. At the end of this period if a demand has not been made, the provisions of the policy shall prevail.

The Policyholder is under the obligation to declare to ARAG, before signing the contract, and according to the questionnaire duly submitted to him or her, all the circumstances known by him or her that may affect the risk assessment. He or she shall be discharged from this obligation if the Insurer does not send the questionnaire or if it is sent without including mention of the circumstances that may affect the risk assessment.

The Insurer may cancel the contract within one month, starting from the time it becomes aware of withheld or false information in the declaration by the Policyholder.

While the contract is valid, the Policyholder must inform ARAG, as soon as possible, of all circumstances aggravating the risk and of such a nature that ARAG, had it been aware thereof when entering into the contract, would not have subscribed to it or would have done so under more onerous conditions.

If the risk has become more serious, ARAG may, within the period of two months, propose a modification to the contract or cancel it within a period of one month.

In the event that the Policyholder has not declared the real risk or its seriousness and a claim events occurs, for the defence and pursuit of leasehold contract article 2.1 and for acts of vandalism to the structure of article 2.9, the corresponding EQUITY RULE will be applied, and thus payment of the costs covered will be reduced in proportion to the difference between the premium agreed and that which would have been applied had the true extent of the risk been known. In the event of bad faith by the Policyholder, the Insurer will not be obliged to pay the provision.

If a reduction in the risk occurs, the Policyholder is entitled to a corresponding reduction in the cost of the premium from the forthcoming annual instalment.

7. When are the premiums paid?

The Insurance Policyholder shall be obliged to pay the premium on perfection of the contract. Subsequent premiums must be settled when they fall due. Unless otherwise agreed, the premium payment shall be made at the place of residence of the Policyholder.

If the first premium is not paid, the cover shall not become effective and the Insurer may cancel the contract or demand payment thereof. Failure to pay subsequent annual premiums one month after their due date shall lead to the suspension of the cover under the policy. In all events, the cover shall take effect at midnight on the day on which the Policyholder pays the premium.

The Insurer may claim payment of the outstanding premium within a period of six months from its due date. After this period, if no such claim has been made, the policy shall be cancelled with effect from its due date.

8. What is meant by a claim?

A claim event is understood to be any unexpected act or event that is prejudicial to the interests of the Insured or that modifies his or her legal situation that occurs when the policy is effective and gives rise to compliance with the provisions covered.

9. When is a claim event considered to have arisen?

This depends on the case in question. Hence:

In the cover for Legal Expenses and in legal proceedings regarding contractual matters, the claim event will be considered to occur at the time when breach of the contractual regulations began or is claimed to have started. In criminal offences, the claim event shall be considered to have occurred at the time the punishable event has occurred or is claimed to have occurred. In claims for non-contractual negligence, the claim event shall be considered to have occurred at the time the damage was caused.

In the cover for Non-payment of Rents, the claim event will be understood to have occurred at the outset of non-payment of rent by the tenant or lessee.

In the cover for Acts of Vandalism to the Structure, the claim event will be understood to have occurred at the moment the Insured recovers the use of his or her premises and record is made of the existence of damages caused to the property structure by the tenant or lessee.

10. Is there a waiting period?

A waiting period is defined as: the time, subsequent to the date upon which the policy becomes effective, during which a claim event, if it occurs, is not covered.

In the cover for Legal Expenses of this policy and for contractual events, there is an excess period of three months starting from the date the policy becomes effective, except for cases of claim for non-payment of rents in which there will be no excess.

Neither shall the waiting period be applied either when the policy is issued to replace another previous ARAG policy that would have covered the claim.

11. Is there a minimum claim amount?

A minimum claim amount is also defined as: the amount subject to litigation under which the provision of cover is not guaranteed.

In the cover for Legal Expenses of this policy and in cases of legal claim for damages, in the absence of any other express stipulation, the minimum claim amount is 150.00 euros per claim event.

