Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

15 February 2024 [shall come into force on 23 February 2024].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima*1 has adopted and

the President has proclaimed the following law:

**Insurance Contract Law**

**Chapter I**

**General Provisions**

**Section 1. Terms Used in the Law**

(1) The following terms are used in the Law:

1) **sum insured**– the amount of the insurer’s commitments specified in an insurance contract in monetary terms or the provisions for its calculation;

2) **policy holder**– the person who enters into an insurance contract for the benefit of himself or herself or of another person;

3) **insurance against losses**– insurance when valuable properties or interests are insured, and the amount of the insurance benefit to be disbursed depends on the amount of losses incurred by the insured person;

4) **insurable interest** – the interest of the insured person in avoiding any losses upon the occurrence of the insured risk;

5) **insurance benefit**– the amount of money to be disbursed or services to be provided for the insurance event in conformity with an insurance contract;

6) **insurance event –** an event related through causal relationship to insured risk upon the occurrence of which the disbursement of insurance benefit is provided in conformity with an insurance contract, or end of insurance period of the life insurance contract with accumulation of funds if an event related through causal relationship to insurance risk has not occurred during the insurance period;

7) **insurance contract –** agreement between an insurer and policy holder in accordance with which the policy holder undertakes the obligations to pay insurance premium in the manner, time periods and amount laid down in the contract, as well as to fulfil other obligations laid down in the contract, and the insurer undertakes obligations to disburse the insurance benefit to the person indicated in the contract in conformity with the insurance contract upon the occurrence of the insurance event, and also to fulfil other obligations laid down in the contract;

8) **insurance object**:

a) in insurance against losses – valuable property or interests;

b) in civil liability insurance – civil liability of a person;

c) in personal insurance – life, health or physical state of a person;

9) **insurance period –** the period of time during which insurance premium is being paid in accordance with the insurance contract and during which insurance is effective;

10) **insurance application –** a document or any other information which a policy holder submits to the insurer in order to inform the latter of the insurance object, facts and circumstances which are necessary for the assessment of insurance risk;

11) **insurance premium**– insurance payment specified in the insurance contract;

12) **insured person**– the person who has the insurable interest and for the benefit of whom the insurance contract has been concluded:

a) in insurance against losses – the person indicated in the insurance contract or the person to be determined in accordance with the insurance contract who suffers the losses upon the occurrence of the insurance event and for whom the insurance benefit is to be paid;

b) in civil liability insurance – the person indicated in the insurance contract or the person to be determined in accordance with the insurance contract whose civil liability is insured;

c) in personal insurance – the natural person indicated in the insurance contract or the natural person to be determined in accordance with the insurance contract the life, health or physical state of whom is insured and to whom the insurance benefit is to be paid;

13) **insurance risk** – an event provided for by the insurance contract, independent of the will of an insured person, the occurrence of which is possible in future;

14) **insurance offer**– the proposal of an insurer to conclude or to amend an insurance contract;

15) **liability limit**– sum insured in terms of money in the civil liability insurance;

16) **surrender value**– the sum of money the amount of which or procedures for the calculation of which are laid down in the life insurance contract with accumulation of funds and which is disbursed to the policy holder, if upon his or her initiative the insurance contract is terminated early or is recognised to be invalid, or is terminated early in the cases laid down in Sections 14 and 26 of this Law;

17) **civil liability insurance**– insurance when the civil liability of a person is insured for the losses caused to a third party as a result of the action or failure to act of this person;

18) **compensation principle**– insurance principle based on which the insurance benefit is calculated by taking into account the amount of losses incurred in an insurance event;

19) **co-insurance** – agreement of several insurers to insure the same insurance object within the framework of a single insurance contract;

20) **beneficiary**– in personal insurance and in insurance against losses, the person who is indicated in the insurance contract and to whom the insurance benefit or its part is to be paid in the cases laid down in the insurance contract;

21) **personal insurance** – insurance of the life, health or physical state of the person;

22) **subrogation action** – claim of an insurer in the amount of the sum disbursed which is to be brought against the insured person in the civil liability insurance in the cases laid down in laws and regulations or insurance contract;

23) **subrogation right** – the right of the insurer who has disbursed the insurance benefit to take over the right to claim of the insured person against the person responsible for losses in the amount of the disbursed sum;

24) **third party in civil liability insurance** (hereinafter – the third party) – such third party to whom losses have been caused and for whom the insurance benefit is due in the civil liability insurance.

(2) In addition to the terms used in this Section, other terms used in the Law shall correspond to the terms used in the Insurance and Reinsurance Law.

**Section 2. Purpose and Scope of Application of the Law**

(1) The purpose of this Law is to ensure the possibility for the persons involved in the insurance contract to exercise and protect their rights.

(2) This Law governs the provisions of the insurance contract, the procedures for concluding and terminating the contract, the provisions for taking a decision on insurance benefit and disbursement thereof, the rights and obligations of the insurer and persons involved in the insurance contract arising from the insurance contract.

**Section 3. Law Applicable to Insurance Contract**

(1) The law applicable for governing the contractual relations arising from the insurance contract shall be determined in accordance with the provisions on insurance contracts of Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I) (hereinafter – Regulation No 593/2008).

(2) In the cases indicated in Article 7(3)(a)(b) and (c) of Regulation No 593/2008 the parties to the insurance contract may choose also the law of the country of domicile (registration) of the insurer.

(3) Prior to entering into the insurance contract, an obligation of an insurer is to inform an policy holder of the law of that country which will be applied for governing the contractual relations arising from the insurance contract, or inform the policy holder of the country the law of which may be chosen if there is such option in accordance with Regulation No 593/2008.

