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**Ministry of Justice, Finland**

## **Insurance Contracts Act No. 543**

**June 28, 1994**

Effective from July 1, 1995

(amendments up to 426/2010 included)

### **Part I: General provisions**

#### **Section 1 (14.5.2010/426)**

##### *Scope of application*

This Act is applied to insurance other than statutory insurance.

Yet insurance policies written under the Motor Liability Insurance Act (279/59), the Patient Injuries Act (585/86) and the Environmental Impairment Liability Insurance Act (81/1998) are governed by this Act, unless otherwise provided in the three acts (82/1998).

This Act does not cover reinsurance.

#### **Section 2**

##### *Definitions*

For the purposes of this Act,

- 1) *insurance of the person* refers to insurance policies issued to insure natural persons;
- 2) *non-life insurance* refers to insurance policies which indemnify the insured against losses arising from property damage, losses sustained under liability for damages and other financial losses;
- 3) *the insurer* refers to the party that issues the insurance;
- 4) *the policyholder* refers to the party that has signed an insurance contract with the insurer; if the entitlement held under the contract is assigned to another party, the provisions applicable hereunder to the policyholder shall be applied to the assignee;
- 5) *the insured* refers to the party that is

covered by an insurance of the person or to the party that is covered by a non-life insurance policy; and  
6) *group insurance* refers to insurance policies which cover or may cover members of the group mentioned in the underlying contract (*group insurance contract*).

For the purposes of this Act, pension insurance is considered to fall under life insurance.

For the purposes of this Act, insurance policies offered to groups under arrangements where the premium or any part of it is payable by the insured (*self-funded group insurance*) are considered individual policies. (14.5.2010/426)

Notwithstanding the foregoing, group insurance is considered to include employee pension insurance contracts concluded by employers for their employees under schemes which ensure additional pension benefits not falling under the Employees' Pensions Act (395/61) (*optional pension insurance*), even if the employer charged part of the contribution to the employee.

The Employees' Pensions Act was repealed by Act No.396/2006. See Employee Pensions Act of 395/2006.

#### **Section 3 (14.5.2010/426)**

##### *Peremptory nature of the provisions*

Any terms or conditions of an insurance contract that deviate from the provisions of this Act to the detriment of an insured person or a person entitled to compensation or benefits

other than the policyholder shall be null and void.

Any terms or conditions of an insurance contract that deviate from the provisions of this Act to the detriment of the policyholder shall be null and void if the policyholder is a consumer or another natural person or legal person that in terms of the nature and scope of its business or other activities or other circumstances can be compared to a consumer as a party to the contract signed with the insurer. What is provided in this Subsection is not applied to group insurance contracts.

The provisions contained in Subsections 1 and 2 are not applied to credit and suretyship insurance, marine or cargo insurance taken out by businesses, or insurance taken out by businesses to insure aircraft.

#### **Section 4 (14.5.2010/426)**

##### *Provisions applied to group insurance*

Group insurance is governed by the provisions contained in Sections 1 to 4, 8, 15, 18, 20, 20a, 22 to 37, 44, 46, Subsection 3 of Section 47, Sections 48 to 51, 55, 56, 59 to 61 and 67 to 82. This notwithstanding, a group insurance contract covering merely a temporary visit to an agreed place or participation in operations that last for a maximum of one month is governed by the provisions contained in Sections 1 to 4, 8, 22 to 37, Subsection 3 of Section 47, Sections 55, 59 to 61, 69 to 75, 81 and 82 only.

#### **Section 4a (14.5.2010/426)**

##### *Provisions applied to capital redemption contracts*

Single-premium savings policies with no insured life (*capital redemption contract*) are governed by the provisions of Sections 1 to 3, 5, 6, 6a, 7 to 9, 12, 13, 13a, 51 and 52.

## **Part II: Information disclosed on insurance**

#### **Section 5 (14.5.2010/426)**

##### *Information disclosed prior to conclusion of contract*

Before an insurance contract is concluded, the insurer shall provide the applicant with any information that the applicant may need to assess his insurance requirement and select the insurance, such as details on the insurer's insurance products, insurance premiums and insurance terms and conditions. When giving such information, the insurer shall point out all major exclusions in the cover provided. Moreover, attention needs to be paid to circumstances important for the selection of any investments that may be linked to the insurance, taking particular account of the applicant's previous investment experience and investment targets.

No information need be given if the applicant does not want any information or if it turns out that the disclosure of such information would pose excessive inconvenience.

Moreover, in distance marketing of insurance policies, consumers are to be provided with prior information of the kind referred to in Part 6a of the Consumer Protection Act (38/1978) (30/2005).

#### **Section 6**

##### *Delivery of certain documents*

After the conclusion of an insurance contract, the insurer shall provide the policyholder, without undue delay, with a document which sets out the main content of the contract (*insurance policy*) as well as the terms and conditions governing the insurance. Notwithstanding this, distance marketing of insurance policies to consumers shall be governed by what is provided in Part 6a of Section 11 the Consumer Protection Act. (30/2005).

If the terms and conditions governing the insurance entitle the insurer to change the insurance premium or any other terms or conditions of an insurance of the person during the validity of the insurance policy (*insurance period*), such entitlement shall be recorded in the insurance policy.

#### **Section 6a (14.5.2010/426)**

##### *Information on reason for rejection*

If no insurance is granted to a consumer or another person comparable to a consumer as provided in Section 3 Subsection 2, the applicant shall be informed of the reason for the rejection of the application, unless the rejection was based on Section 26 of the Money Laundering Act (503/2008). The reason shall be given in writing. The reason for rejection shall be in compliance with law and good insurance practice.

#### **Section 7 (14.5.2010/426)**

##### *Information supplied during validity of insurance policy*

The insurer shall dispatch the policyholder a statement detailing the sum insured and any such other circumstances concerning the insurance as are of manifest importance to the policyholder once a year. Provisions on other details to be included in the annual statement are set forth in Sections 26 and 27. After the occurrence of an insured event, the insurer shall give necessary information to the party entitled to claim compensation or benefits from the insurer.

#### **Section 8**

##### *Information on legal remedies*

Any decision made on a claim or on another question relating to the insurance shall, unless deemed unnecessary in the circumstances, be accompanied by information on whether and how the case can be referred to court, the Consumer Disputes Board or another similar body.

#### **Section 9**

##### *Responsibility for incomplete or incorrect information*

If the insurer or its representative has failed to provide the necessary information or has given incorrect or misleading information to the policyholder when marketing the insurance, the insurance contract is considered to be in force to the effect understood by the policyholder on the basis of the information received.

Correspondingly, the provision contained in Subsection 1 also applies to situations where incomplete, incorrect or misleading information given on the insurance during its validity can be considered to have affected the policyholder's action. This does not, however, apply to information given by the insurer or its representative on compensation or benefits payable after the occurrence of an insured event.

#### **Section 9a (14.5.2010/426)**

##### *More detailed provisions and regulations*

More detailed provisions on the communication of information listed in Annex III of Directive 2002/83/EC of the European Parliament and of the Council concerning life assurance can be issued by a decree of the Ministry of Justice.

The Financial Supervisory Authority may issue regulations defining the methods of calculation and reporting of income and expenses on life insurance savings policies and pension policies.

#### **Part III: Validity of insurance contract and amendments thereto**

#### **Section 10**

##### *Criteria for issuance of insurance of the person*

The insurer may not reject an application for an insurance of the person on the grounds that an event to be insured against has occurred or that the health of the person to be insured has deteriorated after the delivery or dispatch of the application documents to the insurer. If the insurance premium or any other term or condition of the insurance is determined on the basis of the health of the insured, such determination shall be based on the person's health at the date of the delivery or dispatch to the insurer of the application documents.

#### **Section 11**

##### *Commencement of cover*

Unless individually agreed otherwise with the policyholder, cover commences when the insurer or the policyholder delivers or dispatches an acceptance of the offer made by the other party to the contract. (14.5.2010/426)

If the policyholder has delivered or dispatched a written application for insurance to the insurer and it is evident that the insurer would have accepted the application, the insurer is also liable for the occurrence of an insured event that has taken place after the delivery or dispatch of the application.

