

# INSURANCE CONTRACT LAW

No. 2496/97

## Insurance Contract – Amendment of the Law concerning Private Insurance and Other Provisions (Part One Only)

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*True Translation from the Greek Language*

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## **THE PRESIDENT OF THE REPUBLIC OF GREECE**

We hereby promulgate the law as set out hereinafter, such Law having been passed by the Parliament:

### **PART ONE - THE INSURANCE CONTRACT**

#### **SECTION ONE - GENERAL PROVISIONS**

##### **Article 1 - The Elements of the Insurance Contract**

- 1) An insurance contract is a contract whereby, in return for a premium, an insurance company (“the insurer”) undertakes to pay money or if specifically agreed make provision in kind to the other contracting party (“the policyholder”) or to a third party on the occurrence of the incident on which it has been agreed that the insurer’s obligation depends (“the insured event”).
- 2) The insurance contract shall specify at least the particulars of the contracting parties and the name of the beneficiary of the insurance, should that person not be a party to the contract. It should also contain: the period of cover; the person or the item covered; the value of the policy or the property at risk, or related to the realisation of the risk; the type of risks (the “insured risk”); any maximum limit of the insurer’s liability (the “insured sum”); any exceptions to cover; the premium; and the applicable law, if not Greek.
- 3) The insurer, prior to granting insurance cover, may grant temporary insurance cover. This can be converted to a full policy if the insurance contract is concluded during the period of the temporary cover.

##### **Article 2 - The Insurance Policy**

- 1) The insurance contract is evidenced by a signed policy document (the “insurance policy”) provided by the insurer. The insurer may sign it by mechanical means. The

insurance policy may also be issued either to order or to bearer.

- 2) The insurer must provide the policyholder with the insurance policy or, if temporary cover has been provided, with a cover note in writing.
- 3) The insurance policy and the cover note must contain the required minimum details concerning the terms and conditions of the insurance contract, as well as the place and date of issue. The policyholder is entitled at any time to request a copy of any explanations or details which he may have given to the insurer upon conclusion of the relevant contract, as well as a copy of the insurance policy, if the original is lost.
- 4) Whenever the contract is governed by general or special insurance terms and conditions, the insurer shall note this in the section of the insurance policy where the individual details of the contract appear, and provide the aforesaid general or special terms and conditions to the Insured together with the policy.
- 5) In the event that the contents of the insurance policy differ from the application for insurance, such variations shall be deemed to have been approved from the commencement of the policy provided that the policyholder does not object in writing thereto within one month following the receipt of such insurance policy and to the extent that the insurer has duly informed the policyholder of such variations, as well as of the policyholder's right to object. This should be done by the insurer in writing, or by a notice situated on the first page of the insurance policy written in such a way as to make the notice readily distinguishable from the other parts of the document, thus enabling it to be easily noted by the reader. The insurer must also issue the policyholder with a separate printed specimen of the notice of objection. If the insurer fails to inform the policyholder of his rights under this paragraph, or to provide him with the above mentioned specimen notice, the variations in the terms of the contract shall not be binding on the policyholder, and the contract shall be deemed to have been agreed in accordance with the terms contained in the insurance application.
- 6) If the insurer fails to supply to the policyholder any of the information provided in Article 4 paragraph 2, item «H» and paragraph 3 item «D» of Legislative Decree

400/1970<sup>1</sup> as in force at the time when the insurance application is submitted, or if the insurer fails to communicate the terms and conditions of the insurance cover in accordance with paragraph 4 of the present Article, the contract shall be deemed to have been concluded on the basis of the policy text, the general conditions of insurance and any additional information which usually determines the specific contract, provided that the policyholder does not object in writing within fourteen days of the policy being delivered. Should the aforesaid time limit expire without any action being taken, the contract shall be deemed to have come into effect from the date on which it was concluded. The aforesaid time-limit shall not commence should the insurer fail to inform the policyholder of his right to object to the conclusion of the contract in the absence of the aforesaid information. The insurer must notify the policyholder of his rights in writing, or by an easily legible notice appearing on the first page of the policy, and supply the policyholder with a separate printed specimen of the objection notice. The policyholder's right to object shall expire after the lapse of ten months from the date on which the first premium was paid. If the policyholder makes an objection, the contract shall be avoided. The burden of proving that the appropriate documents were delivered lies with the insurer. The provisions set out in paragraph 5 of this Article are not prejudiced hereby.