**Section 4. Procedures for the Examination of Complaints and Disputes**

(1) An insurer has the obligation to indicate in the insurance contract which has been concluded with the policy holder – natural person – the information regarding the procedures for the examination of those complaints and disputes which are arising from the insurance contract, including by extra-judicial manner.

(2) An insurer has the obligation to examine a complaint which has been submitted by a policy holder, insured person or other person who has the right to claim the insurance benefit on the service not-complying with the provisions of the insurance contract, and to provide a motivated reply within 20 days after receipt of the complaint. If a reply cannot be provided within the indicated time period due to objective reasons, the insurer has the obligation to provide information which justifies the necessity for the extension of the deadline for the provision of the reply and indicated a reasonable time period when the reply will be provided.

**Section 5. Provision of Notifications, Requests and Information**

(1) The notifications, requests and information laid down in this Law or insurance contract shall be provided by the insurer in one of the following manners:

1) in writing;

2) through the use of a durable medium or website if the provisions provided for in Paragraph two of this Section are fulfilled;

3) through the use of the means of distance communication other than that referred to in Clause 2 of this Paragraph on which agreement has been reached.

(2) The insurer shall comply with the following provisions, when providing a notification, request and information through the use of a durable medium or website:

1) the use of a durable medium or website is appropriate based on the evaluation of the particular communication circumstances or information to be provided;

2) a policy holder is provided with a possibility to choose to receive the information in written form;

3) upon the request of a policy holder, insured person or other person who has the right to claim the insurance benefit, the insurer shall provide him or her notifications, requests and information in written form and free of charge;

4) the information referred to in Sections 3 and 8 of this Law may be provided on the website of the insurer provided that the following conditions have been additionally met:

a) the policy holder has agreed to provision of the aforementioned information on the website;

b) the website address and indication where the aforementioned information can be accessed on this website have been notified to the policy holder by means of distance communication;

c) it is ensured that the aforementioned information remains accessible on the website for the time period while such information is necessary for the policy holder or insured person.

(3) An insurer shall provide the notifications, requests and information laid down in this Law or insurance contract in the official language of the Republic of Latvia, except when the parties have clearly agreed on the provision of the notifications, requests and information in another language.

(4) Also the policy holder, insured person or other person who has the rights to claim the insurance benefit has the right to send the notifications and requests laid down in this Law and insurance contract to an insurer in writing or through the use of a durable medium in accordance with the procedures laid down in the insurance contract.

**Chapter II**

**Procedures for the Conclusion of an Insurance Contract**

**Section 6. Insurance Application and Offer of an Insurer**

(1) In order to conclude an insurance contract, an insurer is entitled to request an insurance application from a policy holder.

(2) An insurance application shall not impose an obligation either on the insurer to conclude an insurance contract or to undertake commitments to compensate losses, or on the submitter of the insurance application to undertake any commitments to conclude an insurance contract.

(3) If within 15 days from the date of receipt of an insurance application an insurer has failed to notify in writing the submitter of the application of the terms of insurance in accordance with which the insurer is willing to conclude an insurance contract, or it has not notified of the necessity to carry out an in-depth analysis of the insurance object and insurance risk, it shall be considered that the insurer has refused to conclude an insurance contract.

(4) If an insurer determines certain time period for the submitter of the insurance application for the provision of a reply to the expressed insurance offer, it may not refuse from the expressed insurance offer until the end of the laid down time period. If the time period for the provision of a reply is not laid down, the insurance offer becomes invalid if the submitter of the insurance application has not notified of acceptance or refusal of the insurance offer within 30 days.

**Section 7. Information on Insurance Object**

(1) Upon concluding an insurance contract, the obligation of a policy holder and insured person is to provide the information requested by the insurer on the condition and circumstances of the insurance object which is necessary for the assessment of the possibility of the occurrence of insurance risk and amount of potential losses, including the information which applies to the health condition of the insured person in personal insurance and is necessary to conclude an insurance contract. The insurer shall also use publicly available information or information at his or her disposal which is lawfully acquired on the condition and circumstances of the insurance object for the assessment of the possibility of occurrence of the insurance risk and possible amount of losses.

(2) The policy holder and insured person shall be responsible for the veracity of the provided information.

(3) If prior to the conclusion of an insurance contract a policy holder or the insured person has not submitted the information indicated in Paragraph one of this Section, and the insurer has concluded the insurance contract, it may not use the fact of non-provision of information as a reason for the termination of the insurance contract or amending provisions thereof, except for the cases where the information has not been submitted due to wrongful intent or gross negligence.

(4) A policy holder and the insured person have the obligation to notify an insurer of other insurance contracts in effect he or she is aware of, which pertain to the same insurance object.

(5) If an insurance contract is concluded repeatedly immediately after the previous insurance contract with the same insurer and on the same insurance object and, when concluding the repeated insurance contract, the policy holder fails to indicate that the information regarding the insurance object or the information for the assessment of the possibility of the occurrence of the insurance risk and possible amount of losses which he or she has provided upon concluding the first insurance contract has significantly changed, the insurer has the right to rely on the fact that the information provided at the time of entering into the first insurance contract has not changed.

(6) Prior to concluding an insurance contract, an insurer, where it is necessary for the assessment of the possibility of the occurrence of insurance risk, has the right to verify the insurance object or information on risks which are related to the insurance object by informing the policy holder or insured person thereof. During the operation of the insurance contract, the insurer, in accordance with the procedures laid down in the contract, has the right to verify whether changes have occurred in relation to the insurance object or information on risks which are related to the insurance object. If the insurance contract has been concluded, the insurer shall not make inspections in respect of the health data of the person during the operation of the insurance contract.