If justified by the nature of insurance or another particular reason, the terms and conditions of an insurance policy may include a provision to the effect that cover commences only after the insurance premium has been paid. In order to be able to invoke such provision in the terms and conditions of the insurance, the insurer shall indicate this prerequisite in its written invoice for the insurance premium. (14.5.2010/426)

An application for insurance or an acceptance delivered or dispatched by the policyholder to a representative of the insurer is considered to have been delivered or dispatched to the insurer.

In the absence of evidence of the hour of delivery or dispatch, an acceptance or an application is considered to have been delivered or dispatched at 12.00 pm.

### **Section 12 (30/2005)**

#### *Policyholder's right to terminate insurance policy*

The policyholder is entitled to terminate an insurance contract at any time during an insurance period. Notice of such termination shall be given in writing. Notice of termination given in any other manner shall be null and void. If the policyholder has not specified the date of termination, the insurance shall cease to be in force at the date of the delivery or dispatch to the insurer of the notice of termination. Notwithstanding this, there is no entitlement to terminate if the agreed validity of the insurance contract is shorter than 30

days.

### **Section 13 (14.5.2010/426)**

#### *Policyholder's entitlement to paid-up policy or surrender value under insurance of the person*

If any savings have accrued under an insurance of the person, the policyholder is entitled to interrupt premium payments and receive either the savings accrued under the insurance (*surrender value*) or a policy corresponding to the savings accrued (*paid-up-policy*).

When an insurance of the person expires, the policyholder is entitled to the surrender value even if the insurer were otherwise discharged from liability.

Notwithstanding the foregoing, the terms and conditions of a pension insurance policy may include a provision to the effect that the policyholder is not entitled to the surrender value provided in Subsections 1 and 2 above.

### **Section 13a (30/2005)**

#### *Policyholder's entitlement to terminate pension insurance contract or endowment contract*

The policyholder is entitled to terminate a pension insurance contract or an endowment contract by giving notice thereof in writing to the insurer within 30 days of the date at which the policyholder became aware of the acceptance of an application for insurance or of an offer. This cooling-off period does not, however, start to run until the policyholder has received either the documentation referred to in Section 6 or, in the case of distance marketing of insurance policies, the prior information referred to in Part 6a of the Consumer Protection Act and the terms and conditions governing the insurance on a durable medium.

The insurer shall without delay and not later than 30 days after receiving the notice of termination refund the premiums paid by the policyholder under the insurance contract. If the savings element accrued under the insurance depends on the performance of a chosen investment, the insurer may, however, deduct from the premiums to be refunded an

amount which equals any loss in the value of the investment at the date of receipt of the notice of termination. If no other evidence of the date of receipt of a notice of termination can be provided, a notice sent by mail is considered to have been received by the insurer on the seventh day from sending and a notice sent electronically is considered to have arrived on the day of sending.

If there is an ancillary insurance contract related to a pension insurance contract or to an endowment contract, such ancillary contract is terminated when the policyholder terminates the host insurance contract. The insurer's entitlement to premium for the insurance cover enjoyed by the policyholder before the termination of the ancillary contract is governed by what is provided in Section 45 Subsection 1.

The insurer is entitled to make the deduction referred to in Subsection 2 or to charge a premium for the validity of the cover referred to in Subsection 3 only if the policyholder has been notified thereof.

#### **Section 13b (1184/2009)**

##### *Policyholder's entitlement to transfer surrender value accrued under pension insurance*

When giving notice of termination of a pension insurance policy, the policyholder is entitled to have the surrender value transferred to another pension insurance policy taken out by the policyholder or to a savings account that meets the provisions of the act on earmarked long-term saving (1183/2009). The terms and conditions of the policy may, however, provide that no such right to transfer exists unless the policy is attached with death cover.

In his notice of termination the policyholder shall indicate the insurer or the savings plan provider to which the surrender value is to be transferred. The insurer shall transfer the funds within 30 days from receipt of the notice of termination. The insurer or the service provider that has received the funds shall inform the policyholder without delay that the funds have been received. Contrary to what is provided in Section 12, the terminated pension insurance policy expires when the funds have

been transferred.

#### **Section 14**

##### *Entitlement to continued life insurance policy*

Where a life insurance policy has expired on account of its surrender, the policyholder is entitled, without any health declaration by the insured, to keep the insurance policy valid as cover against the risk of death (*continued insurance*), amended as required by the payment of the surrender value.

In connection with the surrender of an insurance policy, the insurer shall dispatch the policyholder a notice of the policyholder's entitlement to continued insurance. If the insurer fails to dispatch such notice, cover under the insurance shall be the same as it would if continued insurance had been applied for, for a period of six months from the payment of the surrender value. If, however, the insurer dispatches such notice during this period, cover ceases.

The application for continued insurance shall be submitted within six months from the dispatch of the insurer's notification of the policyholder's entitlement to continued insurance, yet no later than one year from the payment of the surrender value.

#### **Section 15**

##### *Insurer's right to terminate non-life insurance policy during insurance period*

The insurer is entitled to terminate a non-life insurance policy during an insurance period, if:

- 1) either the policyholder or the insured has given incorrect or incomplete information prior to the issuance of the insurance and if the insurer had not issued the insurance had it been aware of the true circumstances;
- 2) there has been a change either in the circumstances reported to the insurer by the policyholder or the insured at the time the contract was concluded or in the circumstances recorded in the insurance policy which materially increases the risk and which the insurer cannot be considered to have taken into account when the contract was concluded;
- 3) the insured has wilfully or through gross

negligence failed to comply with precautionary guidelines;

4) the insured has wilfully or through gross negligence caused the occurrence of an insured event; or

5) the insured has, after the occurrence of an insured event, in bad faith given the insurer incorrect or incomplete information of importance for the assessment of the insurer's liability.

After learning about a circumstance which justifies termination, the insurer shall give written notice of the termination of the insurance without undue delay. In its notice of termination, the insurer shall indicate the reason for termination. If termination is not notified as provided in this Subsection, the insurer's right to terminate the insurance policy is forfeited, unless the policyholder has in bad faith failed to fulfil the duty of disclosure provided in Section 26 Subsection 1 in the event referred to in Subsection 1 Item 2 above. Once terminated, the insurance policy expires in one month after the dispatch of the notice of termination. (14.5.2010/426)

Provisions on the insurer's right to terminate an insurance policy on account of a delay in the payment of premium are laid down in Section 39.

#### **Section 16 (14.5.2010/426)**

##### *Termination of automatically renewed non-life insurance policy*

The terms and conditions governing non-life insurance contracts may include a clause providing that the contract is automatically renewed after the close of an insurance period, unless the contract is terminated by either party (*automatically renewed non-life insurance policy*).

The insurer is entitled to terminate an automatically renewed non-life insurance policy at the expiry of any insurance period. Termination shall be justified by a reason that is in compliance with good insurance practice. Notice of such termination shall be dispatched to the policyholder not later than one month before the closing of the insurance period concerned. The notice shall contain a mention

of the reason for termination, unless the termination is based on Section 26 of the Money Laundering Act. If termination is not notified as provided in this Subsection, termination is null and void.

Provisions on the policyholder's right to terminate an insurance contract are laid down in Section 12.

#### **Section 17 (14.5.2010/426)**

##### *Insurer's right to terminate insurance of the person*

The insurer is entitled to terminate an insurance of the person if

- 1) the policyholder or the insured has prior to the issuance of the insurance given the insurer incorrect or incomplete information wilfully or through negligence which cannot be considered slight and the insurer would not have granted the insurance had it been aware of the true circumstances;
- 2) the policyholder or the insured has acted in bad faith while fulfilling its duty of disclosure, but the insurance contract is still binding on the insurer pursuant to Section 24 Subsection 3; or
- 3) if there has been a change in any circumstance relating to the insured that is of importance for the assessment of the insurer's liability and the change would increase the underlying risk as referred to in Section 27 and the insurer would not have granted the insurance if the circumstance relating to the insured had conformed to the change at the time the insurance was granted.

The insurer may also terminate an insurance of the person if

- 1) the insured has wilfully caused the occurrence of an insured event; or
- 2) the insured has after the occurrence of an insured event in bad faith given the insurer incorrect or incomplete information that is of importance for the assessment of the insurer's liability.