- 7) If, at the request of the policyholder, insurance cover is provided immediately, it may be agreed, at the time when the contract is concluded, that the policyholder shall waive the right to be supplied with the information provided for in paragraph 6 of this Article, until such time as the insurer supplies the insurance policy.
- 8) All the terms contained in the insurance policy should take into consideration the policyholder's reasonable interests as well as those of the insured; they should also be clearly expressed and written in understandable terms. Any agreement purporting to waive the right to challenge the insurance contract on grounds of error shall not be binding on the policyholder.

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<sup>1</sup> See Appendix 1

### **Article 3 - Description of Risk**

- 1) The policyholder shall declare to the insurer at the time of the conclusion of the contract any and all information or circumstances of which he is aware, and which are objectively significant for the assessment of the risk. He shall also answer every relevant question posed by the insurer. It shall be presumed that the information and circumstances in relation to which the insurer has set clear written questions constitute the sole grounds on which the insurer based its assessment and acceptance of such risk.  
If the insurer concludes the contract based on written questions, the insurer cannot later rely on the fact that:
  - a) specific questions remained unanswered;
  - b) circumstances which were not the subject matter of a question have not been disclosed; or
  - c) an obviously incomplete answer was given to a general question, unless the other contracting party has made such a response with intention to deceive the insurer.
- 2) The insurer may not rely upon inadequate or defective answers to the questionnaire [against the policyholder] unless they were supplied deliberately.
- 3) If, for any reason whatsoever beyond the control of the insurer or the policyholder, information or circumstances which are objectively essential for the assessment of risk did not become known to the insurer, the insurer shall be entitled to terminate the contract, or to request that it be amended, within a period of one month following the insurer's discovery of such information or circumstances.
- 4) The insurer's proposal to modify the contract shall be deemed to constitute a termination if, within one month from receipt thereof, such proposal is not accepted. This presumption must be clearly stated in the proposal document.
- 5) Negligent failure to comply with the duty to disclose set out in paragraph 1 of this Article shall entitle the insurer to all rights referred to in paragraph 3 hereof. Furthermore, if the insured risk occurs prior to the amendment of the insurance contract pursuant to paragraph 3, or before the termination comes into effect, the insurance compensation shall be reduced in proportion to the difference between the premium payable and the premium which would have been demanded if the failure to disclose

had not occurred.

- 6) In the event of fraudulent failure to disclose in breach of the obligation set out paragraph 1 of this Article, the insurer shall be entitled to terminate the contract within one month from the date on which the insurer acquired knowledge of the breach. If the insured risk occurs within the above-mentioned period, the insurer shall be released from the obligation to pay the insurance indemnity. The policyholder shall in addition be liable in damages for any loss sustained by the insurer.
- 7) Termination of the insurance contract by the insurer under paragraphs 3 and 5 of this Article shall come into effect following the lapse of fifteen days from the date when the relevant notice reaches the policyholder, or following the lapse of one month from the receipt of the modification proposal as provided by paragraph 4 of this Article. Termination under paragraph 6 of this Article shall take immediate effect. If the insurer's liability under the policy is limited or avoided, the insurer shall still be entitled to collect the premiums due and payable at the date when the termination of the contract takes effect, or at the time when the insured risk occurred.
- 8) Without prejudice to Article 29 paragraph 2, the provisions set out in paragraphs 3 to 5 of this Article shall not apply to life insurance. Similarly, the provisions of Article 3 to 5 of this Article shall not apply to health insurance.

#### **Article 4 - Aggravation of Risk**

- 1) Throughout the insurance period, the policyholder shall be obliged to declare to the insurer, within fourteen days as from the date of knowledge, any details or incident liable to entail an significant increase of the risk, such that had the insurer been aware of the fact or incident, it would not have concluded the insurance contract, or would not have concluded it under the same terms.
- 2) As soon as the insurer is informed about the aggravation of risk, it shall be entitled to terminate the contract or to request that it be modified. The provisions of paragraphs 3, 4, 5, 6 and 7 of Article 3 herein shall also apply in the event of aggravation of the risk throughout the period of insurance.
- 3) The provisions of this Article shall not apply to life insurance and health insurance.

