

Translation from Finnish
Legally binding only in Finnish and Swedish
Ministry of Justice, Finland

Insurance Contracts Act
(543/1994; amendments up to 324/2021 included)

By decision of Parliament, the following is enacted:

Chapter 1
General provisions

Section 1 (950/2019)
Scope of application

This Act applies to insurance other than statutory insurance.

However, this Act applies to insurance under the Motor Liability Insurance Act (460/2016) and the Patient Insurance Act (984/2019) to the extent laid down in the said Acts.

This Act also applies to environmental damage insurance unless otherwise provided in the Environmental Damage Insurance Act (81/1998).

This Act does not apply to reinsurance.

Section 2
Definitions

In this Act:

- 1) *insurance of the person* means insurance policies issued to insure natural persons;

- 2) *non-life insurance* means insurance policies which indemnify the insured against losses arising from damage to property, losses sustained under liability for damages and other financial losses;

2a) *unit-linked insurance* means life insurance other than:

a) a life insurance contract, the benefits under which are only paid in the event of death;

b) an officially recognised occupational pension scheme within the scope of Directive 2003/41/EC of the European Parliament and of the Council on the activities and supervision of institutions for occupational retirement provision or Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), or other pension insurance which shall be considered to be group insurance;

(238/2018)

2b) *insurance-based investment product* means the insurance-based investment product referred to in section 5, subsection 1, paragraph 21 of the Act on Insurance Distribution (234/2018); (238/2018)

3) *insurer* means the party that issues the insurance;

4) *policyholder* means 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) *insured* means the person insured under insurance of the person or the party for the benefit of whom non-life insurance is in effect; (238/2018)

5a) *Solvency II Directive* means Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II); (238/2018)

5b) *durable medium* means any instrument which enables a customer to store information addressed personally to the customer in a way accessible for future reference for a period of

time adequate to the purposes of the information and which allows the unchanged reproduction of the information stored; (238/2018)

6) *group insurance* means insurance policies which cover or may cover members of the group mentioned in the underlying contract (*group insurance contract*).

In applying this Act, pension insurance is considered to fall under life insurance.

In applying 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. (426/2010)

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 (395/1961) was repealed by Act 396/2006. See Employees' Pensions Act 395/2006. Directive 2003/41/EC of the European Parliament and of the Council was repealed by Directive (EU) No 2016/2341 of the European Parliament and of the Council.

Section 3 (426/2010)

Peremptory nature of the provisions

Any terms or conditions of an insurance contract that derogate 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 derogate from the provisions of this Act to the detriment of the policyholder shall be null and void when the policyholder is a consumer or another natural person or a 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. The provisions of this subsection do not apply to group insurance contracts.

The provisions of subsections 1 and 2 do not apply to credit and suretyship insurance, marine or cargo insurance taken out by businesses, or insurance taken out by businesses to insure aircraft.

Section 4 (238/2018)

Provisions applied to group insurance

The provisions of sections 1–4, 4b, 5, 5a–5d, 8, 9, 9a, 15, 18, 20, 20a, 22–37, 44 and 46, section 47, subsection 3, and sections 48–51, 55, 56, 59–61 and 67–82 apply to group insurance. Only the provisions of sections 1–4, section 4b, subsection 1, section 5, subsections 1, 3 and 4, sections 5a and 5b, section 5d, subsection 1, sections 8, 9, 9a and sections 22–37, section 47, subsection 3, and sections 55, 59–61, 69–75, 81 and 82 apply to group insurance that is only valid for the duration of a temporary visit to an agreed-upon location or participation in activities of no longer than one month’s duration.

Section 4a (238/2018)

Provisions applied to capital redemption contracts

The provisions of sections 1–3, 4b, 5, 5a–5d, 6, 6a, 7–9, 9a, 12, 13, 13a, 51 and 52 apply to unit-linked insurance in which there is no insured (*capital redemption contract*).

Chapter 2

Information to be disclosed on insurance

Section 4b (238/2018)

Identification of insurance needs

Before distributing insurance, the insurer shall request from the insurance applicant information on their insurance needs and requirements and determine the insurance need taking into account this information.