**Section 8. Provisions of Insurance Contracts**

(1) Provisions of an insurance contract must be clear and comprehensible.

(2) The date, place of contract conclusion, insurance period, the firm name and legal address of the insurer (if the insurer is a branch of the insurer, the legal address of the head office of the insurer shall be also indicated), the policy holder, the insured person, the beneficiary (if any), insurance risk, insurance object, sum insured, insurance premium for each class of insurance, the insurance benefit or procedures for the calculation thereof for each insurance event, the time periods and procedures for the payment of insurance premium, the time period for taking the decision to disburse insurance benefit or to refuse to disburse it, the provisions for the termination of the contract, the obligations and responsibilities of the parties for non-compliance with the provisions of the contract shall be indicated in an insurance contract.

(3) If laws and regulations provides for mandatory insurance, the requirements arising from these laws and regulations shall be included in the insurance contract. If such requirements are not included in the insurance contract, this contract shall not be regarded to be mandatory insurance contract.

(4) Other provisions which are not in contradiction with the applicable laws and regulations of the Republic of Latvia may also be included in an insurance contract.

(5) An insurer shall, during the operation of the insurance contract, ensure that the current information is available for the policy holder and the insured person on changes in the firm name, contact information and other information of the insurer which is necessary for the fulfilment of contractual obligations by the policy holder and insured person.

(6) The insurance object, the aggregate of insurance risks and exemptions laid down, sum insured and liability limit laid down in the insurance contract shall be regarded to be the subject matter of the insurance contract.

(7) An insurer shall process personal data, including health data, in accordance with the laws and regulations governing personal data protection. The duration of personal data processing may not exceed the limitation period laid down in this Law or period during which the data is processed in accordance with other legal grounds.

**Section 9. Special Provisions of the Contract on Legal Expenses Insurance**

(1) When insuring legal expenses, the following shall be provided for in the insurance contract in addition to that laid down in Section 8 of this Law:

1) separate presentation of the insurance risk and insurance premium if the insurer insures the legal expenses insurance risk together with any other insurance risk;

2) the rights of the insured person to choose a lawyer or another person with appropriate qualification (hereinafter – the lawyer) who can defend and represent the interests of the insured person in civil proceedings, criminal proceedings, administrative proceedings, or proceedings or court proceedings in an administrative violation case, or without involving in these proceedings, except when:

a) the insurance is applied only to the cases which are related to the use of road transport in the territory of the Republic of Latvia;

b) the insurance is applied to the provision of assistance in the case of accident or damages where road transport is involved;

c) the insurer who has insured legal expenses and insurer who has insured assistance does not deal with any of the classed of civil liability insurance;

d) the provisions of Paragraph three of this Section are ensured;

3) where the conflict of interests is arising between the insured person and insurer when adjusting the claims of legal expenses – the rights of the insured person:

a) to choose the lawyer;

b) to appeal the decisions taken by the insurer in accordance with the applicable laws and regulations of the Republic of Latvia.

(2) An insurer shall inform the insured person of the rights of the insured person referred to in Paragraph one, Clause 3 of this Section where the conflict of interests arises between the insurer and insured person.

(3) Services of legal nature and representation of the parties shall be ensured by lawyers if the legal expenses of the parties involved in one dispute have been insured by one and the same insurer.

(4) An insurer is entitled to entrust the adjustment of the requirements related to legal expenses insurance to another qualified person. If the adjustment of the requirements related to legal expenses insurance is done by an employee of the insurer, he or she shall deal only with that class of insurance.

(5) Provisions of this Section are not applicable to:

1) legal expenses insurance if such insurance applies to disputes or risks arising from the use of sea-going ships or are related thereto;

2) activity carried out by an insurer who ensures civil liability insurance, when defending and representing the insured person, if defence and representation is concurrently carried out in the interests of the insurer;

3) legal expenses insurance which is carried out by the insurer in aid insurance which complies with the following conditions:

a) the activity is carried out in the Member State other than the permanent place of residence of the insured person;

b) the activity is a part of the contract which applies only to assistance which is provided to the persons for whom difficulties arise during a travel while being away from their homes or their permanent place of residence;

c) it is indicated in the insurance contract that legal expenses insurance is additional risk to assistance insurance.

**Section 10. Language of an Insurance Contract**

An insurance contract shall be drawn up and concluded in the official language of the Republic of Latvia. If a policy holder – natural person – wishes to conclude the insurance contract in a foreign language, such consent of the policy holder must be clearly expressed. If the insurance contract with the policy holder – legal person (or association thereof) – has been concluded in a foreign language, it shall be regarded that policy holder has agreed to conclude the contract in a foreign language, unless he or she proves the contrary.

**Section 11. Conclusion of an Insurance Contract**

(1) An insurance contract shall be considered to be concluded only when the insurer and a policy holder have reached an agreement on the provisions of the insurance contract referred to in Section 8, Paragraph two and Section 59, Paragraph one of this Law.

(2) The policy holder shall express his or her consent to the conclusion of an insurance contract in accordance with the insurance offer by paying the insurance premium in the manner, time period and amount specified in the insurance offer, or express his or her consent to the conclusion of an insurance contract in another way offered by the insurer. In case of a dispute the insurer has the obligation to prove the fact of the conclusion or failure to conclude an insurance contract.