**Article 5 - Reduction and Extinction of Risk**

- 1) In the event that the insured risk has substantially diminished, the policyholder shall be entitled to request a proportionate reduction in the premium. If the insurer refuses to make the reduction, or fails to answer the relevant request for a period in excess of one month following its submission, the policyholder shall be entitled to terminate the agreement for the remaining period of the policy. In the case of life and health insurance policy, any change in the health of the insured shall not give rise to the right to reduce the premium.
- 2) If the insurer, upon concluding the contract, was aware that the occurrence of the insured risk was impossible, the policyholder shall not be obliged to pay the premium. Should the policyholder, or the insured, or the beneficiary of the insurance indemnity, be aware, upon concluding the insurance contract, that the insured risk has already occurred, the insurer shall not be obliged to give any compensation and shall also be entitled, provided that the insurer itself was not aware of the occurrence of the risk, to collect the premium until the end of the period of cover.

**Article 6 - Payment of the Premium**

- 1) The policyholder shall be obliged to pay the premium sums in cash, either by lump sum or in instalments. The insurance cover shall not commence prior to the payment of the lump-sum premium or of the first instalment, except as otherwise agreed or if the circumstances of the conclusion of the contract indicate otherwise.
- 2) Failure to pay the premium instalment due gives the insurer the right to terminate the contract. The termination notice shall be sent to the policyholder, whereby the latter shall be informed that any further delay in the payment of premium shall result, on the expiry of one month from the date of communication of the aforesaid declaration, in the termination of the insurance contract.

**Article 7 - Realisation of the Risk, Payment of the Insurance Indemnity**

- 1) The policyholder shall notify the insurer of the occurrence of the insured event within eight days of the date on which the policyholder acquired knowledge thereof. The policyholder shall be obliged at the insurer's request to supply all necessary information, details and documents relating to the circumstances and the consequences



of the occurrence of the insured event. The policyholder may not rely on his ignorance of the occurrence of the insured event, should the ignorance be imputable to the policyholder's gross negligence.

- 2) The wilful violation by the policyholder of the obligations set out in paragraph 1 of this Article shall grant the insurer the right to claim damages.
- 3) The policyholder shall be obliged to take all necessary steps to avoid or minimise the loss or damage and to comply with the insurer's instructions. Expenses resulting from such actions will be borne by the insurer, provided that they are justified in the circumstances, even if such expenses exceed the insured amount. An agreement to the contrary shall be acceptable if the policyholder or the insured has concluded the insurance contract for professional reasons. Should the indemnity cover only a certain part of the loss, the insurer shall be obliged to refund only a proportional part of the expenses, unless the expenses were incurred solely on the insurer's instructions.
- 4) In the event of wilful violation of the provisions set out in paragraph 3 of this Article for which the policyholder is liable, the policyholder shall be obliged to indemnify the insurer.
- 5) The insurer shall not be obliged to pay the insurance indemnity if the insured event, in case of non-life insurance, occurred due to wilful misconduct or gross negligence of the policyholder or the insured, the beneficiary of insurance, or the persons dwelling with any of them, or their legal or other representatives, or third parties entrusted professionally to safeguard the insured item. The insurer shall be released from its obligations, in case of insurance of persons, if the insured risk occurred due to wilful misconduct imputable to the persons listed above. The insurer shall only be entitled to collect the premiums accrued.
- 6) The terms of the policy may provide for an increased number of cases in which the insurer's liability shall be excluded, if the policyholder or the insured concludes the policy with a view to covering professional risks. Similarly, it may be agreed that the premium shall be payable until the end of the contractual period even if, following the occurrence of the insured risk, the contract is terminated.
- 7) On the occurrence of the insured risk, the insurer must pay the indemnity promptly. If a longer period is required for the assessment of the full extent of the loss, the insurer

shall be obliged to pay the undisputed amount forthwith.

- 8) The provisions of paragraphs 2 to 4 of this Article shall not apply to insurance of persons.