In the distribution of unit-linked insurance, the insurance applicant shall moreover be requested to provide information on their investment experience and knowledge in the investment sector relevant to the insurance in question and, when a personal recommendation is to be provided, also on the applicant's financial circumstances, including their risk tolerance and ability to bear losses.

Section 5 (238/2018)

Information prior to conclusion of contract

Before concluding an insurance contract, the insurer shall provide the insurance applicant with information on its forms of insurance, the premiums on these policies and their terms and conditions, and all other information necessary for choosing insurance suited to the insurance need identified for the applicant. When providing this information, the insurer shall point out all major exclusions in the cover provided.

Before concluding a unit-linked insurance contract, the insurer shall additionally draw attention to the matters relevant to choice between different types of unit-linked insurance and the associated investment instruments, taking into account in particular the insurance applicant's investment experience and knowledge and investment objectives. Information on the unit-linked insurance and the associated investment instruments shall be provided in aggregate form so as to give the insurance applicant an understanding of the costs of the insurance and the cumulative impact of the costs on the return on the insurance and the accumulation of capital. The insurance applicant shall also be warned of the risks associated with the insurance or the associated investment instruments or the proposed investment strategy and be provided with information on appropriate risk management tools, taking into account the investment objectives. Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) additionally governs the provision of the key information document for packaged retail and insurance-based investment products.

The information referred to in subsections 1 and 2 above shall be provided in a comprehensible form and in its provision, account shall be taken of the complexity of the insurance product and whether the insurance applicant is a consumer or comparable to a consumer under section 3, subsection 2, or another person, as well as of the characteristics of the customer or the group of customers.

Provisions on the prior information to be provided to consumers in the distance selling of insurance are laid down in chapter 6a of the Consumer Protection Act (38/1978).

Section 5a (238/2018)

Provision of information on durable medium or website

The information to be provided prior to the conclusion of a contract shall be provided on paper or on another durable medium or on a website. Provisions are laid down by Government decree on the manner of information provision to be employed from time to time and the general requirements for information provision.

The standard document on the non-life insurance referred to in Annex I of the Solvency II Directive shall be provided on paper or on another durable medium, however. Further provisions may be laid down by Government decree on the information which the document must contain, the language in which the document is prepared and other matters pertaining to the document, taking into account the provisions of Article 20(5–9) of Directive (EU) No. 2016/97 of the European Parliament and of the Council on insurance distribution. Provisions on the standard presentation of the document and the detailed manner of the presentation of the information contained in the document are laid down by the Commission's regulatory technical standards.

Notwithstanding the provisions of subsections 1 and 2 above, upon request the information to be provided prior to the conclusion of a contract shall always be provided to the insurance applicant on paper. No fee may be charged for the provision of the information. The provisions of chapter 6a, section 11, subsection 2 of the Consumer Protection Act apply to the sales of insurance by telephone.

Section 5b (238/2018)

Provision of personal insurance recommendation

Where the insurer provides the insurance applicant with a personal recommendation to choose one or more given insurance products, the insurer shall give the reasons for why the recommended insurance best meets the insurance applicant's insurance need. The insurer is subject to an equivalent advisory duty when the insurance contract is concluded with a

person whose habitual place of residence or place of business is located in an EEA Member State under the laws of which the provisions of such advice in the sales of insurance products is mandatory.

Where the insurer is not provided with sufficient information by the insurance applicant to provide a personal recommendation, the insurer shall warn the insurance applicant that a personal recommendation cannot be provided.

Section 5c (238/2018)

Assessment of appropriateness and suitability of unit-linked insurance

The insurer shall assess whether the planned insurance and any additional services related to it are appropriate for the insurance applicant, taking into account the applicant's investment experience and knowledge in the investment sector relevant to the insurance in question. When the insurer concludes that the unit-linked insurance and any related additional services are not appropriate, the insurer must warn the applicant accordingly. When the insurance applicant fails to provide sufficient information for the assessment of the appropriateness of the insurance and the related additional services, the insurer must warn the applicant that the appropriateness of the insurance and the related additional services cannot be assessed.