After learning about a circumstance which justifies termination, the insurer shall give written notice of the termination of the insurance without undue delay. In its notice of termination, the insurer shall indicate the reason for termination. If termination is not notified as provided in this Subsection, the insurer's right to terminate the insurance policy is forfeited. The insurance expires one month after the date that the insurer sent the policyholder a notice of termination.

Provisions on the insurer's entitlement to terminate an insurance policy on account of a delay in the payment of premium are set forth in Section 39.

**Section 17a (14.5.2010/426)**

*Insurer's right to terminate accident insurance and health insurance pursuant to policy conditions*

The terms and conditions of accident and health insurance policies whose premiums are payable at regular intervals (*premium period*) may include a provision to the effect that the insurer is entitled to terminate the insurance policy at the close of any premium period. If the premium period is shorter than one year or if no premium period has been agreed upon, the insurer is only entitled to terminate the contract at the end of any calendar year.

The insurance policy may not be terminated on the grounds that the health of the insured has deteriorated since the conclusion of the contract, or that an insured event has occurred. The reason for termination shall also in other respects be in compliance with good insurance practice.

Notice of such termination shall be dispatched to the policyholder not later than one month before the termination of the insurance as provided in Subsection 1. The notice shall contain a mention of the reason for termination. If termination is not notified as provided in this Section, termination is null and void.

**Section 17b (14.5.2010/426)**

*Termination of self-funded group insurance*

In addition to what is provided about notice of termination of an insurance policy, the terms and conditions of a self-funded group insurance policy may include a provision to the effect that the policy expires on the part of the policyholder as a result of resignation or dismissal from the group. If a policy expires for such a reason, the insurer shall notify the policyholder in writing of both the reason for and the date of termination. The policy may not expire earlier than one month after the dispatch of the notification.

**Section 18**

*Amendments to terms and conditions of non-life insurance policy during insurance period*

The insurer is entitled to change the premium payable on a non-life insurance policy and to amend any other terms or conditions of the insurance policy during an insurance period to meet the prevailing circumstances only in the event that

- 1) the policyholder or the insured has failed to fulfil the duty of disclosure set forth in Section 22; or
- 2) there has been a change referred to in Section 26 in the circumstances reported by the policyholder or the insured to the insurer at the time the insurance contract was concluded or in the circumstances recorded in the insurance policy.

After learning about a circumstance referred to in Subsection 1, the insurer shall, without undue delay, dispatch a notice indicating how and at what date the premium or other terms or conditions change. The notice shall include a mention that the policyholder is entitled to terminate the insurance policy. If the insurer fails to dispatch a notice in accordance with the provisions contained herein, its right to alter the premium or any other terms or conditions is forfeited, unless the policyholder or the insured has acted in bad faith.

**Section 19 (14.5.2010/426)**

*Amendments to terms and conditions of automatically renewed non-life insurance policy at commencement of insurance period*

The terms and conditions of an automatically

renewed non-life insurance policy may include a provision to the effect that the insurer is entitled to change the premium and any other terms or conditions of the insurance policy on grounds specified in the terms and conditions. Furthermore, the insurer is entitled to make such minor amendments to the terms and conditions as do not affect the main content of the insurance policy.

The insurer's invoice for the insurance premium to the policyholder shall be accompanied by an advice of the changes made in the premium or other terms or conditions. Such advice shall also include a mention that the policyholder is entitled to terminate the contract. Any changes thus announced shall take effect at the commencement of the insurance period that next follows after a month has elapsed from the date at which the insurer dispatched the advice of the changed conditions referred to in this Section to the policyholder.

#### **Section 20 (14.5.2010/426)**

##### *Continuation of insurance of the person on amended terms and conditions*

If the policyholder or the insured wilfully or out of negligence that cannot be considered slight fails to fulfil the duty of disclosure imposed on him in Section 22 and the insurer would have issued the insurance only against a higher insurance premium or on terms and conditions other than those agreed had true and complete information been given, the insurance continues to be in force against such higher premium and on such other conditions. The same applies if the policyholder or the insured has acted in bad faith while fulfilling his duty of disclosure and the insurance contract is nevertheless binding on the insurer pursuant to Section 24 Subsection 3.

Correspondingly, the insurance continues to be in force on the amended terms and conditions if there has been a change in any circumstance relating to the insured that is of importance for the assessment of the insurer's liability as referred to in Section 27 and the insurer would only have granted the insurance against a higher insurance premium or on

terms and conditions other than those agreed if the circumstance relating to the insured had conformed to the change at the time the insurance was granted.

After learning about the failure to fulfil the duty of disclosure or about a change in any circumstance relating to the insured the insurer shall, without undue delay, dispatch a notice to the policyholder indicating how and at what date the premium or other terms or conditions change. The notice shall include a mention that the policyholder is entitled to terminate the insurance policy. If the insurer fails to dispatch a notice in accordance with the provisions contained herein, its right to alter the premium or any other terms or conditions is forfeited.

#### **Section 20a (14.5.2010/426)**

##### *Amendments to terms and conditions of insurance of the person*

The terms and conditions of an insurance of the person may include a provision to the effect that the insurer is entitled to change the premium and any other terms or conditions of the insurance policy on grounds specified in the terms and conditions. Notwithstanding this, no changes may be made in the premium or in any other terms or conditions on the grounds that the health of the insured has deteriorated since the conclusion of the contract or that an insured event has occurred.

The premium charged on a life insurance policy and any other terms or conditions of the insurance policy may be changed only if such change is specifically called for by the general claims experience or by a change in the level of interest rates and providing that there is no material change in the content of the insurance contract compared to the original contract.

Furthermore, the insurer is entitled to make such minor amendments to the terms and conditions of an insurance of the person as do not affect the main content of the insurance policy.

If any of the provisions governing employee pension schemes have been changed, the

insurer is entitled, notwithstanding what is provided in this Section, to change the premium or any other terms or conditions of an optional employee pension insurance to reflect the change in the provisions.

The insurer shall dispatch the policyholder a notice indicating how and at what date the premium or other terms or conditions change. The notice shall include a mention to the effect that the policyholder is entitled to terminate the insurance policy. Any changes thus announced shall take effect at the commencement of either the premium period or, if the premium period is shorter than one year or if no premium period has been agreed upon, the calendar year that next follows after a month has elapsed from the date at which the insurer dispatched the advice of the changed conditions referred to in this Section to the policyholder.

#### **Section 21**

##### *Reminder of expiry of life insurance policy*

If a life insurance policy has been in force for a period longer than one year, the insurer shall, not later than one month and not earlier than three months before the expiry of the insurance policy, dispatch a reminder of the expiry to the policyholder, accompanied by information on the policyholder's possible entitlement to continued insurance.

If the insurer fails to dispatch a reminder in accordance with Subsection 1, the insurance continues to be in force as cover against the risk of death to the extent it has been in force against the risk of death. Notwithstanding this, the insurance expires one month after the dispatch of a delayed reminder to the policyholder, yet no later than six months from the expiry of the insurance policy.

### **Part IV: Liability of the policyholder and the insured; exclusions in cover**

#### **Section 22**

##### *Policyholder's and insured's duty of disclosure*

Before the issuance of an insurance contract, the policyholder and the insured shall give true

and complete answers to the insurer's questions which may be of importance for the assessment of the liability of the insurer. Moreover, throughout the insurance period, the policyholder and the insured shall without undue delay rectify any errors or deficiencies that they may discover in the information given to the insurer.

#### **Section 23**

##### *Failure to fulfil duty of disclosure under non-life insurance*

If the policyholder or the insured has acted in bad faith under a non-life insurance policy when fulfilling the duty imposed on him in Section 22, the insurer is not bound by the policy and is entitled to retain all premiums paid even if the insurance expired.

If the policyholder or the insured has, either wilfully or through negligence which cannot be considered slight, failed to fulfil his duty of disclosure, compensation may be reduced or refused.

#### **Section 24**

##### *Failure to fulfil duty of disclosure under insurance of the person*

If the policyholder or the insured has acted in bad faith under an insurance of the person when fulfilling the obligation imposed on him in Section 22, the insurer is not bound by the policy and is entitled to retain all premiums paid even if the insurance expired.