**Section 12. Conclusion of an Insurance Contract Using Means of Distance Communication**

(1) If an insurance contract is concluded by using means of distance communication, prior to the conclusion of the insurance contract an insurer shall notify the policy holder in writing or by means of another durable medium available to the policy holder of the provisions of the insurance contract.

(2) If an insurance contract is concluded upon a request of the policy holder by using such means of distance communication through which the provisions of the insurance contract could not be sent in written form, or by means of another durable medium available to the policy holder, the insurer shall send the provisions of the insurance contract to the policy holder not later than on the next working day after the conclusion of the insurance contract.

**Section 13. Conditions for Coming into Effect of an Insurance Contract Depending on the Payment of Insurance Premium**

(1) Insurance shall come into effect on the first day of the insurance period indicated in the insurance contract, but not before the time when the insurance premium or its first part is paid in full amount, except when it is otherwise provided for in the insurance contract.

(2) If the parties agree that an insurance premium or its first part will be paid after the commencement of the insurance period, the insurance shall be in effect from the first day of the insurance period. If the insurance premium or its first part is not paid or is not paid in the amount laid down in the insurance contract until the deadline specified in the insurance contract, it shall be considered that the insurance contract is not valid in conformity with the provisions of Paragraphs three, four and five of this Section.

(3) If the insurance premium is not paid in the amount specified in the insurance contract or the insurance premium or its first part is paid after the deadline specified in the insurance contract, the insurer has the right to reimburse the paid insurance premium to the policy holder. If the insurer takes the decision to reimburse the paid insurance premium, the insurer has the obligation to reimburse the paid insurance premium or its first part to the policy holder within 15 days after the day of payment of the overdue insurance premium or its part, or to send to the policy holder a request to notify the insurer of the manner in which the policy holder wishes to receive the reimbursement of the insurance premium or its part if the manner in which the policy holder can receive the reimbursement of the insurance premium or its part is not known to the insurer.

(4) If the insurer does not reimburse the paid insurance premium to the policy holder within the time period specified in Paragraph three of this Section or does not send the policy holder a request to notify the insurer of the manner in which the policy holder wishes to receive the reimbursement of the insurance premium, it shall be considered that the insurer has agreed to the overdue or incomplete payment of the insurance premium, and the insurance shall be in effect during the insurance period indicated in the insurance contract.

(5) If the insurance risk has set in and the insurance premium or its first part is paid after the deadline specified in the insurance contract for the payment of the premium or its first part, and later than on the previous day before setting in of the insurance risk, it shall be considered that the insurance contract has not entered into effect and the insurer has an obligation to notify the policy holder of the invalidity of the contract and to reimburse the paid insurance premium or its first part. In such case the insurer has the obligation to send to the policy holder a notification of the invalidity of the contract within 15 days after the day of the payment of the overdue insurance premium or its first part and to reimburse the paid insurance premium or its first part to him or her, or to send to the policy holder a notification of the invalidity of the insurance contract requesting to notify the manner in which the policy holder wishes to receive the reimbursement of the insurance premium or its first part, if the manner in which the policy holder can receive the reimbursement of the insurance premium or its first part is not known to the insurer. The fulfilment of the obligation of the insurer to reimburse the insurance premium shall not affect invalidity of the insurance contract.

**Section 14. Conclusion of an Insurance Contract by Acting with Wrongful Intent or Gross Negligence**

If a wrongful intent (Section 1641 of the Civil Law) or gross negligence (Section 1645 of the Civil Law) of a policy holder or insured person has been the cause for the deception of the insurer regarding the condition of the insurance object or circumstances for the assessment of the probability of occurrence of insurance risk and amount of potential losses, the insurance contract shall become invalid from the moment it has been concluded. The insurer shall not reimburse the paid insurance premium, but it does not affect the receipt of surrender value in respect of life insurance contracts with accumulation of funds.

**Section 15. Conclusion of an Insurance Contract with Ordinary Negligence**

(1) If ordinary negligence (Section 1646 of the Civil Law) of a policy holder or the insured person has been the cause for the deception of the insurer regarding the condition of the insurance object or circumstances for the assessment of the probability of the occurrence of insurance risk and amount of potential losses, the insurance contract shall be in effect.

(2) An insurer shall, within 15 days from the day of becoming familiar with the factual circumstances of the probability of the occurrence of insurance risk, offer the policy holder to make amendments to the provisions of the insurance contract. Amendments to the provisions of the insurance contract shall come into effect after agreement between the parties.

(3) If a policy holder has refused the amendments to the insurance contract offered by the insurer or 15 days have passed from the day of sending the insurance offer and consent of the policy holder has not been received, the insurance contract shall be regarded as terminated from the moment when the time period for the insurance offer has expired, unless it is otherwise provided for in the insurance contract or insurance offer. If the contract is terminated, the insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law.

(4) If an insurer proves that it would not have concluded the insurance contract, if it had known the factual circumstances of the assessment of the probability of the occurrence of insurance risk and amount of potential losses, the insurer may terminate the insurance contract by sending a notification thereon within 15 days from the day of becoming aware of these circumstances. If the insurance contract is terminated. the insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law.

(5) If the insurer has not terminated the insurance contract within the time periods provided for in the Law or offered the policy holder to make amendments to provisions of the insurance contract within the time periods provided for in the Law, the insurance contract shall remain in effect, and the insurer may not henceforth use the fact of the failure to notify of the assessment of the probability of the occurrence of insurance risk and amount of potential losses as a reason for the termination of the insurance contract or amendment of its provisions.