When it has been agreed that a personal recommendation on unit-linked insurance is to be provided, the insurer must recommend to the insurance applicant insurance that is suited to the applicant, taking into account the applicant's investment knowledge and experience in the investment sector relevant to the insurance in question, the applicant's investment objectives and financial situation, including the applicant's risk tolerance and ability to bear losses. Correspondingly, the additional services recommended must be suitable to the insurance applicant. Where the insurance applicant fails to provide sufficient information for the assessment of the suitability of the insurance and the related additional services, the insurer must warn the applicant that a personal recommendation cannot be provided.

The recommendation shall at least indicate how the recommended insurance matches the applicant's expectations, financial situation and investment objectives. The recommendation shall be provided to the insurance applicant prior to the conclusion of the insurance contract on paper or on another durable medium as specified by Government decree. However, the

recommendation may be provided on a durable medium immediately following the conclusion of the contract when the contract is concluded by such means of distance communication that the recommendation cannot be provided on a durable medium prior to conclusion of the contract and the insurance applicant has consented to provision of the recommendation afterwards and has not wished to postpone conclusion of the contract despite the insurer giving the applicant the option to do so. In addition, the insurance applicant shall be informed of whether the insurer will provide a regular assessment of the suitability of the relevant insurance to the applicant.

Section 5d (238/2018)

Exemptions from certain duties of the insurer

The information referred to in section 4b, subsection 1 need not be requested from the insurance applicant and the information referred to in section 5, subsections 1, 3 and 4, section 5a, subsection 2, section 5b and section 7, subsection 1 need not be provided to the insurance applicant when the insurance concerns a large risk as referred to in chapter 31, section 4 of the Insurance Companies Act (521/2008). Where the insurance applicant is a professional client referred to in chapter 1, section 23 of the Act on Investment Services (747/2012), the information referred to in section 4b, subsection 2 of this Act need not be requested from the applicant and the information referred to in section 5, subsection 2 need not be provided to the applicant, and the assessment of unit-linked insurance appropriateness and suitability referred to in section 5c need not be performed. (324/2020)

Section 6

Delivery of certain documents

Subsequent to the conclusion of the insurance contract, the insurer shall without delay deliver to the policyholder a document containing the key substance of the contract (insurance policy) and the terms and conditions of the insurance. Provisions on the delivery of contractual terms and conditions to the consumer in the distance selling of insurance are laid down in chapter 6a, section 11 of the Consumer Protection Act. (238/2018)

When the terms and conditions governing the insurance entitle the insurer to change the insurance premium or any other terms or conditions of insurance of the person during the

validity of the insurance policy (insurance period), such entitlement shall be recorded in the insurance policy.

Section 6a (458/2017)

Information on reason for refusal

Where insurance is refused to a consumer or a party comparable to a consumer under section 3, subsection 2, the insurance applicant shall be informed of the reason for the refusal unless the refusal is based on chapter 4, section 5 of the Act on Preventing Money Laundering and Terrorist Financing (444/2017). The reason shall be given in writing. The reason for refusal shall be in compliance with law and good insurance practice.

Section 7 (238/2018)

Information to be provided while insurance is in force

The insurer shall provide to the policyholder annually on a durable medium a statement indicating the amount of the insurance and such other matters pertaining to the insurance that are of obvious relevance to the policyholder. Provisions on the information to be included in the annual statement are also laid down in sections 26 and 27.

In case of unit-linked insurance, the insurer shall additionally provide to the policyholder a statement on the expenses charged for changes made to the insurance or the associated investment instruments by assignment from the policyholder.

Where the insurer has undertaken regularly to assess the suitability of the unit-linked insurance policy taken out and the related additional services to the policyholder, the assessments provided shall be up to date and shall indicate at least how the recommended insurance and the related additional services match the expectations, financial situation and investment objectives of the policyholder.

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 another decision relating to the insurance shall, unless deemed manifestly 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 provided incorrect or misleading information to the policyholder when marketing the insurance, the insurance contract is considered to be in force as the policyholder had cause to understand on the basis of the information received.