If the policyholder or the insured has, either wilfully or through negligence which cannot be considered slight, failed to fulfil the duty of disclosure, and if the insurer had not issued the insurance had true and complete answers been given, the insurer is discharged from liability. If, however, the insurer had issued the insurance in any case but only against a higher premium than agreed or otherwise on different terms, the insurer's liability is limited to an amount which corresponds to the agreed premium or to the terms and conditions on which the insurance would have been issued.

If the consequences provided in Subsections 1

and 2 turned out to be unreasonable from the standpoint of the policyholder or any party entitled to compensation or benefits under the insurance, they can be adjusted.  
(14.5.2010/426)

**Section 25 (14.5.2010/426)**  
**(Repealed)**

**Section 26 (14.5.2010/426)**  
*Increase in risk insured under non-life insurance*

The terms and conditions of a non-life insurance policy may include a provision to the effect that the policyholder shall notify the insurer about any change either in the circumstances reported to the insurer by the policyholder or the insured at the time the insurance was concluded or in the circumstances recorded in the insurance policy which materially increases the risk and which the insurer cannot be considered to have taken into account when the contract was concluded. The insurer shall remind the policyholder of this obligation to notify in the annual statement referred to in Section 7.

The policyholder shall notify the insurer about any change of the kind referred to in Subsection 1 not later than one month following receipt of the annual statement.

If the policyholder wilfully or through negligence which cannot be considered slight fails to fulfil the obligation imposed on him in Subsection 2, compensation may be reduced or refused.

**Section 27 (14.5.2010/426)**  
*Increase in risk insured under insurance of the person*

If any circumstance relating to the insured such as the insured's profession, interests or domicile is of any importance for the assessment of the insurer's liability, the terms and conditions of the insurance may include a provision to the effect that the policyholder shall notify the insurer of any change in such circumstance. Changes in health are not considered an increase in risk of the kind

referred to in this Subsection, and such changes are not covered by the obligation to notify. The insurer shall remind the policyholder of this obligation to notify in the annual statement referred to in Section 7.

The policyholder shall notify the insurer about any change of the kind referred to in Subsection 1 not later than one month following receipt of the annual statement.

If the policyholder has wilfully or through negligence which cannot be considered slight failed to fulfil the obligation imposed on him in Subsection 1, the provisions contained in Section 24 Subsections 2 and 3 shall apply.

**Section 28**  
*Occurrence of insured event caused under insurance of the person*

The insurer is discharged from liability if the insured has wilfully caused the occurrence of an insured event.

If the insured commits suicide, the insurer shall, however, be liable under life insurance, providing cover has been in force for a period longer than a year at the date of the suicide.

If the insured has caused the occurrence of an insured event under accident insurance or health insurance through gross negligence, the liability of the insurer may be reduced as considered reasonable in the circumstances.

**Section 29**  
*Occurrence of insured event caused by party entitled to compensation or benefit under insurance of the person*

If a person other than the insured who is entitled to compensation or benefit under insurance of the person has wilfully caused the occurrence of an insured event, the insurer is discharged from liability vis-à-vis the person concerned.

If a person has caused the occurrence of an insured event through gross negligence or if he has been at such an age or in such a state of mind that he could not have been sentenced to punishment for a crime, the

person may be entitled to full or partial compensation or benefit only if considered reasonable in view of the circumstances in which the occurrence of the insured event was caused.

If the insured has died, the part of the compensation or benefit not paid to the person(s) that caused the occurrence of the insured event shall be paid to the other persons entitled to compensation or benefits.

### **Section 30**

#### *Occurrence of insured event caused under non-life insurance*

The insurer is discharged from liability towards an insured that has wilfully caused the occurrence of an insured event.

If the insured has caused the occurrence of an insured event through gross negligence, the compensation due to the insured may be reduced or refused.

Furthermore, the terms and conditions of a non-life insurance policy may include a provision to the effect that any compensation due to the insured may be reduced or refused, if use of alcohol or narcotics by the insured has affected the occurrence of an insured event. The terms and conditions of a motor vehicle insurance policy may include provisions on how use of alcohol, narcotics or other intoxicants affects compensation paid under the insurance as provided in Section 7 Subsections 4 and 5 of the Motor Liability Insurance Act. (14.5.2010/426)

Under insurance taken out against liability for damages (*general liability insurance*), the insurer is, even if the insured has acted as set forth in Subsection 2 or 3, liable to pay damages to the injured party, which refers to any natural person entitled to compensation in respect of any loss or injury covered by the insurance, to cover the portion that the injured party has not been able to claim from the insured.

### **Section 31**

#### *Compliance with precautionary guidelines under non-life insurance*

The terms and conditions of an insurance contract may include provisions on devices, apparatuses, procedures or other arrangements introduced with an aim to prevent or restrict the occurrence of bodily injury, property damage or loss, or on guidelines to the effect that the person using or managing the property insured shall have certain competence (*precautionary guidelines*).

The insured shall comply with the precautionary guidelines.

If the insured has wilfully or through negligence which cannot be considered slight neglected the obligation imposed on him in Subsection 2, any compensation due to him may be reduced or refused.

Notwithstanding the above, compensation may be reduced or refused under general liability insurance on account of negligence on the part of the insured only if the insured has neglected his obligation through gross negligence or, where so provided in the terms and conditions of the insurance, if use of alcohol or narcotics by the insured has affected such negligence. The entitlement to compensation of the injured party is then governed by the provision contained in Section 30 Subsection 4.

### **Section 32**

#### *Duty of salvage under non-life insurance*

When an insured event occurs or when there is an immediate threat of the occurrence of an insured event, the insured shall to the best of his ability have the bodily injury, property damage or loss prevented or restricted. If the injury, damage or loss has been caused by a third party, the insured shall take the necessary steps to retain the insurer's right vis-à-vis the liable party. The insured shall, if possible, comply with the guidelines issued by the insurer for the said purpose.

If the insured has wilfully or through negligence which cannot be considered slight neglected the obligation imposed on him in Subsection 1, any compensation due to him

may be reduced or refused.

Notwithstanding the above, compensation may be reduced or refused under general liability insurance on account of negligence on the part of the insured only if the insured has neglected his obligation through gross negligence or, where so provided in the terms and conditions of the insurance, if use of alcohol or narcotics by the insured has affected such negligence. The entitlement to compensation of the injured party is then governed by the provision contained in Section 30 Subsection 4.

### **Section 33**

#### *Identification with another person under non-life insurance*

The provisions set out above concerning the insured in cases involving an occurrence of an insured event caused wilfully or non-compliance with precautionary guidelines or failure to fulfil the duty of salvage also apply to a person

- 1) who, with the consent of the insured, is responsible for a motor-driven or towable vehicle, ship or aircraft covered by the insurance;
- 2) who owns the insured property jointly with the insured and uses it jointly with the insured; or
- 3) who lives in the same household with the insured and uses the insured property jointly with the insured.

The provisions set out above concerning the insured in cases involving compliance with precautionary guidelines are also applied to a person who, on the basis of employment or service with the policyholder, is responsible for ensuring that precautionary guidelines are complied with.

### **Section 34 (14.5.2010/426)**

#### *Reduction in or refusal of compensation under non-life insurance*

Any consideration on whether compensation is to be reduced or refused on any of the grounds contained in this Part shall also pay attention to how a circumstance on which the policyholder or the insured has given incorrect or incomplete information, or a change in a

circumstance which has increased the underlying risk, or an act or a non-act of the insured or of a person referred to in Section 33 has contributed to the occurrence of the bodily injury, property damage or loss. Other aspects that need to be considered are possible negligence and the nature of such negligence on the part of the policyholder, the insured, or a person referred to in Section 33 as well as the circumstances in general.

If the insurance premium has been agreed on the basis of incorrect or incomplete information given by the policyholder or the insured and is lower than it would have been had true and complete information been given, compensation is reduced taking account of the proportion of the agreed insurance premium to the insurance premium that would have been charged had true and complete information been given. Minor deviations in the insurance premiums do not, however, justify reduction of compensation.

### **Section 35**

#### *Insignificance of misrepresentation or of increase in underlying risk*

The insurer may not invoke failure to fulfil the duty of disclosure if the insurer or a competent representative of the insurer knew or should have known at the time the insurance was issued that the information was incorrect or incomplete. This provision does not apply if the policyholder or the insured has acted in bad faith and the insurer or its representative did not know that the information was incorrect or incomplete.