(6) If a policy holder has acted with ordinary negligence, and the insurance event occurs before the termination of the insurance contract or amendments to the provision of the insurance contract comes into effect, the insurer has the obligation to disburse the insurance benefit in the proportion that exists between the insurance premium paid and the insurance premium which should be paid by the policy holder if he or she would have notified of the factual circumstances of the assessment of the probability of the occurrence of insurance risk and amount of potential losses.

(7) If an insurer proves that it would not have concluded the insurance contract in any event if it had known of the factual circumstances of the assessment of the probability of the occurrence of insurance risk and amount of potential losses which have appeared with the occurrence of insurance event, the insurance benefit may not exceed the paid insurance premium.

(8) If after conclusion of the insurance contract the circumstances which might have affected the conclusion of the insurance contract and were not known by either of the parties are discovered, Sections 21 and 22 of this Law shall be applied.

**Section 16. Non-existence of Insurable Interest**

(1) If at the time when the insurance comes into effect the insurable interest does not exist, the insurance contract shall not be in effect from the day of its conclusion.

(2) If an insurance contract has been concluded without an insurable interest, or by the policy holder acting with wrongful intent gross negligence, the insurer shall not reimburse the insurance premium paid by the policy holder.

(3) In other cases when an insurance contract is concluded without an insurable interest, the insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law.

(4) If the insurable interest ceases to exist during the insurance period, the insurance contract shall not be in effect from the day on which the insurable interest ceases to exist. The policy holder shall notify the insurer of the non-existence of the insurable interest. After receipt of the notification, the insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law.

(5) If upon the occurrence of the insurable event the insurable interest does not exist, the insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law.

**Section 17. Improbability of the Occurrence of Insurance Risk**

(1) If by the start of the insurance period the probability of the occurrence of insurance risk disappears or any of the insurance risks has already occurred, the insurance contract shall not be in effect from the day of its conclusion.

(2) If in the cases referred to in Paragraph one of this Section the policy holder has concluded an insurance contract by acting with wrongful intent or gross negligence, the insurer shall not reimburse the insurance premium paid by the policy holder.

(3) In other cases referred to in Paragraph one of this Section, the insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law.

(4) If the probability of the occurrence of insurance risk ceases to exist during the insurance period, the insurance contract shall not be in effect from the day when the probability of the occurrence of insurance risk ceased to exist. The insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law.

**Section 18. Exceptions**

(1) Unless it is otherwise provided for in an insurance contract, an insurer shall not be liable for the incurred losses which have arisen:

1) due to warfare, terrorism, mass riots, radioactive intoxication, radioactive pollution, natural disasters and other similar events specified in the insurance contract;

2) due to wear and tear, depreciation or other similar processes.

(2) The parties may provide other exceptional cases in the insurance contract when the insurer does not reimburse losses.

(3) In an exceptional case, the insurer has the obligation to prove circumstances which release it from the fulfilment of the commitments referred to in the insurance contract.

**Section 19. Insurance Policy**

An insurer, when concluding an insurance contract, shall issue a confirmation of the conclusion of the insurance contract – an insurance policy. If there are no signatures of the parties on the insurance policy, it shall not affect the validity of the insurance contract, provided that the provisions for coming into effect of the insurance contract have been complied with.

**Chapter III**

**Increase and Decrease of the Probability of the Occurrence of Insurance Risk**

**Section 20. Changes in Information on Insurance Object**

During the operation of an insurance contract, the policy holder or insured person, in conformity with the requirements laid down in Section 7 of this Law, has the obligation to notify, as soon as it is possible, the insurer of all circumstances he or she is aware of which may considerably increase the probability of the occurrence of insurance risk or amount of potential losses. The obligation of notification in personal insurance shall not be applicable to changes in the health condition of the insured person.

**Section 21. Decrease of the Probability of the Occurrence of Insurance Risk**

(1) An insurer shall amend the provisions of an insurance contract or conclude a new insurance contract, if the probability of the occurrence of insurance risk or amount of the potential loss has considerably decreased, and if it is requested by the insured person or policy holder.

(2) If the parties cannot agree on the new provisions of an insurance contract within 15 days from the day of submission of a request by a policy holder or insured person for amending provisions of the insurance contract due to the decrease of the probability of the occurrence of insurance risk, the policy holder may terminate the insurance contract. In such case the insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law.

(3) If due to justifiable reasons the time period of 15 days cannot be complied with, the insurer may extend it for a time period not exceeding 30 days from the day when the policy holder or insured person submitted a request for amending provisions of the insurance contract due to the decrease of the probability of the occurrence of insurance risk. Within 15 days from the day of submission of a request of a policy holder or insured person for amending the provisions of the insurance contract due to the decrease of the probability of the occurrence of insurance risk, the insurer shall send the policy holder or insured person a motivated notification of extension of the time period.

**Section 22. Increase of the Probability of the Occurrence of Insurance Risk**

(1) If the information regarding the probability of the occurrence of insurance risk and amount of potential losses has changed during the operation of an insurance contract and the insurer can prove that, if such changes in this information had been known to it, it would have concluded the insurance contract on other insurance terms, the insurer may, within 30 days from the day of discovering the increase of the probability of the occurrence of insurance risk, offer the policy holder to make amendments to the provisions of the insurance contract and indicate the day of coming into effect thereof.

(2) If the information regarding the probability of the occurrence of insurance risk and amount of potential losses have changed during the operation of an insurance contract and the insurer is can prove that, if such changes in this information had been known to it, it would have not concluded the insurance contract, the insurer may terminate the insurance contract by notifying the policy holder thereof not later than within 30 days from the day of discovering the increase of the probability of the occurrence of insurance risk. In such case the insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law.