#### **Article 8 - Duration and Termination of the Contract**

- 1) If the insurance contract is of finite duration, it shall be terminated following the lapse of the term specified, unless it has been agreed that it can be renewed by implication. Such extension may not be agreed for a period of more than one year.
- 2) If the contract is of indefinite duration (“continuous policy”), the contract shall be terminated by means of notice at the end of the insurance period. The time limit set for the exercise of the right of termination may be neither less than one month, nor more than three months.
- 3) For non-life insurance contracts with a cover period in excess of one year and insurance of persons, the policyholder shall be entitled to rescind the contract within fourteen days from the date when the policy was delivered. The time limit shall not commence if the policyholder has not been informed by the insurer of his right in this regard, which must be confirmed by means of a document. If the insurer fails to inform the policyholder of his right to rescind, it shall lapse two months following the payment of the first premium. The right to rescind does not apply to non-life insurance where cover is provided immediately, on the particular request of the policyholder. The period set for the exercise of the right to rescind shall be suspended for the period during which the policyholder is entitled to raise an objection pursuant to Article 2 paragraph 6 of this Law.
- 4) The insurance contract shall be terminated by means of a notice, in accordance with the provisions of Articles 3 and 4, Article 5 paragraph 1, Articles 6 and 12 of this Law, as well as those set out in paragraph 2 of this Article. The policyholder shall also be entitled to terminate the contract by means of a notice in the event that the insurer is declared insolvent, or if the insurer is deprived of the free disposal of part or of all its assets. The insurer shall be entitled to terminate the contract by means of a notice if the policyholder is declared insolvent or if the policyholder’s business becomes subject to compulsory administration.

- 5) The insurance policy may also provide for other reasons for termination of the insurance contract. In the event that the insurer maintains the right to terminate the contract after the insured event has occurred, the policyholder shall have a corresponding right. Without prejudice to Article 3 paragraph 7, Article 4 paragraph 4 and Article 12 of this Law, the termination, whenever initiated by the insurer, shall not come into effect until the lapse of thirty days from the date on which such notice of termination was communicated to the policyholder.
- 6) “Insurance term” shall mean a period of one year, unless the computation of premiums has been made for a shorter period of time, in which case the term shall be construed accordingly.

#### **Article 9 - Insurance concluded on behalf of a Third Party**

- 1) The policyholder may conclude an insurance contract acting either on his own account, or on behalf of a third party. Such third party’s name need not be mentioned in the policy when the insurance is concluded for the benefit of any lawful holder of the policy. In case of doubt, the contract shall be deemed to have been concluded for the benefit of the policyholder.
- 2) The policyholder shall bear all the obligations arising from the insurance contract, except for those which must be fulfilled by the insured due to their personal nature. The insured shall have the same obligations as the policyholder, provided that the insured has acquired knowledge of the contract and is able to fulfil the relevant obligations.

#### **Article 10 - Claims Barred by Limitation**

Claims arising from an insurance contract are subject to limitation following the lapse of four years in the case of non-life insurance and following the lapse of five years in respect of insurance of persons. The limitation period shall commence from the end of the calendar year in which the claim arose.

## **SECTION TWO - NON-LIFE INSURANCE**

### **CHAPTER A - GENERAL PROVISIONS**

#### **Article 11 - The Elements of Non-Life Insurance**

- 1) The insurance indemnity for non-life insurance consists of the compensation for damage to, or loss of, the assets agreed to be covered on the occurrence of the insured event (the “insured loss”).
- 2) The loss of, or damage to, the assets insured may comprise damage to or loss of goods, claims and profits, as well as sums expended in the defence and compensation of claims brought by third parties.
- 3) The indemnity may not exceed the amount of the insured loss, nor the total sum insured.
- 4) The policyholder may conclude insurance over any asset at risk, in relation to which the holder has a legal interest in its maintenance.

#### **Article 12 - Succession in the Insurance Relationship**

- 1) If the policyholder or the insured is succeeded by another party, a non-life insurance policy shall not come to an end.
- 2) With the exception of insurance policies issued to order or to bearer, the insurer, the policyholder or the insured shall be entitled to terminate the contract within a maximum of thirty days from the date on which such succession becomes known. The termination on the part of the insurer comes into effect following the lapse of fifteen days from the date on which the relevant notice was communicated to the policyholder or the insured.
- 3) The insurer shall be released from liability if the insured risk occurs prior to the lapse of the aforesaid 30-day time limit, or prior to the effective date of any termination effected by the insurer, if made within the time limit. The insurer shall only be entitled to refuse cover on the basis that it would not have assumed the risk under the same terms if it had been aware of the succession. The unearned premiums shall be refunded. This provision shall not be applicable if the risk occurs within thirty days following the succession.