Correspondingly, the provisions of subsection 1 also apply to situations where incomplete, incorrect or misleading information provided on the insurance during its validity can be considered to have affected the policyholder's conduct. This does not, however, apply to information on the eventual compensation or benefits payable provided by the insurer or its representative after the occurrence of an insured event.

Section 9a (426/2010)

Further provisions and regulations

Further provisions on the provision of the information referred to in Articles 183–185 of Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) may be issued by decree of the Ministry of Justice. (314/2015)

Further provisions on the principles with which an insurer shall comply in the distribution of insurance-based investment products are laid down in the Delegated Regulations of the European Commission. In addition, the Financial Supervisory Authority may issue regulations on the manner in which expenses, returns and the accrual of savings are to be calculated and reported. The Financial Supervisory Authority may also issue regulations supplementary

to sections 5 and 7 on the information to be provided on the development of the surrender value accruing on the basis of premiums paid and the payments to be made in the event of an insured event. (238/2018)

Chapter 3

Validity of and changes to insurance contract

Section 10

Criteria for issuance of insurance of the person

The insurer may not reject an application for insurance of the person on the grounds that an insured event has occurred or 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. (426/2010)

Where 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.

When 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 the provision in its written invoice for the insurance premium. (426/2010)

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 time of delivery or dispatch, an acceptance or an application is considered to have been delivered or dispatched at 00.00 midnight.

Section 12 (30/2005)

Policyholder's right to terminate insurance policy

The policyholder is entitled to terminate an insurance contract at any time during the 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 (426/2010)

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

If any savings have accrued from insurance premiums paid by the policyholder, the policyholder is entitled to discontinue premium payments and receive either a policy corresponding to the savings accrued calculated in accordance with the terms and conditions of the insurance (*paid-up policy*) or the savings accrued under the insurance calculated in accordance with the terms and conditions of the insurance (*surrender value*).

When 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. Notwithstanding the foregoing, the termination period only begins to run once the policyholder has received the documents referred to in section 6 or, in the distance selling of insurance, the prior information and terms and conditions on a durable medium referred to in chapter 6a of the Consumer Protection Act.

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 impairment 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 dispatched by mail is considered to have been received by the insurer on the seventh day from sending and a notice dispatched electronically is considered to have arrived on the day of dispatch.

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 in advance.

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 Restricted Long-term Savings (1183/2009). The terms and conditions of the policy may, however, provide that no such right to transfer exists unless death cover is attached to the policy.

In the 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 of 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. By way of derogation from 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 in force 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 to 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, for a period of six months from the payment of the surrender value, be the same as it would, had continued insurance been applied for. Cover ceases, however, if the insurer dispatches such notice during this period.

The application for continued insurance shall be submitted within six months of the dispatch of the insurer's notification of the policyholder's entitlement to continued insurance, however not later than one year from the payment of the surrender value.

Section 15

Insurer's entitlement 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 would not have 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 that is relevant to the assessment of the insurer's liability.

After becoming aware of 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 notice of termination is not given 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, paragraph 2 above. Once terminated, the insurance policy expires in one month after the dispatch of the notice of termination. (426/2010)

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

Section 16 (426/2010)

Termination of automatically renewed non-life insurance policy

The terms and conditions of a non-life insurance policy may provide that the insurer's liability is automatically renewed for one insurance period at a time unless either party terminates the contract (*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 expiry of the insurance period concerned. The notice shall indicate the reason for termination unless the termination is based on chapter 4, section 5 of the Act on Preventing Money Laundering and Terrorist Financing. If notice of termination is not given as provided in this subsection, termination is null and void. (458/2017)

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

Section 17 (426/2010)

Insurer's right to terminate insurance of the person

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

- 1) the policyholder or the insured has prior to the issuance of the insurance, wilfully or through negligence that is not be considered slight, given the insurer incorrect or incomplete information 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 relevance to 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, had the circumstance relating to the insured conformed to the change at the time the insurance was granted.