Neither may the insurer invoke failure to fulfil the duty of disclosure if incorrect or incomplete information has been given on a circumstance which was of no significance for the assessment of the insurer's liability at the time the contract was concluded or if such circumstance has since lost significance.

Under life insurance, the insurer may invoke failure to fulfil the duty of disclosure only if the insured dies before five years has elapsed from the commencement of cover or if the insurer has dispatched a notice referred to in Section 17 Subsection 3 or Section 20

Subsection 3 within the mentioned period of time. What is provided in this Subsection does not apply if the policyholder or the insured has acted in bad faith. (14.5.2010/426)

The insurer may not invoke an increase in risk if a changed circumstance has been restored or if such increase is otherwise no longer of any importance.

### **Section 36**

#### *Irresponsibility and emergency*

The insurer may not invoke the provisions contained in this Part in an effort to be discharged from liability or to reduce its liability if the insured was younger than twelve years or in such a state of mind that he could not have been sentenced to punishment for a crime when he caused the occurrence of an insured event or failed to comply with precautionary guidelines or failed to fulfil the duty of salvage. The provisions contained herein do not apply to the case referred to in Section 28 Subsection 2.

Neither may the insurer terminate a non-life insurance policy pursuant to Section 15 Subsection 1 Item 3 or 4 or to invoke the provisions contained herein in an effort to be discharged from liability or to reduce its liability if the insured has, when causing an increase in risk or an occurrence of an insured event or when neglecting precautionary guidelines or the duty of salvage, acted for the prevention of injury to person or damage to property under circumstances where such negligence or action was defensible.

The provisions contained herein shall be applied not only to the insured but also to persons referred to in Section 33.

### **Section 37**

#### *Limitations on liability in certain events*

The terms and conditions of an insurance contract may limit the insurer's liability in respect of compensation paid under the insurance for the consequences of an illness or bodily injury on the grounds that such illness or injury existed when the insurance was applied for only in cases where

- 1) such limitation is based on information acquired by the insurer on the insured's health prior to the issuing of the insurance; or
- 2) such limitation results from the nature of the insurance or another particular circumstance.

### **Section 37a (496/2003)**

#### *War risk in life insurance*

Under contracts providing life insurance or supplementary cover, the insurer may not invoke the clause under which the insurer is discharged from liability or the insurer's liability is reduced when the death or disability of the insured Finnish citizen or person residing in Finland is caused by an armed attack or war on Finland.

In a war-time situation, the insurer is entitled to charge an additional war premium for insurance contracts which are affected by the increase in risk as provided above in this Section. The Insurance Supervisory Authority sets the criteria for war risk premium.

## **Part V: Insurance premium**

### **Section 38 (14.5.2010/426)**

#### *Payment of insurance premium*

The premium for an insurance contract is payable within one month from the dispatch of the invoice for the premium by the insurer to the policyholder. The first payment, however, need not be made before the commencement of cover, unless payment of the premium is a condition for the commencement of cover pursuant to the terms and conditions of the insurance, and later payments need not be effected before the commencement of the agreed premium period or insurance period. If cover commences later for part of the insurance, no insurance premium need be paid for such part until commencement of the cover.

If a policyholder's payment is not sufficient to cover all premiums claimed by the insurer, the policyholder is entitled to determine the claims towards which the payment is to be applied.

### **Section 39**

#### *Delay in payment of premium*

If the policyholder fails to pay the premium within the period provided in Section 38, the insurer is entitled to terminate the policy at 14 days' notice, calculated from the dispatch of the notice. Notwithstanding the foregoing, an automatically renewed non-life insurance policy of the kind referred to in Section 40 Subsection 1 may not be terminated on account of the policyholder's failure to pay the premium.

If the policyholder pays the premium before the close of the 14-day period of notice, the insurance policy is not terminated at the expiry of the period of notice. The insurer shall notify the policyholder of this option in the notice of termination. In the case of insurances of the person, the notice of termination shall also include a mention about the policyholder's right to bring the insurance back into force, as provided in Section 43.

If a failure to pay a premium has resulted from financial difficulties encountered by the policyholder as a result of an illness, unemployment or another particular circumstance not primarily caused by the insured, the insurance policy is not terminated, even if notice of termination has been given, until 14 days after the impeding circumstance has ceased to exist. Notwithstanding the foregoing, the insurance policy is terminated three months after the closing of the period of notice provided in Subsection 1. The notice of termination shall also include a mention of this option to extend the validity of the insurance policy temporarily.

If any of the information referred to in Subsections 2 or 3 is not included in a notice of termination, the notice is null and void.

### **Section 40**

#### *Continuation of cover and distrainability of premiums under automatically renewed non-life insurance*

If the terms and conditions of an automatically renewed non-life insurance policy include a

provision to the effect that cover continues to be in force until the expiry of the insurance period, even if no premium had been paid therefor at the due date, the insurer is entitled to recover the premium with the penalty interest accrued through execution, without any court judgement or decision, complying with the provisions contained in legislation governing enforcement of taxes and charges (706/2007) providing that the insurer has mentioned this in the invoice for the premium. (14.5.2010/426)

Before initiating enforcement measures, the insurer shall notify the policyholder about the premium amount payable pursuant to Subsection 1 and about the basis of the premium and inform the policyholder that enforcement begins, unless the policyholder denies his liability to pay in writing within 14 days from the dispatch of the notice. If the policyholder denies his liability to pay, enforcement measures can be initiated only under court decision.

Cover ceases at the expiry of the insurance period referred to in Subsection 1, unless the underlying premium has been recovered in full prior to such date.

### **Section 41 (14.5.2010/426)**

#### *Continuation of self-funded group insurance policy*

If a self-funded group insurance policy has terminated in respect of a policyholder as a result of the resignation or dismissal of the person from the group as provided in Section 17b, the insurance policy is still considered to be in force in respect of the policyholder if the insurer has accepted payment of the premium for such policyholder.

### **Section 42 (14.5.2010/426)**

#### *Payment of overdue non-life insurance premium*

If the policyholder pays the premium for a non-life insurance policy after the due date pursuant to Section 11 Subsection 3 or after the insurance policy has expired pursuant to Section 39, cover commences on the day following the date of payment. The insurance

policy is then in force from the date of its re-entry into force to the last day of the insurance period agreed originally.

The provisions contained in Subsection 1 do not, however, apply if the insurer informs the policyholder within 14 days from the payment of the premium that it refuses to accept the payment. The insurer may not, however, refuse to accept the payment on account of an insured event occurred after the premium was paid.

### **Section 43**

#### *Re-entry into force of terminated insurance of the person*

An insurance of the person which has terminated because of the policyholder's failure to pay a premium other than the first premium re-enters into force if the policyholder pays the defaulted premium within six months from the termination of the insurance.

An insurance of the person which has been changed to a paid-up insurance policy for a reason other than late payment re-enters into force in its previous scope, if the policyholder pays the premium that would have been payable had the insurance policy not been changed, within six months from the date of the request made to the insurer for the change.

If an insurance policy re-enters into force, cover commences on the day following the date of the payment of the premium.

### **Section 44**

#### *Payment of premium through bank or post office*

A premium remitted to the insurer through a post office or a bank is considered to have been paid, depending on the method of payment, either on the date it was paid to the bank or post office or the date on which the payment was debited to the payer's account or the date of processing stamped on the post office voucher.

Payments remitted as money orders are considered to have been made on the date at

which the money order was given to the post office for delivery to the addressee.

### **Section 45**

#### *Insurance premium after termination of insurance policy*

If a non-life insurance policy or an insurance of the person which does not entitle the policyholder to the surrender value referred to in Section 13 Subsection 1 terminates earlier than agreed, the insurer is entitled to a premium due for only the period during which cover has been in force, unless the provisions of Section 23 Subsection 1 or Section 24 Subsection 1 apply. Any premium paid in excess of this shall be returned to the policyholder. The terms and conditions of the insurance shall provide for the principles used for calculating the premium to be refunded. The terms and conditions of a pension insurance contract, however, may include a provision to the effect that no premium is refunded.