**Article 13 – Cover Exceptions**

- 1) No insurance cover is to be provided if the occurrence of the insured risk results from war, civil war, rebellion, or civil commotion.
- 2) No insurance cover shall be provided for losses arising from natural deterioration of the insured items.
- 3) The insurance policy may provide for further exceptions to cover provided that such exceptions are dictated by the insurer's technical requirements.

**Article 14 - Subrogation of the Insurer**

- 1) If the policyholder has a claim for the compensation of loss or damage against a third party, the insurer shall be subrogated to that claim up to the amount of the indemnity paid.
- 2) If the policyholder's claims are brought against the party insured, or against the beneficiary of the policy, or against their direct relatives or spouse, or other persons dwelling with the said insured or with the beneficiary of the policy, as well as against the legal representatives or agents of the above, the insurer shall not be subrogated to the claim unless the liability of such persons arises from wilful default on their part.
- 3) The policyholder and, in the event of insurance for the benefit of the lawful holder of the policy, the insured and the third-party beneficiary of the policy shall be obliged to safeguard their rights to bring a legal action against any third party to which the insurer may become subrogated. In case of breach of such obligation, the party liable shall compensate the insurer for any loss or damage sustained thereby.
- 4) If the policyholder or the insured concludes insurance for professional reasons, it may be agreed that the insurer shall be released from its liability to compensate the insured under the policy, to the extent that the insurer was deprived of the right to claim damages for reasons for which the policyholder or insured is liable.
- 5) If the insurer is subrogated to the claim of the insured, the claims of the policyholder against the third party shall not be subject to limitation before the lapse of six months from the date of subrogation, provided that the subrogation took place before the limitation or the expiry of such claims.

**Article 15 - Insurance Concluded with more than one Insurer**

- 1) In the event that the insured property has been covered against the same risk by several insurers (“multiple insurance cover”) the policyholder, or the insured, should forthwith notify each insurer of the conclusion of the further contract and of the insured amount.
- 2) Multiple insurance contracts are valid up to the total value of the loss sustained.
- 3) In the absence of agreement to the contrary, the insurers shall bear joint and several liability up to the insured amount specified in their contracts. It may be agreed that if the existence of other insurance contracts is not notified to the insurer upon the conclusion of the contract, the indemnity shall be limited to the sums not covered under the terms of any previous insurance policy. Should the policyholder or the insured wilfully fail to make the said notifications, Article 3, paragraphs 6 and 7 of the present Law shall apply.
- 4) In the event that the insurance contracts were concluded by joint agreement, with or without a common insurance co-ordinator, each of the insurers concerned shall be proportionally liable for the insured amount (“co-insurance”).

**Article 16 - Assessment of the Indemnity**

- 1) In the absence of contrary agreement, the assessment of the indemnity for property insurance shall be based on the current value of the insured items or, in the absence of such a value, on the usual value of said items at the time when the risk occurred.
- 2) The compensation shall be calculated by comparison of the value of the item before and after the occurrence of the risk.
- 3) The insurer may make a valuation of the insured property by separate agreement evidenced in writing. In such a case, the indemnity shall be assessed on the valuation indicated. The valuation may be challenged exclusively and solely on grounds of error, fraud, threat, or as fictitious simulation.

**Article 17 - Under-insurance / Over-insurance**

- 1) If, for property insurance, the declared value of the item or items insured at the conclusion of the insurance contract was less than the market value, or, in the absence of a market value, less than the usual value of such property at the time when the

insured risk occurred, the insurer's liability shall be limited to the compensation of the proportionate part of the loss sustained.

- 2) If the declared value of the items insured at the conclusion of the insurance policy exceeded their market value, or if such value does not exist, the usual value of such items at the time when the risk occurred, any of the contracting parties may request the reduction of the insured value and the corresponding premium for the contractual period outstanding. Should the insured risk occur, the insurer shall not be liable for the excess.
- 3) If over-insurance has been arranged deliberately on the part of the policyholder or the insured, or of the beneficiary of the indemnity, the insurance shall be null and void. The insurer who has acted in good faith shall be entitled to collect the premiums earned.