(3) The provisions of Paragraph one and two of this Section shall not be applicable to personal insurance if the probability of the occurrence of insurance risk has increased due to the health condition of the insured person.

(4) If a policy holder has rejected the amendments to the provisions of an insurance contract offered by the insurer or the 15-day time period of the insurance offer has expired and the offer has not been accepted by the policy holder, the insurer may terminate the insurance contract. The insurer may exercise these rights within 15 days from the date of receipt of rejection or the date of expiry of the time period of the insurance offer. In such case the insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law.

(5) If an insurer has not terminated an insurance contract or has not offered the policy holder to make amendments in the provisions of the insurance contract within the time periods laid down in Paragraphs one, two and four of this Section, it may not henceforward use the fact that the circumstances of the increase of the probability of the occurrence of insurance risk have not been notified as the reason for the termination of the insurance contract or amendment of its provisions.

(6) If an insurance event occurs prior to the amendment of the provisions of the insurance contract or prior to the termination thereof, and the policy holder or insured person has fulfilled the requirements laid down in Section 20 of this Law, the insurer shall disburse the insurance benefit provided for in the contract.

(7) If the insurance event occurs prior to the amendment of the provisions of an insurance contract or prior to its termination, and the policy holder or insured person has not fulfilled the requirements laid down in Section 20 of this Law, the insurer shall disburse:

1) the insurance benefit provided for in the insurance contract – if the policy holder or insured person is not at fault for the failure to notify of the fact of increase of the probability of the occurrence of insurance risk;

2) the insurance benefit provided for in the insurance contract in such proportion which exists between the paid insurance premium and the insurance premium which the policy holder should have paid if he or she had notified of the factual circumstances of the increase of the probability of the occurrence of insurance risk – if reason for the failure to notify is ordinary negligence of the policy holder.

(8) If a policy holder or insured person has not fulfilled the requirements laid down in Section 20 of this Law due to wrongful intent or gross negligence, the insurer has the right not to disburse the insurance benefit. In such case the insurer may terminate the insurance contract by ignoring the time period laid down in Section 38, Paragraph one of this Law, and need not reimburse the insurance premium paid by the policy holder.

(9) If a policy holder, insured person or beneficiary has performed actions or permitted inaction which increases the probability of the occurrence of insurance risk due to wrongful intent or gross negligence, the insurer has the right to terminate the insurance contract by ignoring the time period laid down in Section 38, Paragraph one of this Law, and need not reimburse the insurance premium paid.

**Chapter IV**

**Rights and Obligations of a Policy Holder, Insured Person, and Beneficiary, and Insurer**

**Section 23. Mutual Obligations of a Policy Holder, Insured Person and Beneficiary**

(1) Mutual obligations of a policy holder and insured person, unless the policy holder is concurrently also the insured person, shall be determined in conformity with this Law and the insurance contract.

(2) A policy holder is obliged to inform the insured person of the fact that he or she is insured. The insured person is obliged to inform the beneficiary of the concluded insurance contract and insurance provisions in respect of the beneficiary.

(3) An insured person has the right to request from the policy holder information on the insurance contract, and the policy holder is not entitled to refuse the provision of such information. A beneficiary has the right to request from the insured person the information regarding the insurance contract, and the insured person is not entitled to refuse the provision of such information.

(4) The information provided by a policy holder to an insurer shall be equalled to the information provided by the insured person or beneficiary himself or herself. The insured person or beneficiary may not gain an advantage from the fact that the policy holder has provided incomplete, false or misleading information.

**Section 24. Payment of Insurance Premium**

A policy holder has the obligation to pay the insurance premium in the manner, time periods and amount specified in the insurance contract.

**Section 25. Failure to Pay Insurance Premium or Incomplete Payment Thereof**

If a policy holder fails to pay insurance premium or the first part thereof in conformity with the provisions of the insurance contract, it shall be recognised that the insurance contract is not in effect in conformity with the provisions of Section 13 of this Law. In other cases of failure to pay insurance premium or incomplete payment thereof, the insurer is entitled to terminate insurance contract in accordance with the procedures laid down in Section 26 of this Law.

**Section 26. Consequences of the Failure to Pay the Current Part of the Insurance Payment or Incomplete Payment Thereof**

(1) If a policy holder has failed to pay the current part of the insurance premium or has paid only a part thereof, an insurer shall send a warning to the policy holder on the late payment of the insurance premium by inviting to pay the delayed insurance premium in conformity with the provisions of the insurance contract and indicating the time period for the payment of the insurance premium and possible consequences of failing to pay it.

(2) The time period for the payment of the current part of the insurance premium laid down in the warning sent by the insurer may not be less than 15 days and more than six months from the day of sending the warning.

(3) If an insurance event occurs within the time period for the payment of the current part of the insurance premium laid down in the warning, the insurer shall disburse the insurance benefit if the current part of the insurance premium has been paid within the time period for the payment of the premium and in the amount laid down in the warning.

(4) If a policy holder fails to pay the current part of the insurance premium within the payment period and in the amount specified in the warning, the insurance contract shall be regarded as terminated from the first day following the deadline for the payment of the current part of the insurance premium which is laid down in the insurance contract. Termination of the life insurance contract with accumulation of funds in accordance with the procedures laid down in this Section shall not affect the right of the policy holder to receive a surrender value if any is due in accordance with the provisions of the insurance contract.