If the amount to be returned is less than €8.00, it need not be returned separately. The limit may be changed by a decree if called for by a change in the value of money. (968/2001)

### **Section 46**

#### *Limitation on insurer's right to insurance premium*

The insurer's right to the premium is forfeited if the insurer has not lawfully claimed it within three years from the due date of the premium.

## **Part VI: Beneficiary clause under insurance of the person; assignment and pledging of entitlement under life insurance**

### **Section 47 (14.5.2010/426)**

#### *Beneficiary*

The policyholder is entitled to designate the person who is entitled, on behalf of the policyholder or the insured, to the benefits payable under an insurance of the person (*beneficiary*). The policyholder may change or

revoke his designation of beneficiary in the absence of the occurrence of the insured event for which the beneficiary was designated. The terms and conditions of a pension insurance policy may restrict the policyholder's rights mentioned in this Subsection.

The policyholder may give the beneficiary or the insured a written undertaking to the effect that the designation be kept in force on a continuous basis (*irrevocable beneficiary clause*). Such designation may not be changed or cancelled without permission from the person to whom the undertaking has been given.

If an insurance policy is accompanied by a valid beneficiary clause, the benefit payable at the insured's death is not part of the insured's estate. The benefit is part of the insured's estate in the absence of a beneficiary clause, unless the terms and conditions of the policy provide that the benefit be paid to the policyholder.

If a life insurance policy provides cover for a party other than the policyholder or if the policy has otherwise been taken out on terms and conditions under which benefits do not depend on the policyholder's death and the policyholder dies before any benefits are due, the policyholder's entitlement is assigned to the beneficiary, if a beneficiary has been designated.

#### **Section 48**

##### *Form of beneficiary clause*

A beneficiary clause, its cancellation or amendment is null and void unless delivered to the insurer in writing.

#### **Section 49**

##### *Expiry of beneficiary clause*

If the beneficiary named in a beneficiary clause dies before the occurrence of the insured event for which the beneficiary was designated, the beneficiary clause expires. If there are several beneficiaries named in the clause and one of them dies, the clause remains in force in respect of the remaining

beneficiaries. The benefit is then paid, on the occurrence of the insured event, to the beneficiaries who are alive, also in respect of the amount that would have been due to the predeceased beneficiary, unless otherwise ordered by the policyholder.

If the policyholder dies and it is evident that his intention was to have only part of the benefit paid to a surviving beneficiary, the deceased beneficiary's portion shall be paid to the estate of the policyholder.

#### **Section 50**

##### *Interpretation of beneficiary clause*

If no named person has been designated as beneficiary in a beneficiary clause and if no other interpretation is justified by the clause or by the circumstances, the provisions of this Section shall be complied with.

If the policyholder has designated *spouse* as the beneficiary, the clause is in force to the benefit of the person to whom the policyholder was married at his death. This does not, however, apply if the spouses' divorce case was pending at the policyholder's death or if the spouses had been ordered by court to legal separation which was in force at the policyholder's death.

If the policyholder has designated *children* as the beneficiaries, the clause is in force in favour of the policyholder's direct heirs pursuant to the laws of inheritance (40/65). The benefit is divided between the direct heirs as provided in the laws of inheritance about the heirs' entitlement to inheritance.

If the policyholder has designated *spouse and children* as the beneficiaries, the designation is in force in favour of the spouse referred to in Subsection 2 and in favour of the children referred to in Subsection 3. If the policyholder has no spouse, the direct heirs alone are entitled to the benefit. If the policyholder has no direct heirs, the spouse alone is entitled to the benefit. If the benefit is to be divided between the spouse and the direct heirs, the spouse is entitled to half the benefit and the direct heirs to the other half.

If the policyholder has designated *next of kin* as the beneficiaries, the designation is in force in favour of the spouse referred to in Subsection 2 and in favour of the heirs referred to in the laws of inheritance. If the policyholder has no direct heirs, the spouse alone is entitled to the benefit payable under the insurance. If the policyholder has no spouse, the heirs alone are entitled to the benefit. The benefit due to the heirs under the insurance is divided as provided in the laws of inheritance about the heirs' entitlement to inheritance.

The provisions contained in Subsections 2 to 5 about the policyholder are applied to the insured, if the insured is a person other than the policyholder.

### **Section 51**

#### *Assignment and pledging of right held under life insurance*

The policyholder is entitled to assign and pledge the right held under a life insurance policy. Notwithstanding this, assignment and pledging of the right held under a pension insurance policy may be restricted in the policy terms and conditions. The right held under group life insurance contracts may not be pledged. No assignment or pledging is binding on the policyholder's creditors, unless the insurer has been notified thereof in writing. If an insurance policy is accompanied by an irrevocable beneficiary clause, the policyholder may not assign or pledge the insurance without consent from the person who has received an undertaking incorporating the beneficiary clause. (14.5.2010/426)

If the right held under a life insurance policy has been pledged or if the insurance policy is equipped with an irrevocable beneficiary clause, consent from the pledgee or from the recipient of the undertaking incorporating the beneficiary clause is required for any surrender of the insurance policy, any loan granted by the insurer to the policyholder against the value of the insurance policy (*policy loan*) and for any other action that reduces the right of the pledgee or the beneficiary.

If the right held under a life insurance policy

has been assigned or pledged to several persons and the mutual rights of these persons cannot be settled, an earlier assignment or an earlier pledging is in force prior to a later one. If, however, the insurer has been notified about a later assignment or a later pledging before learning about an earlier assignment or an earlier pledging and the party whose right is involved has acted in good faith, the later assignment or pledging is in force prior to the earlier one. The provisions contained herein are also applicable to the irrevocable beneficiary clause.

### **Section 52**

#### *Right of pledgee*

Any person to whom the right held under a life insurance policy has been pledged is entitled to receive a benefit equal to his claim even if the claim is not due for payment. If the pledgee's claim is due for payment prior to the payment of the benefit under the insurance, the pledgee is entitled to apply the surrender value of the insurance policy towards the settlement of his claim. This, however, is subject to the condition that the amount due to the pledgee has first been claimed from the policyholder and that the policyholder has not settled the claim within two months from the presentation of the demand.

Any provision granting the pledgee a prior entitlement to benefit than that provided in Subsection 1 shall be null and void.

### **Section 53 (14.5.2010/426)**

#### *Notifications to pledgee and to recipient of undertaking incorporating beneficiary clause*

The provisions contained in Sections 17, 20, 21 and 39 about the insurer's obligation to notify the policyholder of the termination of an insurance policy or of a reduction in the insurer's liability also apply to the person to whom the right held under a life insurance policy has been pledged and to the recipient of an undertaking incorporating an irrevocable beneficiary clause providing that the insurer has been notified of such pledging or, as the case may be, of such beneficiary clause. If the insurer fails to deliver such notification, it may not invoke the termination of the

insurance policy or a decrease in its liability vis-à-vis the pledgee or, as the case may be, the beneficiary.

## **Part VII: Execution and recovery to bankrupt estate**

### **Section 54 (14.5.2010/426)** *Execution under life insurance*

If the person insured under a life insurance policy is the policyholder or his spouse, the right held by either of them under the insurance may not be executed against either party's debts, providing that

- 1) at the time the execution is being effected, a minimum of five years has elapsed from the date the insurance was taken out, and the policyholder has agreed to pay insurance premiums for a minimum of ten years and has in no one year paid an amount that exceeds one fifth of the total amount of the premiums that would have been due had the premiums been distributed evenly over the ten years at the time the insurance was taken out; premium increases launched as a result of an agreed change in the cost index are not taken into consideration; or
- 2) the policy provides for a death benefit only, and the policyholder has in no one year paid a premium larger than twice the annual premium.

The provision contained in Subsection 1 does not apply to execution of maintenance payable to spouse or child.

### **Section 55** *Execution under accident insurance and health insurance*

No compensation paid for costs incurred under accident insurance or health insurance may be executed.