#### **Article 18 - Open Cover**

- 1) If at the conclusion of the policy the insured property was specified only by categories, and covers items which will only be subject to the insured risk in the future, the policyholder or the insured shall be obliged to declare to the insurer as soon as they acquire knowledge thereof concerning the nature of the items and their insured value, as well as any other detail defining the contract, in accordance with the insurance policy terms and conditions.
- 2) The premium shall be calculated based on the statements made on each occasion.
- 3) In the event of failure to comply with the obligation set out in paragraph 1 of this Article, the policyholder shall be liable to compensate any loss and damage sustained by the insurer by reason thereof. If the aforesaid failure arises deliberately, the provisions of Article 3, paragraphs 6 and 7 of this Law shall apply.
- 4) If the policyholder or the insured conclude the insurance on professional grounds, the parties may reach an agreement in terms contrary to the stipulations of this Article.

## **CHAPTER B - TYPES OF NON-LIFE INSURANCE**

### **Article 19 - Insurance against the Risk of Fire (“Fire Insurance”)**

- 1) Fire insurance includes losses caused by the perils of fire and lightning. In the absence of contrary agreement, fire insurance also covers losses caused by explosion and other similar events, even if no fire occurred thereafter. The compensation shall cover the reduction in the value of items damaged, as well as expenses incurred arising from measures taken to ascertain, avert, or limit the damage caused, such as the expenses of extinguishing the fire or demolishing property.
- 2) In the absence of agreement to the contrary, the insurance cover shall also include losses arising from theft or losses sustained at the time of the occurrence of the risk or immediately thereafter, or those arising from the emergency measures mentioned in the preceding paragraph.
- 3) No insurance cover shall be provided for cases in which:
  - (a) The fire occurs due to wilful misconduct or gross negligence imputable personally to the policyholder, or the wilful misconduct of the persons mentioned in Article 7 paragraph 5 of this Law; or
  - (b) The cause of fire is included among the exceptions to cover as provided by Article 13 of this Law.
- 4) The insurance cover shall take effect from midday of the day following that indicated in the policy, unless otherwise agreed.
- 5) If the policyholder or the insured conclude the contract for professional reasons, an agreement containing terms contrary to the provisions of this Article may be agreed.

### **Article 20 - Insurance for the Carriage of Goods**

- 1) Insurance on the carriage of goods includes losses arising from all risks to which the property is at risk, other than those expressly excluded, throughout the period in which the goods are in the carrier’s possession or control for transportation thereof until such time as the carrier loses possession or control due to the termination of the carriage for any reason.



- 2) The insurer shall be held liable even if the loss was due to the wilful misconduct or gross negligence of the carrier or its servants.
- 3) Deviations, interruptions and other changes relating to the itinerary and to the means of transport shall not affect the insurer's liability, unless made on the instructions or approval of the policyholder or the insured. If the alterations instructed or approved were not necessary in the circumstances, Article 4 of this Law (*Increase of Risk*) shall apply.
- 4) The calculation of the insurance coverage shall be based upon the value of the goods in accordance with Art. 16 of this Law, which shall correspond to the value the goods had at the time and place they were received for carriage. This value may be increased by the addition of the freight costs, customs duties and miscellaneous charges as well as the anticipated profit.

#### **Article 21 - Crop Insurance**

In the absence of agreement to the contrary, the insurance compensation for crop insurance shall be calculated upon the value which the agricultural products would have achieved upon ripening or harvest if the risk had not occurred.

#### **Article 22 - Credit Insurance and Guarantee Insurance**

- 1) If the insurer has agreed to cover the risk of the insured's debtor being unable to pay a sum owed to the insured by way of credit as a result of insolvency ("credit insurance"), the insurer shall not, in the absence of contrary agreement, be entitled to require the insured to take legal action against the debtor for recovery of such sums before paying compensation.
- 2) If the insurer provides a guarantee to the insured, in favour of the person indicated by the insured ("guarantee insurance"), the insurer, unless there is agreement to the contrary, shall be entitled to initiate legal proceedings against the insured for the amount guaranteed and paid by the said insurer in accordance with the terms and conditions of the insurance contract.

#### **Article 23 - Pollution Insurance**

- 1) In the absence of agreement to the contrary, pollution insurance shall include the

expenses incurred in the restoration of the natural environment; those expenses shall also include those relating to the removal of waste and debris resulting from the occurrence of the insured risk.