**Section 27. Obligations of a Policy Holder, Insured Person and Beneficiary after Occurrence of Insurance Risk**

(1) An insured person shall, without delay at the earliest opportunity, notify an insurer of the occurrence of an insurance risk, take all possible reasonable measures in order to reduce the losses, and comply with the instructions of the insurer, if any have been given.

(2) A policy holder, insured person and beneficiary may not object to the request of the insurer to establish and assess the amount of losses, circumstances of their emergence, and also to the request to submit to the insurer all the documents at his or her disposal which characterise the occurrence of the insurance risk and losses caused thereby, including the documents which contain health data of persons and a commercial secret. The policy holder, insured person and beneficiary shall provide also other information at his or her disposal which refers to the occurrence of the insurance risk and which has been requested by the insurer, and also fulfil other obligations provided for in the insurance contract. The policy holder, insured person and beneficiary shall be responsible for the veracity of that information which is provided by each of them to the insurer, and also none of them may gain an advantage due to the fact that others have provided incomplete, false or misleading information.

(3) The provision of the information laid down in Paragraph two of this Section shall not be considered to be an violations of the Law and other laws and regulations, as well as a violation of the provisions of the contract, and it shall not cause a civil, administrative or criminal liability of the policy holder, insured person and beneficiary.

**Section 28. Right of an Insurer to Verify Information on the Occurrence of the Insurance Risk**

(1) In order to verify the occurrence of the insurance risk and amount of losses, an insurer has the right to verify the information necessary for the fulfilment of its commitments in relation to the insurance contract by requesting information from the State and local government institutions or other persons who can have such information at their disposal.

(2) If, in the case of occurrence of the insurance risk, the necessary information contains health data of the person and is necessary to take a decision on the disbursement of the insurance benefit, an insurer is entitled to request the information form medical treatment institutions and persons in accordance with Law on the Rights of Patients.

(3) In the case of occurrence of the insured risk, an insurer is entitled to process the information received in accordance with Section 7, Paragraphs one and six of this Law which contains the health data of the person if such information is necessary to take a decision on the disbursement of the insurance benefit or determine the amount of insurance benefit.

(4) The information laid down in Paragraphs one and two of this Section shall not be provided if the provision of such information is restricted by the Criminal Procedure Law.

**Section 29. Consequences of the Failure to Fulfil the Obligations of a Policy Holder, Insured Person and Beneficiary**

(1) An insurer may refuse to disburse insurance benefit if a policy holder, an insured person or beneficiary has not fulfilled any of the obligations laid down in Section 27 of this Law due to wrongful intent or gross negligence. In such case the insurer has the right to unilaterally terminate the insurance contract from the moment of the occurrence of the insurance risk without reimbursing the insurance premium.

(2) An insurer may reduce the insurance benefit, but for not more than 50 per cent, if a policy holder, insured person or beneficiary has not fulfilled any of the obligations laid down in Section 27 of this Law due to ordinary negligence.

**Section 30. Rescue Expenditures**

(1) An insurer shall cover all the notified and verifiable reasonable expenditures that have incurred due to emergency measures for reduction and elimination of damage which have been taken upon the initiative of the insured person or request of the insurer, even when these measures have not been successful.

(2) Rescue expenditures may not exceed the amount of losses, unless otherwise provided for by the insurance contract.

**Section 31. Taking of a Decision on Insurance Benefit and Disbursement of Benefit**

(1) Upon the occurrence of an insurance event, an insurer shall disburse the insurance benefit to the person specified in the insurance contract.

(2) An insurer does not have the right to:

1) take the decision to disburse insurance benefit without having ascertained of the occurrence of the insurance risk and amount of losses;

2) refuse to disburse the insurance benefit without verifying all the available information;

3) refuse to disburse the insurance benefit within the time period specified in the insurance contract if evidence of the occurrence of insurance event is received;

4) disburse the insurance benefit to a person who is claiming the insurance benefit if the occurrence of insurance risk has been caused by such person acting with wrongful intent or gross negligence;

5) disburse the insurance benefit if the occurrence of insurance risk has been caused by the policy holder or insured person acting with wrongful intent.

(3) Before complete calculation of damages, an insurer may disburse a part of the insurance benefit in the amount which neither of the parties disputes.

(4) After the occurrence of insurance risk, an insurer has the right to inspect how the policy holder, insured person or beneficiary has complied with the provisions of an insurance contract.

(5) The insurer has the obligation to prove any circumstances which form the basis for refusal to disburse the insurance benefit or to reduce it.

(6) If an insurer has taken the decision to refuse to disburse insurance benefit, it shall send a motivated notification to the person who is entitled to apply for the insurance benefit within 10 days after the day of taking the decision.

(7) If in accordance with the provisions of the insurance contract the insurance benefit should be disbursed to a natural person, the insurer shall disburse the insurance benefit within 15 days after taking the decision to disburse the insurance benefit, except when:

1) the time period for the disbursement of the insurance benefit depends on the setting in of the conditions laid down in the insurance contract;

2) the disbursement of the insurance benefit in intended in the form of regular payments or services to be ensured;

3) the insurer and beneficiary of the insurance benefit have agreed on other procedures for the disbursement of the insurance benefit after occurrence of the insurance event.

(8) When deciding on the refusal to disburse the insurance benefit or on its reduction, an action or failure to act of the persons sharing the household with the insured person or lawful user of the insurance objects shall equate to the action or failure to act of the insured person himself or herself. Service providers who are temporarily staying in an immovable property and visitors of the places accessible to the general public shall not be regarded as the lawful users. The provisions of this Paragraph shall not be applicable to personal insurance.