The insurer may also terminate 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 relevance to the assessment of the insurer's liability.

After becoming aware of 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 notice of termination is not given as provided in this subsection, the insurer forfeits the right to terminate. 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 laid down in section 39.

Section 17a (426/2010)

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. Where the premium period is shorter than one year or 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 indicate the reason for termination. If notice of termination is not given as provided in this section, termination is null and void.

Section 17b (426/2010)

Termination of self-funded group insurance

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

Section 18

Changes to terms and conditions of non-life insurance during insurance period

The insurer is entitled to change the premium payable on non-life insurance and any other terms or conditions of the insurance 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 becoming aware of a circumstance referred to in subsection 1, the insurer shall, without undue delay, dispatch a notice indicating how and as of what date the premium or other terms or conditions change. The notice shall indicate that the policyholder is entitled to terminate the insurance. If the insurer fails to dispatch the notice as provided in this subsection, it forfeits the right to change the premium or any other terms or conditions is forfeited, except when the policyholder or the insured has acted in bad faith.

Section 19 (426/2010)

Changes to terms and conditions of automatically renewed non-life insurance at commencement of insurance period

The terms and conditions of automatically renewed non-life insurance 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 on grounds specified in the terms and conditions. Furthermore, the insurer is entitled to make such minor changes to the terms and conditions as do not affect the main content of the insurance contract.

The insurer's invoice to the policyholder for the insurance premium shall be accompanied by notification of the changes made in the premium or other terms or conditions. The notification shall indicate that the policyholder is entitled to terminate the insurance. Any changes thus notified 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 notice of the changed conditions referred to in this section to the policyholder.

Section 20 (426/2010)

Continuation of insurance of the person on changed 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 them 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 the 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 changed terms and conditions if there has been a change in any circumstance relating to the insured that is of relevance to 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, had the circumstance relating to the insured conformed to the change at the time the insurance was granted.

After becoming aware of the failure to fulfil the duty of disclosure or 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 indicate that the policyholder is entitled to terminate the insurance policy. If the insurer fails to dispatch a notice in accordance with the provisions laid down in this subsection, it forfeits the right to alter the premium or any other terms or conditions.

Section 20a (426/2010)

Changes to terms and conditions of insurance of the person

The terms and conditions of 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 changes to the terms and conditions of 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 amended, 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 policy to reflect the change in the provisions.

The insurer shall dispatch to the policyholder a notice indicating how and at what date the premium or other terms or conditions change. The notice shall indicate that the policyholder is entitled to terminate the insurance policy. Any changes 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 notice 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 and no later than six months from the expiry of the insurance policy.

Chapter 4

Certain duties of the policyholder and the insured and limitations to the liability of the insurer

Section 22

Duty of disclosure of the policyholder and the insured

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 relevance to the assessment of the liability of the insurer. In addition, throughout the insurance period, the

policyholder and the insured shall without undue delay rectify any errors or shortcomings that they may identify in the information given by them 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 them in section 22, the insurer is not bound by the policy and is entitled to retain all premiums paid even if the insurance expires.

If the policyholder or the insured has, either wilfully or through negligence which cannot be considered slight, failed to fulfil the 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 insurance of the person when fulfilling the obligation imposed on them in section 22, the insurer is not bound by the policy and is entitled to retain all premiums paid even if the insurance expires.

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 would have 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. (426/2010)

Section 25 (426/2010)

Section 25 was repealed by Act 426/2010.

Section 26 (426/2010)

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 in subsection 2, compensation may be reduced or refused.

Section 27 (426/2010)

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 in subsection 1, the provisions contained in section 24, subsections 2 and 3 correspondingly 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 the person has been at such an age or in such a state of mind that the person 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 voluntary motor vehicle insurance policy may include a provision to the effect that the use of alcohol, narcotics or any other intoxicant shall have the impact on the compensation payable under the insurance provided in section 48 of the Motor Liability Insurance Act. (467/2016)

Under insurance taken out against liability for damages (*general liability insurance*), the insurer is, in spite of the conduct of the insured referred to in subsection 2 or 3, liable to pay damages to an injured party who is a natural person 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 intended to prevent or restrict the occurrence of bodily injury, property damage or loss, or provisions requiring the person using or managing the property insured to 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 the obligations on the insured 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 who is a natural person is then governed by the provisions of section 30, subsection 4.