- 2) The indemnity shall be payable only in relation to sums actually paid, and only to the extent that the loss was the result of a sudden and unexpected occurrence.

#### **Article 24 - Business Interruption Insurance**

In the absence of agreement to the contrary, business interruption insurance shall also include loss of profits, general expenses and expenses arising directly from the occurrence of the risk which the business concerned incurred due to partial or complete interruption of its operation on the occurrence of the insured risk during the period provided by the policy.

#### **Article 25 - Civil Liability Insurance**

Civil Liability insurance includes expenses directly resulting from the defence and settlement of claims brought by third parties against the policyholder and which result from acts or omissions of the policyholder, for which the provision of insurance cover had been agreed. No cover shall be provided if the acts or omissions arise from wilful misconduct on the part of the policyholder or the insured.

#### **Article 26 - Compulsory Third Party Insurance**

- 1) Whenever third party insurance is legally compulsory, the third party shall have a direct claim even for sums exceeding the insured amount, up to the limit for which insurance is compulsory.
- 2) The insurer may not raise objections arising from the insurance contract against the third party which has sustained loss, unless the party which sustained the loss is the policyholder or another person covered under the policy or, provided that they cohabit, the spouse and relatives up to the second degree, whether by direct relationship or marriage, of either the policyholder or of the insured. If the insurer makes a payment to a third party, although not obliged to do so pursuant to the provisions herein, the insurer shall be subrogated to the third party's claim against the insured, up to the amount paid. Limitation shall not accrue prior to the lapse of six months following the subrogation.

- 3) Grounds justifying the termination or expiry of the insurance contract may not be invoked against the third party sustaining loss or damage until the lapse of one month from the date on which the insurer notifies the termination to the authority or legal entity designated for such a purpose. In such instances, the insurer shall not be held liable to the extent that the third party is able to obtain indemnity from another insurer for his losses, or from a social insurance fund.
- 4) If more than one third party has suffered loss or damage, each shall be compensated proportionately. If the indemnity paid to one of the claimants exceeds his proportion of the insured sum, the insurer shall be released from its obligation towards the others for proportionate claims in excess of the insured sum, unless the insurer made the first payment whilst aware of the existence of the other claims. The remaining claimants shall, however, have a claim against the indemnified third party for the refund of the sums received in excess of the allotted proportion.
- 5) The authorities or corporations authorised to receive insurers' notices, the procedure to be followed in order to certify compliance with the requirements of compulsory insurance, as well as the necessary details pertaining to the operation of compulsory third party insurance shall be specified by decision of the Minister of Development and the competent Minister in each case and published in the Official Gazette. The provisions of this Article shall not apply in the event that the department or the legal entity has not been specified.
- 6) The provisions of this Article shall not apply to Motor Insurance.

## **SECTION THREE - INSURANCE OF PERSONS**

### **CHAPTER A – GENERAL PROVISIONS**

#### **Article 27 - Definitions - Insurance Policy – Benefit Policies**

- 1) Concerning the insurance of persons, the indemnity consists in either the payment of a certain amount of money, whether by lump sum or in instalments (benefit policies), or in the compensation of specific financial loss to the insured arising from illness or accident.
- 2) In the absence of agreement to the contrary, the insurance cover shall not cover insured risks arising directly from acts of war or ionizing radiation.
- 3) The insurance policy shall bear the name of the insured; it may not be issued to order or to bearer.
- 4) In insurance for the benefit of a third party, the name of the insured may be omitted from the insurance policy.
- 5) Where insurance of persons has been agreed as a fixed benefit policy, the insured sum shall be payable irrespective of whether the occurrence of the insured risk has caused loss or damage to the insured, or to the beneficiary of the policy, and irrespective of the amount of the loss or damage sustained.