12. Which claim events are not covered?

Regardless of the specific exclusions of each cover, this policy does not cover claim events arising from:

1. Acts by the Insured if they are found to have been deliberate or involving fraud or gross negligence according to any final legal ruling.
2. Civil or international war, whether or not it has been officially declared, invasion, military action, sedition, revolt or public disorders, terrorist acts for political and social ends, strikes, lockouts, riots and terrorism.
3. Volcanic eruption, earthquakes, tremor, build-ups of earth, collapse, detachment or sliding of earth, hurricane, downpour, tide, swell, flood, contamination, pollution or corrosion, landslides or shifts.
4. Nuclear reaction or radiation, genetic alterations, radioactive contamination, whatever the cause, and losses in value or utility as a result thereof, and the costs of decontamination, search for or recovery of radioactive isotopes of any nature and application, as a result of a claim event covered by the policy.

5. The planning, construction, transformation or demolition of the property or installations to which the risk applies, and those originated by quarries, mining operations and manufacturing facilities.
6. Legal proceedings regarding town planning, concentration of holdings and expropriation.
7. Events that are declared after two years have passed from the date of cancellation or extinguishment of this contract and events the origin or initial manifestation of which occurred before the policy became effective.
8. The following leasehold agreements:
 - a) Industrial sites or premises assigned to industrial use.
 - b) Rural leaseholds
 - c) Seasonal leaseholds.
 - d) Second homes.
 - e) Residences that lack the legal conditions of habitability.
 - f) Sublease of residence.
 - g) Those involving transfer or cession of the premises and exclusively for the purposes of covers 2.8 and 2.9, the claim events arising from the following are not covered:
9. Events for which the Insurance Compensation Consortium is responsible for cover, even though said Body does not accept the effectiveness of the right of the Insured on account of breach of one of the rules established in the Regulations and provisions applicable on the date of occurrence of the claim event.
10. Events classified by the Government as a “national catastrophe or disaster”.
11. Possible differences between the damages produced and the amounts compensated by the Insurance Compensation Consortium.
12. The indirect damages and losses of any kind resulting from the claim event.
13. Removal or furniture storage expenses.

13. When and how should a claim event be declared?

The Policyholder or the Insured must notify ARAG of the occurrence of a claim event within a maximum period of seven days from its discovery. For non-payment of rents, the declaration period is extended to a maximum of 45 days from the date of the outset of non-payment.

Failure to comply with this will mean that the Insurer may claim any losses and damages caused by the absence of this declaration. This effect shall not apply if it is proven that the Insurer became aware of the claim event by other means.

The Policyholder or the Insured must use the means available to them to reduce the consequences of the claim event. In the event of non-compliance, the Insurer will be entitled to reduce its provisions by the appropriate proportion, with consideration for the significance of the damages arising from said non-compliance and the extent to which the Insured is responsible.

If the risks guaranteed by this contract are covered by another policy, the Policyholder or Insured must notify the Insurer thereof upon declaring the claim event.

The Policyholder or the Insured must also give the Insurer full information on the circumstances and consequences of the claim event.

In the event of breach of this obligation, loss of entitlement to compensation shall only occur in cases of fraud or gross negligence.

14. How is a claim processed?

Once the claim has been declared and accepted, ARAG shall provide cover and assume payment of all relevant costs, in accordance with the nature and circumstances of the claim.

In the period of five days subsequent to notification of the claim event, the Insured must provide the Insurer with a written list of the damaged goods and an estimate of the material damages suffered.

In order to adopt those measures that are reasonable with a view to reducing the consequences of the claim event, the Insurer is granted the right of access to the properties in which the claim event has occurred.

The Insurer must report, as soon as possible, in the place of the claim event, through the person it assigns to perform the necessary operations of checking the causes and way in which the claim event occurred, declarations formulated and contained in the policy or the declaration of the claim event and of the losses suffered by the goods covered in the policy.

The Insured may not totally or partially abandon the goods covered in the policy, which will remain his or her responsibility and risk, including those remaining after the claim event, not only intact but also deteriorated, and the remains thereof, and ensure that there is no further destruction, deterioration or disappearance payment for which, should it occur, will be assumed by the Insured.