### **Section 56** *Recovery to bankrupt estate under insurance of the person*

If the policyholder is declared bankrupt and it is subsequently discovered that the policyholder has at any time during a period of three years preceding the date referred to in Section 2 of the law governing recovery to a bankrupt estate (758/91) paid premiums on an insurance of the person for amounts which at the time of payment were not in reasonable proportion to the policyholder's circumstances and assets, the bankrupt estate is entitled to request the insurer to return any amounts thus paid in excess, if the claim on the insurer under the insurance policy is sufficient to cover the amount. If the policyholder has not consented hereto, the bankrupt estate is liable, under penalty of losing its right of action, to take legal action against the policyholder in order to have its right confirmed. Such action is governed by the provisions of Section 23 Subsection 1 and Section 24 of the law governing recovery to a bankrupt estate.

The provisions of Subsection 1 apply even in cases where the policyholder has issued an irrevocable beneficiary clause.

## **Part VIII: Compensation payable under non-life insurance**

### **Section 57** *Overinsurance*

If the sum insured recorded in the contract is substantially higher than the real value of the property or interest insured, the property or interest is overinsured.

If an overinsured property or interest is damaged or lost, the insurer is not liable to pay compensation any higher than the amount required to cover the damage. If, however, the sum insured is materially based on an assessment made by the insurer or the insurer's representative, the compensation is to be paid according to the sum insured, except for cases where the assessment has been affected by wilful disclosure of incorrect or incomplete information by the policyholder.

### **Section 58**

### *Underinsurance*

If the sum insured recorded in the contract is significantly lower than the real value of the property or interest insured, the property or interest is underinsured.

The terms and conditions of a non-life insurance policy may include a provision to the effect that, if an underinsured property or interest is damaged or lost, the insurer is not liable to pay compensation any higher than indicated by the relation between the sum insured and the real value of the property or interest. If, however, the sum insured is materially based on an assessment made by the insurer or the insurer's representative, the compensation is to be paid for the amount of the damage sustained, yet no higher than the sum insured.

#### **Section 59**

##### *Double insurance*

If several insurers have issued insurance policies to cover the same interest against the same damage or loss each of the insurers is liable to the policyholder as if it had issued the insurance alone. If the interest is overinsured, measured by the total amount of the insurance policies taken out, the insured shall not, however, be entitled to compensation higher than the cost of the damage or loss sustained under the insurance policies, unless otherwise provided in Section 57 Subsection 2.

#### **Section 60**

##### *Division of liability between insurers under double insurance*

If several insurers are liable for the same damage or loss and the total of amount of compensation due from the insurers together exceeds the amount of compensation due to the insured, the insurers' mutual liability is determined on a pro rata basis.

#### **Section 61**

##### *Reimbursement for salvage costs*

The insurer is liable to reimburse all reasonable costs arising from fulfilment of the duty of salvage referred to in Section 32, even if the sum insured were exceeded.

### **Part IX: Right held by third party under non-life insurance**

#### **Section 62**

##### *Persons covered by property insurance*

Unless otherwise agreed, a property insurance policy is in force for the benefit of the owner of the property concerned, any party that has bought the property with reservation of title, any pledgee or holder of a lien on the property and any other party exposed to the risk that the property is lost or damaged.

#### **Section 63**

##### *Change of owner*

If an insurance policy ceases to be in force, either under the terms and conditions of the contract or after termination by the policyholder, in a situation where the property insured changes hands under a contract, the new owner shall, nonetheless, be entitled to compensation upon the occurrence of an insured event which occurs within 14 days from the assignment of title, unless the new owner has had the property insured.

#### **Section 64 (14.5.2010/426)**

##### *Notification that insurance cover ceases or is limited*

The insurer shall notify the insured parties referred to in Section 62, to the extent it is aware of such parties, when cover ceases or when the insurer's liability is limited by an agreement or action, if such agreement or action materially limits the right of the parties concerned. Cover ceases or, as the case may be, the agreement or action takes effect vis-à-vis the insured party referred to in Section 62 not earlier than 14 days after the dispatch of the notification to the party.

#### **Section 65**

##### *Position of insured after occurrence of insured event*

In an effort to reduce or refuse the compensation payable to an insured referred to in Section 62, the insurer may invoke the

provisions contained in Section 23 or 26, concerning the policyholder's or another insured's failure to disclose information, only if the insured referred to in Section 62 knew or should have known, prior to the occurrence of the insured event, about the failure of the policyholder or another insured. Each one of the insured is entitled to compensation payable upon the occurrence of an insured event. Notwithstanding this, the policyholder is entitled to negotiate with the insurer, binding on the insured, and to receive the compensation due, unless the insured is named in the contract or the insured has announced that he looks after his own right or the claim is based on a mortgagee's right to receive compensation.

### **Section 66**

#### *Priority to compensation*

Where a property insurance policy is in force in favour of a person who holds a lien on the property as security for a claim, the holder of the lien is entitled, even if his claim were not due for settlement, to receive compensation prior to the owner, unless the owner has within a reasonable period of time repaired the damage or provided security for the repair of the damage. What is provided herein shall also apply to persons entitled to retain property as security for an overdue claim.

The owner is entitled to compensation prior to parties who have purchased the property with reservation of title.

Provisions governing a mortgagee's entitlement to compensation are set forth elsewhere.

### **Section 67**

#### *Injured party's entitlement to compensation under general liability insurance*

In the case of general liability insurance, the injured party is entitled to claim compensation in accordance with the insurance contract direct from the insurer, if:

1) the insurance policy has been taken out pursuant to laws or regulations issued by the authorities;

2) the insured has been declared bankrupt or is otherwise insolvent; or  
3) the general liability insurance has been mentioned in marketing efforts launched to promote the insured's business.

If such claim is made to the insurer, the insurer shall inform the insured of the claim without undue delay and reserve the insured an opportunity to give further information on the occurrence of the insured event. The insured shall also be notified of the subsequent processing of the claim.

If the insurer accepts a claim made by a person who has sustained bodily injury, property damage, or financial loss, such acceptance is not binding on the insured.

### **Section 68**

#### *Appeal against insurer's decision on claim under general liability insurance*

The insurer shall dispatch a notice of its decision on a claim for compensation made under general liability insurance to the injured party. The injured party is entitled to take legal action against the insurer on account of the decision or refer the case to the Consumer Disputes Board or another similar body, if the case otherwise falls under the responsibilities of such other body.

If the claim referred to in Subsection 1 or in Section 67 is processed in court or another place of competent jurisdiction, the insured shall be reserved an opportunity to be heard.

## **Part X: Claims settlement**

### **Section 69**

#### *Claimant's duty of disclosure*

The claimant shall provide the insurer with such documentation and information as is required for assessing the insurer's liability and as the claimant can be reasonably required to provide, with due consideration of the opportunities available to the insurer to obtain such information.

### **Section 70**

#### *Payment of compensation or benefit*

The insurer shall pay the compensation or benefit due under an insurance contract on account of the occurrence of an insured event or notify the claimant that no compensation or benefit is paid, without delay and not later than one month from the receipt of the documents and information referred to in Section 69.

If the total amount of compensation or benefit payable by the insurer to a legally incompetent person is larger than €1,000 and the compensation or benefit includes amounts other than compensation for costs arising from the occurrence of an insured event or compensation for financial losses, the insurer shall notify the guardianship authorities of the home municipality of the incompetent of such amounts. (14.5.2010/426)

Penalty interest shall be paid on any delayed payment of compensation or benefit as provided in legislation on interest payment (633/82).

If the amount of compensation or benefit is not undisputed, the insurer shall in any event pay the undisputed part of the compensation or benefit within the period provided in Subsection 1.

### **Section 71**

#### *Payment to wrong person*

If the insurer has paid any compensation, benefit or surrender value of an insurance of the person to a person other than the person entitled to such payment, the insurer has performed its obligation providing it has observed the care required by the circumstances when effecting the payment.

### **Section 72 (14.5.2010/426)**

#### *Misrepresentation after occurrence of insured event*

If after the occurrence of an insured event the claimant has in bad faith given the insurer incorrect or incomplete information of importance for the assessment of the insurer's liability, compensation or benefit may be

reduced or refused as considered reasonable in the circumstances.

### **Section 73 (14.5.2010/426)**

#### *Time limit for making claim and limitation*

Any claims based on an insurance contract shall be made to the insurer within one year from the date at which the claimant becomes aware of an in-force insurance policy, of the occurrence of an insured event and of the loss, damage or injury that resulted from the occurrence. In any event, the claim shall be made within ten years from the occurrence of the insured event or, if the insurance has been taken out to cover against bodily injury or liability for damages, from the occurrence of the loss, damage or injury. Reporting the occurrence of an insured event is considered to equal the making of a claim for this purpose.