## **CHAPTER B – LIFE INSURANCE**

### **Article 28 - First Party or Third Party Life Insurance**

- 1) Insurance may be agreed covering death or survival beyond a certain age, or both, in relation to the policyholder or a third party.
- 2) Life insurance concluded against the risk of death of a third party shall be null and void, unless the third party gives his consent in writing. Written consent is also required in the event that a third party is mentioned as the beneficiary of the policy, as well as for the assignment or pledge of the benefit of insurance claims. If the third party lacks the capacity to enter into juridical acts, consent shall be given by his/her legal representative. If the legal representative is also the policyholder or the beneficiary of the policy, the written consent shall be given by a specially-appointed guardian of the third party.
- 3) When life insurance is concluded which is payable upon death, the beneficiary of the policy shall be designated by means of a written statement issued by the policyholder. The statement shall be freely revocable.
- 4) If no beneficiary has been designated, or if the beneficiary refuses to accept the payment, the policyholder shall be deemed to be the beneficiary and on his death the policy benefit shall form part of his estate for inheritance.
- 5) The beneficiary of the policy cannot assign or pledge the indemnity without obtaining the written consent of the policyholder, or in the event of third party life insurance, the written consent of such third party, provided that the latter is entitled to appoint a beneficiary.

### **Article 29 - Personal Details of the Insured. Surrender**

- 1) The age of the individual for whom the insurance against death or survival is concluded shall constitute an essential element for estimating the risk pursuant to Article 3 of this Law. A false statement as to age shall be deemed to have affected the calculation of risk, if it lies outside the limits provided by the relevant insurer's price schedule at the commencement of cover.
- 2) In case of wilful violation of Article 3 paragraph 1 of this Law, the policyholder shall

be entitled only to the surrender value of the policy.

- 3) For insurance of persons, the policyholder shall be entitled to request the surrender of the insurance policy after the lapse of the period provided in the policy, which may not be more than three years. In respect of group insurance, an agreement may be reached on differing terms.
- 4) The insurer shall refund to the policyholder the agreed surrender value. Calculation of the surrender value shall take into consideration the insurer's expenses in relation to the particular contract and the accrued premiums paid. The insurer shall have the same obligation to refund in any case of termination of the insurance contract.

#### **Article 30 - Suicide or Homicide**

- 1) If the person insured against the risk of death commits suicide the insurer shall be obliged to pay the indemnity, provided that at least two years have elapsed since the date of the conclusion of the policy. The same period applies to any subsequent agreement pursuant to which the insured amount is increased.
- 2) The beneficiary shall be deprived of his right to claim the insurance benefit in the event that he deliberately caused or attempted to cause the insured's death.
- 3) Without prejudice to paragraph 2 of this Article, the fact that the death of the insured was caused by the persons mentioned in Article 7 paragraph 5 shall not release the insurer from liability.

### **CHAPTER C - ACCIDENT AND HEALTH INSURANCE**

#### **Article 31 - Accident Insurance**

- 1) In the absence of agreement to the contrary, accident insurance cover shall include bodily injuries arising from external, violent and sudden causes for which the insured is not liable, if such injuries cause temporary or permanent handicap, whether partial or total, or death or the need for hospitalisation.
- 2) The policyholder shall be obliged to notify the insurer if he holds another accident insurance policy. Failure to comply with the aforesaid obligation entitles the insurer to

terminate the agreement within one month after the date on which the insurer becomes aware of the failure to notify.

- 3) It may be agreed that payment of indemnity, corresponding either to the specific direct losses sustained by the insured or to an agreed fixed sum, as the case may be, shall be effected either in cash or in instalments or by the provision of medical and surgical services. If the payment of specific direct losses has been agreed, Articles 14 and 15 of the present Law shall apply.

### **Article 32 - Health Insurance**

- 1) In the absence of contrary agreement, health insurance shall include illnesses arising from causes which did not exist, or existed but the insured was justified in being unaware of their existence, on the date on which the contract was concluded.
- 2) The provisions of Article 31 of this Law apply to Health insurance analogously.

## SECTION FOUR – FINAL PROVISIONS

### Article 33

- 1) Any and all acts which have the effect of limiting the rights of the policyholder, the insured or the beneficiary of the indemnity shall be null and void, unless otherwise specifically stipulated in this Law. This shall not apply to insurance for the carriage of goods, credit insurance or guarantee insurance, or marine or air insurance.
- 2) The provisions of Section Nine of the Commercial Law, as currently in force, are hereby repealed.
- 3) Article 33, paragraph 1 of Legislative Decree 400/1970, «Concerning the Private Insurance Enterprise» (Official Gazette Issue A, No.10) as currently in force, is hereby repealed.
- 4) All insurance contracts existing on the date of entry into force of this Law will be governed hereinafter by this Law.

### Article 34

Articles 1 to 33 enter into force six months after this Law is published in the Official Gazette.

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