The Insurer must pay the cover guaranteed at the end of the investigations and surveys necessary to establish the existence of the claim event, and advance payment of the minimum amount within the forty days following the declaration.

If there is no agreement regarding the amount and method of compensation within the forty days after reception of the declaration of the claim event, both parties will be subject to the arbitration of surveyors as envisaged by law, the decision of which may be contested within the period of thirty days by the Insurer and one hundred and eight days by the Insured.

The Insurer will be understood to have defaulted when it has not settled its provision within the period of three months from the occurrence of the claim event or has not paid the minimum amount of what it may owe within forty days of reception of the claim event.

Compensation for default will be officially enforced by the judicial body and will involve payment of annual interest equal to the legal monetary interest rate valid at the time at which it is yielded, and increased by 50%; these interests will be considered on a daily basis and need not be judicially claimed. However, if two years have passed from the occurrence of the claim event, the annual interest may not be lower than 20%.

In compliance with the cover for Legal Expenses contracted in the policy, wherever possible the Insurer shall arrange an out-of-court compromise agreement that acknowledges the demands or rights of the Insured. These out-of-court claims shall correspond exclusively to the Insurer.

Should an out-of-court claim process not produce a positive result which is acceptable to the Insured according to the express cover contracted and provided the interested party requests this and his claim is well founded, court proceedings shall ensue in one of the following two ways:

A) As of the time at which the Insured is involved in any legal, administrative or arbitrational proceedings, he may exercise his right to freely choose the professionals to represent and defend him in the corresponding lawsuit, agreeing with them the circumstances of their professional intervention and keeping the Insurer duly apprised.

B) Should the Insured not exercise his right to freely choose these professionals and should the proceedings require their intervention, ARAG shall appoint them on his behalf, but with the consent of the Insured.

ARAG shall pay all duly evidenced costs and fees arising from the provision of the contracted Legal Expenses cover, up to the quantified limit established in the Specific Conditions of the policy and subject, in all events, to the limits established in article 17 for the payment of professional fees.

In the cover envisaged in articles 2.1 and 2.9, when the circumstances of the risk are different from those known by the Insurer, payment of the expenses covered will be reduced in accordance with the equity rule established in article 6, provided that the difference between the real amount of the rent of the insured residence or premises and that registered in the policy or on the receipt for the last instalment is more than 10%.

No member of ARAG's staff responsible for the management of Legal Defence claims shall conduct similar activities in other businesses or in other organisations operating in non-Life branches.

15. What to do in the event of disagreement on procedure

When the Insurer feels that, because there are no reasonable chances of success, a lawsuit or appeal should not be instigated or pursued, it must notify the Insured.

In the event of disagreement thereupon, the parties may seek the services of arbitration provided for in section 21 of these General Conditions.

Within the limits of the agreed cover, the Insured shall be entitled to the refund of expenses incurred in the lawsuits and appeals pursued against the opinion of the Insurer, or even of the arbitration when he or she has managed to obtain a more positive result on his or her own account.

16. How is a lawyer or barrister chosen?

The Insured shall be entitled to his free choice of barrister and lawyer to represent him and defend him as of the time at which he is involved in any type of legal, administrative or arbitration proceedings covered by the insurance policy.

Before such appointment, the Insured shall notify ARAG of the names of the selected lawyer and barrister. The Insurer may justifiably reject the named professional, and should the disagreement continue, it shall itself be subject to the arbitration procedure foreseen in section 21.

If the lawyer or barrister chosen by the Insured does not live within the jurisdiction in which the proceedings are to take place, the fees and expenses for travel included by the professional on his fee note shall be assumed by the Insured.

The lawyer and barrister appointed by the Insured shall enjoy the greatest freedom in the technical direction of the case before them, and will in no event be subject to the instructions of the Insurer, who is neither responsible for the actions of such professionals nor for the result of the case or proceeding.

When a lawyer or barrister must urgently intervene before the claim event is notified, ARAG shall also pay the fees and expenses arising from their involvement.