Section 32

Duty of salvage under non-life insurance

When an insured event occurs or is imminent, the insured shall to the best of their ability seek to prevent or contain the bodily injury, damage to property or loss. 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 the insured in subsection 1, any compensation due to the insured 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 the obligations of the insured 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 who is a natural person is then governed by the provisions laid down 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 noncompliance 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 laid down above concerning the insured in cases involving compliance with precautionary guidelines apply correspondingly to any person who, on the basis of employment or service with the policyholder, is responsible for ensuring that precautionary guidelines are complied with.

Section 34 (426/2010)

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 provided in this chapter shall also take into account 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 failure to act of the insured or of a person referred to in section 33 has contributed to the occurrence of the bodily injury, damage to property or loss. Other aspects that need to be considered are possible wilful action or 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 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 same period of time. The provisions of this subsection do not apply if the policyholder or the insured has acted in bad faith. (426/2010)

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 significance.

Section 36

Irresponsibility and emergency

The insurer may not invoke the provisions contained in this chapter 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 the insured could not have been sentenced to punishment for a crime when the insured caused the occurrence of an insured event or failed to comply with precautionary guidelines or failed to fulfil the duty of salvage. The provisions laid down here do not apply in 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, paragraph 3 or 4 or invoke the provisions of this chapter 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 concerning the insured laid down in this section also apply to the persons referred to in section 33.

Section 37

Limitations of 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 a 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.

Chapter 5

Insurance premium

Section 38 (426/2010)

Payment of insurance premium

The premium for an insurance contract shall be paid 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 subsequent payments need not be made 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 on 14 days' notice, calculated from the dispatch of the notice of termination. Notwithstanding the foregoing, the automatically renewed non-life insurance policy 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 indicate this option to the policyholder in the notice of termination. In the case of insurance 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 illness, unemployment or another particular circumstance not primarily attributable to 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 the option under this subsection to extend the validity of the insurance policy temporarily.

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

Section 40

Continuation of cover and enforceability of premiums under automatically renewed nonlife 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 for the period had been paid at the due date, the insurer is entitled to recover the premium with the penalty interest accrued through enforcement measures, without any court judgement or decision, in compliance with the provisions laid down in the Act on the Enforcement of Taxes and Public Payments (706/2007), providing that the insurer has mentioned this in the invoice for the premium. (426/2010)

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 liability to pay in writing within 14 days from the dispatch of the notice. If the policyholder denies 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 (426/2010)

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 (426/2010)

Payment of overdue non-life insurance premium

If the policyholder pays the premium for a non-life insurance policy after the due date in the case referred to in section 11, subsection 3 or after the insurance policy has expired in the case referred to in 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 originally agreed insurance period.

The provisions of 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 refuse to accept the payment on account of an insured event occurring after the premium was paid.

Section 43

Re-entry into force of terminated insurance of the person

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.

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.

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

Section 44 (33/2013)

Payment made to bank

When the policyholder is a consumer, a premium paid to the insurer via a payment services provider is considered to have been paid on the date on which it is debited from the payer's account or paid in cash at the payment services provider's place of business.

Section 45

Insurance premium after termination of insurance policy

If a non-life insurance policy or 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 otherwise provided in section 23, subsection 1 or section 24, subsection 1. Any premium paid in excess of this shall be returned to the policyholder.

The terms and conditions of the insurance shall provide for the manner of calculation of 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 EUR 8.00, it need not be returned separately. The limit may be revised by Government decree to correspond to change in the value of money. (968/2001)

Section 46

Limitation on insurer's right to insurance premium

The insurer forfeits its right to the premium if the insurer has not lawfully claimed it within three years from the due date of the premium.