If no claim is made within the period provided under Subsection 1, the claimant loses his entitlement to compensation.

### **Section 74 (14.5.2010/426)**

#### *Period for filing suit*

Any suit based on either a decision made by the insurer on a claim or another decision that affects the position of the policyholder, the insured or another party entitled to compensation or benefits, shall be filed within three years from the date of receipt by the party concerned of the insurer's written notice of the decision and of the time limit, under penalty of forfeiture of the underlying right. If the case is pending settlement by the Consumer Disputes Board, the Insurance Complaints Board or any other body resolving consumer disputes, the statute of limitations is suspended as provided in Section 11 of the act on the period of limitation of debt (728/2003).

### **Section 75**

#### *Subrogation*

After the insured has received compensation from the insurer, the insured's right to recover compensation for the loss from a third person is subrogated to the insurer only if such third

person has caused the occurrence of the insured event wilfully or through gross negligence or is liable to pay compensation under law irrespective of his negligence. Provisions on the limitations on the insurer's subrogated right in some insurance lines are set forth in Section 13a of the Product Liability Act.

In the case of insurance of the person, the amount reclaimed by the insurer from a third person through subrogation may not exceed the costs arising from the illness or accident or the financial loss concerned.

The terms and conditions of an insurance contract may not deviate from the provisions of Subsections 1 and 2 to the detriment of a third person, if such third person is a private individual or an employee, civil servant or another person comparable to these as provided in Part III Section 1 of the Damages Act (412/1974). The terms and conditions applicable to motor vehicle insurance may, however, include a subrogation clause as provided in Section 20 of the Motor Liability Insurance Act. (14.5.2010/426)

The insurer may reclaim any compensation paid by it under non-life insurance to the insured referred to in Section 62, or part of the compensation, from any policyholder, insured, or person referred to in Section 33 that has caused the occurrence of the insured event or neglected the obligation referred to in Part IV. If the insurer were discharged from liability or entitled to refuse compensation under the provisions of Part IV, the insurer may reclaim the full amount of the compensation paid, pursuant to the subrogated right. If the amount of compensation had been reduced on any of the grounds referred to in Part IV, the insurer may reclaim an amount equal to the reduction.

## **Part XI: Group insurance**

### **Section 76**

#### *Information to be disclosed on group insurance*

If the terms and conditions of a group

insurance contract include a provision to the effect that the insurer keeps a list of persons who are covered by the insurance, the insurer shall, as soon as the contract takes effect and at reasonable intervals thereafter, dispatch the persons insured details of the scope of cover, major exclusions, obligations of the insured under the contract and how the validity of cover is dependent on the fact that the insured is a member of the group mentioned in the contract. If no list of insured persons is kept, the above mentioned information shall be given to the insured in a manner deemed fit in the circumstances.

If the insurer or its representative has failed to give the insured the necessary information on the insurance or has given incorrect or misleading information, the insurance contract is considered to be in effect for the benefit of the insured to the effect understood by the insured on the basis of the information received. This does not, however, apply to information given by the insurer or its representative on compensation or benefits payable after the occurrence of an insured event.

In respect of information to be given on legal remedies, the provision of Section 8 applies.

### **Section 77**

#### *Notice of termination of group insurance*

If a group insurance contract is terminated on account of action taken by the insurer or the policyholder, the insurer that keeps the list referred to in Section 76 Subsection 1 shall dispatch a notice of the termination to the insured persons. If no such list is kept, the insurer shall notify the insured of the termination of the contract in a manner deemed fit in the circumstances. From the insured's standpoint, the insurance contract terminates one month after the date at which the insurer dispatched its notice or informed the insured of the termination.

### **Section 78**

#### *Notifications from insured*

If the insurer and the holder of a group insurance policy have agreed that the insured

is to give notifications under the insurance to the policyholder, and the insured has acted in this manner, the insurer may not invoke non-receipt of such notification. This does not apply if the insured had reason to believe that such notification would not be forwarded to the insurer.

### **Section 79**

#### *Distrainability of premiums payable on employee group life insurance policy*

The insurer may recover premiums payable on a group life insurance contract which employers are liable to take out for their employees under the collective income agreement (*employee group life insurance*), together with penalty interest accrued, through execution without any court judgement or decision, complying with the provisions contained in legislation governing enforcement of taxes and charges. (14.5.2010/426)

Before initiating enforcement measures, the insurer shall notify the policyholder about the premium amount payable pursuant to Subsection 1 and about the basis of the premium and inform the policyholder that enforcement begins, unless the policyholder denies his obligation to pay in writing within 14 days from the dispatch of the notice. If the policyholder denies his obligation to pay, enforcement measures can be initiated only under court decision.

### **Section 80**

#### *Entitlement to continued insurance after expiry of group life insurance policy*

If a group life insurance contract expires or if an insured resigns or is dismissed from the group of persons mentioned in the group insurance contract for a reason other than age, the insured is entitled, regardless of his health, to an equal continued insurance policy at the cost of an individual policy.

Notwithstanding this, the terms and conditions of a group life insurance policy may include a provision to the effect that the insured is not entitled to continued insurance, if he is or may be provided with equal cover under another group insurance contract.

If the insured wishes to exercise his right to continued insurance, he shall notify the insurer thereof within six months from the termination of cover. Cover commences from the day following the receipt by the insurer of the insured's notification to the effect that he wishes to take out a continued insurance policy.

This entitlement to a continued insurance policy shall also be mentioned in the notification referred to in Section 77.

What is provided in this Section does not apply to employee group life insurance contracts.

## **Part XII: Commencement of the Act**

### **Section 81**

This Act comes into force on July 1, 1995.

The Insurance Contracts Act of May 12, 1933 and subsequent amendments are repealed by this Act.

### **Section 82**

This Act is applied to:

- 1) insurance contracts concluded after the commencement of this Act;
- 2) non-life insurance contracts which are automatically renewed after the close of an insurance period, as provided in Section 16 Subsection 1, starting from the beginning of the insurance period that next follows after the commencement of this Act; and
- 3) insurance of the person with premiums or terms and conditions that can be amended as provided in Section 20, starting from the beginning of either the premium period that next follows after the commencement of this Act or, if no premium period has been agreed upon, from the beginning of the calendar year that next follows after the commencement of this Act.

Insurance contracts other than those referred to above, if concluded before the date of commencement of this Act or if cover has commenced before the entry into force of this

Act, are governed by Sections 1 to 4, 7, 8, 21, 24, 25 and 27, Subsections 1, 2 and 4 of Section 35, Sections 38 to 49 as well as Sections 69 to 75.

### **21.1.2005/30**

This Act comes into force on 1 April 2005.

Contracts concluded before the entry into force of this Act are governed by the provisions in force at the time the Act came into force.

### **22.12.2009/1184**

This Act comes into force on 1 January 2010.

Contracts concluded before the entry into force of this Act are governed by the provisions in force at the time the Act came into force.

### **14.5.2010/426**

This Act comes into force on 1 November 2010.

This Act is applied to:

- 1) insurance contracts concluded after the entry into force of this Act;
- 2) non-life insurance contracts renewed automatically for one insurance period at a time as provided in Section 16 Subsection 1, starting from the beginning of the insurance period that next follows after the commencement of this Act;
- 3) accident insurance and health insurance contracts, starting from the beginning of either the premium period that next follows after the commencement of this Act or, if no premium period has been agreed upon, from the beginning of the calendar year that next follows after the commencement of this Act.

Insurance contracts other than those referred to in Subsection 2 Items 2 and 3 and concluded before the entry into force of this Act are governed by Sections 4, 7, 17b, 20

and 20a, Subsection 3 of Section 24, Sections 27, 41, 47 and 54 as well as Subsection 2 of Section 70.

If an insured event has occurred after the entry into force of this Act, Subsection 2 of Section 17, Sections 72 and 73, as well as Subsection 3 of Section 75 apply. If the insurer's decision has been made after the entry into force of this Act, Section 74 applies.