If there is a conflict of interests between the contractual parties, ARAG shall immediately inform the Insured thereof so that the latter may decide whether to appoint a lawyer and barrister

whom he or she would prefer to defend his or her interests, in accordance with the freedom of choice recognised in this section.

17. What is the limit for payment of professional fees?

Without prejudice to the quantitative limit of the Legal Expenses cover of the policy established in Article 3 of these General Conditions and expressly in the Specific Conditions of the contract, ARAG shall meet the fees of the lawyer acting in defence of the Insured, subject to the rules established to this end by the Spanish Bar Association, and in the absence of such rules, the provisions given by the respective professional organisations shall prevail. The guideline rules on fees shall be taken as the maximum limit of the Insurer's obligation. Any discrepancies on the interpretation of such rules shall be submitted to the competent committee of the relevant Bar Association.

In the event of the claim being processed in accordance with that established in section A) of article 14, ARAG shall refund the Insured for the fees charged by the professional he or she has freely chosen, up to the limit set in the Specific Conditions of this policy and subject to the Bar Association guidelines mentioned in the above paragraph with regards to lawyers' fees.

If, at the choice of the Insured, more than one lawyer should intervene in the claim, the Insurer shall pay a maximum of the fees equivalent to the intervention of just one of them, for the whole defence of the interests of the Insured, and always subject to the above-mentioned fee guidelines.

Where the professional has been appointed by the Insurer in agreement with the Insured, according to the provisions of section 14, paragraph B) of these General Conditions, ARAG shall be responsible for the fees arising from the lawyer's intervention, paying them directly to the professional, with no charges payable by the Insured.

The charges of the barrister, when his or her involvement is necessary, shall be paid according to the official tariff or scale.

18. Can the Insured accept compromise settlements?

The Insured may accept compromise settlements for the case in hand, but if this yields obligations or payments payable by the Insurer, both must always act by prior mutual agreement.

19. What is the territorial scope of the insurance?

The contracted cover shall apply for claim events occurring within Spanish territory and be subject to Spanish Law and the Spanish Courts.

20. What is the duration of the insurance?

The insurance shall enter into effect on the day and at the time indicated in the Specific Conditions of the policy, provided that the corresponding premium has been paid, and shall end at the same time on the day on which the stipulated period is completed.

Upon its expiry, the insurance shall be deemed extended for a new period of one year and so on successively. The parties may nevertheless oppose extension of the contract by means of written notification to the other party, issued two months in advance of the expiry of the policy.

21. How are possible disputes between the parties resolved?

The Insured shall be entitled to submit to arbitration any difference that may arise between him and the Insurer on this insurance contract.

Arbitrators may not be appointed before an issue is disputed.

If any of the parties should decide to bring suit before the jurisdictional authorities, he or she must approach the judge in the place of residence of the Insured, the only competent authority for the purposes of the law. Should the Insured reside abroad, he or she will have to nominate a domicile in Spain.

22. Is subrogation possible?

ARAG is automatically subrogated in the rights and actions corresponding to the Insured or to his or her legal heirs against third parties as a result of the event that caused the provision covered, to try to recover the amount of the payments made.

In the event that the Insured should have covered total or partial payment of the rents owed to him or her by means of a bank guarantee established or included as an appendix to the leasehold contract, he or she agrees to execute said guarantee with a view to recovering the rents due in order to repay them to the Insurer, whenever the latter has paid these in advance in accordance with the cover of this policy and up to the limit paid.

23. How do the parties communicate with each other?

Communications to ARAG are to be sent to the insurer's address, branch or an ARAG-authorized broker.

Communications to the Policyholder or the Insured should be sent to the home address that appears on the policy. The Policyholder must provide notification of any change of address.

24. When do the actions deriving from the insurance become legally unenforceable?

The measures arising from this insurance contract expire in a period of two years, with effect from the moment in which the exercising thereof became possible.

25. Annual revaluation.

1. It is established that the sums insured will be subject to automatic revaluation upon expiry of each annual insurance payment, in accordance with the variations in the Consumer Price Index published by the Spanish National Institute of Statistics.