Chapter 6

Beneficiary clause under insurance of the person; assignment and pledging of entitlement under life insurance

Section 47 (426/2010)

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 insurance of the person (*beneficiary*). The policyholder may change or revoke the 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 provide the beneficiary or the insured with a written undertaking not to change the designation (irrevocable beneficiary clause). Such designation may not be changed or cancelled without the consent of 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 the time of payment of benefits does 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 when one has been designated.

Section 48

Form of beneficiary clause

A beneficiary clause, its cancellation or amendment is null and void unless notified 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, 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 the policyholder's intent 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.

Subsection 3 was repealed by Act 258/2015.

Section 50

Interpretation of beneficiary clause

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

If the *spouse* of the policyholder has been designated as the beneficiary, the clause is in force for the benefit of the person to whom the policyholder was married at death. However, this does not apply when 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 *children* of the policyholder have been designated as the beneficiaries, the clause is in force in favour of the policyholder's direct heirs as referred to in the Code of Inheritance (40/1965). The benefit is divided between the direct heirs as provided in the Code of Inheritance regarding the heirs' entitlement to inheritance.

If the *spouse and children* of the policyholder have been designated as the beneficiaries, the designation is in force for the benefit of the spouse referred to in subsection 2 and 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 *next of kin* of the policyholder have been designated as the beneficiaries, the designation is in force for the benefit of the spouse referred to in subsection 2 and the heirs referred to in the Code 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 Code of Inheritance regarding the heirs' entitlement to inheritance.

The provisions of subsections 2–5 concerning the policyholder apply correspondingly to the insured when 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 the consent of the person who received the undertaking concerning the beneficiary clause. (426/2010)

If the right held under a life insurance policy has been pledged or if the insurance policy contains an irrevocable beneficiary clause, consent from the pledgee or from the recipient of the undertaking concerning 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 becoming aware of 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 laid down here apply correspondingly to the irrevocable beneficiary clause.

Section 52

Right of pledgee

Persons to whom the right held under a life insurance policy has been pledged are entitled to receive a portion of the benefit payable that is equal to their 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 the 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 (426/2010)

Notifications to pledgee and to recipient of undertaking concerning beneficiary clause

The provisions laid down in sections 17, 20, 21 and 39 on 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 concerning an irrevocable beneficiary clause provided that the insurer has been notified of the pledging or 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 the beneficiary.

Chapter 7

Attachment and recovery to bankruptcy estate

Section 54 (426/2010)

Attachment under life insurance

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

- 1) at the time the attachment is carried out, 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 not in any 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 provisions of subsection 1 do not apply to attachment of maintenance payable to spouse or child.

Section 55

Attachment under accident insurance and health insurance

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

Section 56

Recovery to bankruptcy 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 Act on the Recovery of Assets to Bankruptcy Estates (758/91) paid premiums on insurance of the person in amounts which at the time of payment were not in reasonable proportion to the policyholder's circumstances and assets, the bankruptcy 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 to this, the bankruptcy estate is obligated, 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 Act on the Recovery of Assets to Bankruptcy Estates.

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

Chapter 8

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 amount 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.

Chapter 9

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 legal transaction, the new owner shall, nonetheless, be entitled to compensation upon the occurrence of an insured event which occurs within 14 days from the transfer of title, unless the new owner has had the property insured.

Section 64 (426/2010)

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 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 of 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, with binding effect on the insured, and to receive the compensation due, unless the insured is named in the contract or the insured has stated that the rights of the insured will be asserted by the insured, 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 for the benefit of a person who holds a lien on the property as security for a claim, the holder of the lien is entitled, even if the claim were not due for settlement, to receive payment from 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 applies correspondingly 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.

Separate provisions are laid down on the right of a mortgage holder to receive payment from compensation.

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 directly 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 a claim for compensation is made to the insurer, the insurer shall inform the insured of the claim without undue delay and reserve for the insured an opportunity to provide 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 for compensation 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 to the injured party a notice of its decision on a claim for compensation made under general liability insurance. The injured party is entitled to take legal action against the insurer in consequence of the decision or to refer the case to the

Consumer Disputes Board or another similar body, if the case otherwise falls under the responsibilities of the said body.

If the case concerning the claim referred to in subsection 1 or in section 67 is heard in court or another dispute resolution body, the insured shall be reserved an opportunity to be heard.

Chapter 10

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, taking into account also 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 to be 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 EUR 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. (426/2010)

Penalty interest as provided in the Interest Act (633/1982) shall be paid on any delayed payment of compensation or benefit.

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 insurance of the person to a person other than the person entitled to such payment, the insurer has nonetheless performed its obligation, providing it has observed the care required by the circumstances when effecting the payment.

Section 72 (426/2010)

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 that is of relevance to the assessment of the insurer's liability, compensation or benefit may be reduced or refused as considered reasonable in the circumstances.

Section 73 (426/2010)

Time limit for making claim and limitation

Any claims based on an insurance contract shall be made to the insurer within one year of 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 of 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 be equal to the making of a claim for this purpose.

If no claim is made within the period provided in subsection 1, the claimant loses entitlement to compensation or benefit.

Section 74 (426/2010)

Limitation of actions

Any legal action 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 brought within three years of the date of receipt by the party concerned of the insurer's written notice of the decision and of this 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 Expiry of Debt (728/2003).

Section 75

Insurer's right of recourse

After the insured has received compensation from the insurer, the right of the insured to recover compensation for the loss from a third person transfer 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 the third person's negligence. Provisions on the limitation of the insurer's right of recourse in the case of certain insurance policies are laid down in section 13a of the Product Liability Act (694/1990).

In the case of insurance of the person, the amount reclaimed by the insurer from a third person by right of recourse may not exceed the costs and financial losses arising from the illness or accident.

The terms and conditions of an insurance contract may not derogate 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, public official or another person comparable to these as provided in chapter 3, section 1 of the Tort Liability Act (412/1974). However, the terms and conditions of voluntary motor vehicle insurance may contain a provision on right of recourse as provided in section 73 of the Motor Liability Insurance Act. (467/2016)

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 chapter 4. If the insurer were discharged from liability or entitled to refuse compensation under the provisions of chapter 4, the insurer may reclaim the full amount of the compensation paid, pursuant to the right of recourse. If the amount of compensation would have been reduced on any of the grounds referred to in chapter 4, the insurer may reclaim an amount equal to the reduction.

Chapter 11

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 to 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 provisions of section 8 apply.

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. In respect of the insured, 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 the 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 justified reason to believe that such notification would not be forwarded to the insurer.

Section 79

Enforceability of premiums payable on employee group life insurance

The insurer may recover the premium on group insurance which the employer is obligated to take out for its employee pursuant to the employment contract (*employee group life insurance*) inclusive of penalty interest through enforcement measures without judgment or order of the court in compliance with the provisions laid down in the Act on the Enforcement of Taxes and Public Payments. (426/2010)

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 measures will be initiated unless the policyholder contests liability to pay in writing within 14 days of the dispatch of the notice. If the policyholder denies liability 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 the health of the insured, 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 the insured is or may be provided with equal cover under another group insurance contract.

If the insured wishes to exercise the right to continued insurance, the insured 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 the insured wishes to take out a continued insurance policy.

This entitlement to a continued insurance policy shall also be indicated in the notice referred to in section 77.

The provisions of this section do not apply to employee group life insurance.

Chapter 12

Provisions on entry into force

Section 81

This Act enters into force on 1 July 1995.

This Act repeals the Insurance Contracts Act of 12 May 1933 (132/1933) as amended.

Section 82

This Act applies to:

1) insurance contracts that have been concluded after the entry into force of this Act or the cover under which has commenced after the entry into force 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 entry into force 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 entry into force of this Act or, if no premium period has been agreed upon, from the beginning of the calendar year that next follows after the entry into force of this Act.

Insurance contracts other than those referred to above, if concluded before the entry into force of this Act or if cover has commenced before the entry into force of this Act, are subject to sections 1–4, 7, 8, 21, 24, 25 and 27, section 35, subsections 1, 2 and 4, sections 38–49 and sections 69–75 of this Act.