2. The initial Base Index, which appears in the Specific Conditions, is the most recent to have been published by the Spanish National Institute of Statistics at the time of issue of the policy.

3. The Maturity Index will refer to the most recently published index by said body prior to the date of each annual extension of contract and will, in turn, become the Base Index for the following extension.

4. The Insured Sums for the new annual insurance period will be the result of multiplying those sums from the insurance period that is ending by the factor yielded by dividing the Maturity Index by the Base Index.

5. Annual revaluation will not be applicable to the limits of compensation, the limits of percentage coverage, excesses, the minimum claim amount, or to the maximum limit of 12 months' rent for residences or 6 months' rent for premises in cover for the Non-payment of Rents.
6. Revaluation of the Insured Sums will yield a respective adjustment to Premiums.

26. Compensation clause by the Spanish Insurance Compensation Consortium of the losses arising from exceptional events occurring in Spain in insurance for damages to goods:

In accordance with that established in the rewritten text of the legal statute of the Spanish Insurance Compensation Consortium, approved by Legislative Royal Decree 7/2004, of 29 October, and amended by Law 12/2006, of 16 May, the subscriber to an insurance contract of the type that must on a compulsorily basis incorporate a surcharge in favour of said public business entity, is authorised to agree the cover of extraordinary risks with any insurance entity that meets the conditions required in applicable legislation.

Compensation arising from claim events produced by extraordinary events occurring in Spain that affect risks therein will be paid by the Spanish Insurance Compensation Consortium when the Policyholder has paid the corresponding surcharges in its favour and any of the following situations has occurred:

- a) The extraordinary risk covered by the Spanish Insurance Compensation Consortium is not covered by the insurance policy contracted with the insuring entity.
- b) When, albeit covered by said insurance policy, the obligations of the insuring entity could not be met as it had been declared legally bankrupt or because it is subject to liquidation proceedings involving or brought by the Spanish Insurance Compensation Consortium.

The Spanish Insurance Compensation Consortium will act in accordance with that envisaged in said Legal Statute, in Law 50/1980, of 8 October, regarding Insurance Contracts, in the Regulations on the insurance of extraordinary risks, approved by Royal Decree 300/2004, of 20 February, and in the complementary provisions.

Summary of legal regulations

1. Extraordinary events covered

- a) The following natural phenomena: earthquakes and seaquakes, extraordinary floods (including sea storms), volcanic eruptions, atypical cyclonic storm (including exceptional winds with gusts of over 135 kph and tornadoes) and meteorite showers.
- b) Those caused violently as a result of terrorism, rebellion, uprising, riot and popular revolt.
- c) Acts or interventions by the Armed Forces or Security Forces in times of peace.

2. Risks excluded

- a) Those that do not give entitlement to compensation in accordance with the Spanish Insurance Contract Act.
- b) Those occurring to goods insured by insurance contract different from those for which the surcharge in favour of the Spanish Insurance Compensation Consortium is compulsory.

- c) Those arising from flaw or defect inherent in the insured item, or from its evident lack of maintenance.
- d) Those produced by armed conflicts, even if there has been no prior official declaration of war.
- e) Those derived from nuclear energy, without prejudice to that established in Law 25/1964, of 29 April, on nuclear energy. Notwithstanding the above, all direct damages arising in an insured nuclear facility, when they are the result of an extraordinary event that affects the facility itself, will be considered as included.
- f) Those due to the mere action of the weather, and in the case of permanently totally or partially submerged goods, those attributable to the mere action of ordinary waves or currents.
- g) Those produced by natural phenomena different from those indicated in article 1 of the Regulations of the policy for extraordinary risks and, in particular, those produced by a rise in the phreatic level, movement of hillsides, sliding or build-up of land, detachment of rocks or similar phenomena, unless these are manifestly caused by the action of rainwater that, in turn, has prompted a situation of extraordinary flooding in the zone and occurred simultaneously to said flooding.
- h) Those caused by disorders occurring in the course of meetings and demonstrations undertaken in accordance with that envisaged in Constitutional law 9/1983, of 15 July, governing the right of assembly, and during legal strikes, unless said actions may be classified as extraordinary events in accordance with article 1 of the Regulation on the insurance of extraordinary risks.
- i) Those caused by bad faith of the insured.
- j) Those arising from claim events that have occurred in the waiting period established in article 8 of the Regulation on the insurance of extraordinary risks.
- k) Those corresponding to claim events occurring prior to the payment of the first premium or when, in accordance with that established in the Spanish Insurance Contract Act, coverage by the Spanish Insurance Compensation Consortium has been suspended or the policy has been terminated because the premiums have not been paid.
- l) Those indirect risks or losses arising from direct or indirect damages, different from the loss of profit defined in the Regulation on the insurance of extraordinary risks. In particular, this policy does not cover damages or losses suffered as a result of cut or alteration in the outdoor supply of electrical energy, combustible gases, fuel-oil, diesel, or other fluids, or any other indirect damages or losses different from those mentioned in the above paragraph, even if these alterations are the result of a cause included in the cover of extraordinary risks.
- m) Claim events that because of their scale and seriousness have been classified by the National Government as a “national catastrophe or disaster”.

3. Excess

For direct damages (except for automobiles and residences and their associations), the excess to be paid by the insured will be 7 percent of the amount of the damages that may be compensated produced by the claim event.

In cover for loss of profit, the excess payable by the insured will be that envisaged in the policy for loss of profit in ordinary claim events.

4. Extension of coverage

Coverage of extraordinary risks will include the same insured goods and sums that have been established in the policy for the purposes of ordinary risks. However, in policies that cover own

damages to motor vehicles, the Consortium covers the whole insurable interest even if the policy only partially covers it.

5. Procedure to follow in the event of claim event that may be compensated by the Spanish Insurance Compensation Consortium:

In the event of claim, the insured, policyholder, beneficiary or his or her respective legal representatives, either directly or through the insuring entity of the insurance broker, must report the occurrence of the claim event within seven days' knowledge thereof, to the corresponding regional branch of the Consortium, in accordance with the place the claim event took place.

Notification must be sent on the form established to this end, which is available at the website of the Consortium (www.conorseguros.es), or at its offices or those of the insurance entity, to which documentation required in accordance with the nature of the damages must be attached. Remains and vestiges of the claim event must likewise be kept for the surveyor's report and, if this is completely impossible, documentary evidence of the damages, such as photographs, notary's documents, videos or official certificates, must be presented. Invoices corresponding to the damaged assets, the destruction of which could not be delayed, must also be kept.

Those measures that are necessary to reduce the damages must be adopted.

Losses derived from extraordinary events will be assessed by the Spanish Insurance Compensation Consortium, which will not be associated with valuations that, where applicable, may have been performed by the insuring entity that covers ordinary risks.

To clear up any enquiry that may arise with regard to the procedure to follow, the Spanish Insurance Compensation Consortium offers the Insured the following phone service : 902 222 665.

Online legal services

Through its website www.arag.es, ARAG provides the Insured with: the following digital legal services:

- a) Practical guides
- b) Interactive legal queries
- c) Legal document models
- d) Interactive legal contracts

The services corresponding to sections a) Practical guides and b) Legal queries are freely accessible and free of charge.

The services in sections c) Legal document models and d) Interactive legal contracts shall be free of charge for the first download, after which the Insured shall be offered a 50% discount on the price of the service indicated on the website.

To access these on-line legal services, the Insured must register on the ARAG website, indicating his policy number. The system will then identify him as a client and will offer said services free of charge or with the corresponding discount.

PREMIUM:



monthly rent amount	Total Annual Premium
300 euros	183,12 euros
450 euros	244,00 euros
500 euros	271,00 euros
600 euros	325,00 euros
750 euros	405,99 euros
900 euros	487,00 euros
1200 euros	649,01 euros
1500 euros	810,99 euros
1800 euros	973,00 euros