(9) In the class of security insurance, an insurer need not to apply the provisions referred to in Paragraph two, Clauses 4 and 5 of this Section if the following conditions have been included in the insurance contract:

1) irrevocable commitment of the insurer to disburse the insurance benefit upon the first request of the insured person;

2) incontestability of the request to disburse the insurance benefit;

3) an obligation of the policy holder to pay the insurer without any objections a sum of money in the amount which the insurer has disbursed upon the request of the insured person.

**Section 32. Time Period for Taking a Decision by the Insurer**

(1) If the policy holder or insured person is a natural person, an insurer has the obligation to inform the policy holder, insured person or beneficiary, or third person not later than within 30 days from the day when an application for insurance benefit is received of the documents which are necessary in order to take a decision on the disbursement of the insurance benefit. If after receipt of any requested document or all requested documents the insurer finds that additional documents are still required, the insurer has an obligation to notify of the necessity of additional documents within one months after the day of receipt of the documents.

(2) If the policy holder or insured person is a natural person, an insurer shall take the decision on the disbursement of insurance benefit within 30 days after the day of receipt of all the necessary documents requested thereby. If an insurer cannot comply with this time period due to objective reasons, it may be extended for a time period not longer than six months from the date of receipt of an application for insurance benefit.

(3) If criminal proceedings or administrative proceedings or proceedings in an administrative violation case have been initiated regarding the event occurred and the establishment of circumstances in accordance with the procedures of criminal proceedings or administrative proceedings, or proceedings in an administrative violation case is significant for the insurer to take a decision, the time period laid down in Paragraph two of this Section shall not be applied, and the respective policy holder, insured person, beneficiary or third party shall be informed thereof. The insurer shall take a decision not later than within 30 days from the day when the final ruling is received.

**Section 33. Obligation of an Insurer to Make Acquainted with the Documents Justifying the Decision of the Insurer and Obligation to Provide Information**

(1) If a person who has the right to claim the insurance benefit in accordance with the concluded insurance contract submits a relevant request, the insurer shall make this person acquainted with the documents at its disposal which justify the decision to disburse the insurance benefit due to this person or to refuse to disburse the insurance benefit, or issue copies thereof. A person who has the right to claim the insurance benefit in accordance with the concluded insurance contract has the right to receive the copies of the documents indicated in this Paragraph for a fee which does not exceed the costs of making the copies of the documents.

(2) An insurer has no obligation to make acquainted with documents and issue copies of the documents in accordance with the procedures laid down in Paragraph one of this Section if:

1) in relation to the circumstances of occurrence of the insurance risk, the insurer has submitted the documents to law enforcement institutions within the framework of criminal proceedings;

2) the documents contain commercial secrets or personal data of other persons which the person indicated in Paragraph one of this Section is not entitled to acquire.

(3) An insurer, after making acquainted with the documents which justify the decision thereof to disburse an insurance benefit due or to refuse to disburse an insurance benefit, has the right to request that the person who has the right to claim the insurance benefit in accordance with the concluded insurance contract shall sign a written confirmation in which the documents with which such person has become acquainted are indicated. If the person who has the right to claim the insurance benefit in accordance with the concluded insurance contract refuses to sign the confirmation laid down in this Paragraph, it shall be signed by the insurer by indicating in the field for special notes that the aforementioned person has refused to sign the confirmation.

(4) Upon the request of a policy holder who in conformity with the concluded insurance contract is not a beneficiary of insurance benefit at the same time, an insurer has the obligation to provide information regarding the amount of disbursed insurance benefits at least once a year, except when the provision of such information may infringe the rights and lawful interests of another person.

**Chapter V**

**Term of Validity of an Insurance Contract and Termination of Contract**

**Section 34. Term of Validity of an Insurance Contract**

Term of validity of an insurance contract shall be determined by agreement between the parties.

**Section 35. Termination or Invalidity of an Insurance Contract**

(1) An insurance contract shall terminate when:

1) the insurer has completely fulfilled its commitments, unless it is otherwise provided for in the insurance contract;

2) the insured natural person and beneficiary indicated in the insurance contract have died and heirs have not applied;

3) the insured legal person and beneficiary indicated in the insurance contract have been liquidated and they do not have any successor in interest.

(2) If insurance risk occurs due to wrongful intent of a policy holder, insured person or beneficiary, the insurance contract shall be deemed to be terminated from the moment of occurrence of the insurance risk. In such case the insurer shall not reimburse the paid insurance premium. If several insured persons are insured under one insurance contract or there are several beneficiaries, the insurance contract shall remain valid in respect of other insured persons and beneficiaries who are not guilty of the occurrence of the insured risk, provided that the validity of the insurance contract can be retained.

(3) An insurance contract may be terminated early in the cases provided for in Section 15, Paragraphs three and four, Section 21, Paragraph two, Section 22, Paragraphs two, four, eight and nine, Section 25, Section 26, Paragraph four, Section 29, Paragraph one, Section 36, Paragraphs one, two and four, Section 42, Paragraph three, and Section 52, Paragraph five of this Law or other laws and regulations.

(4) An insurer and policy holder are entitled to agree on the termination of an insurance contract without the consent of the insured person and beneficiary, except when:

1) it is otherwise provided for in the insurance contract;

2) the insurance event has occurred, and as a result of the termination of the insurance contract the insurer would be released from the obligation to disburse the insurance benefit.

(41) The exception referred to in Paragraph four, Clause 1 of this Section shall not be applied in the case of mortgage recrediting in relation to the insurance contract of the immovable property.

(5) Upon termination of an insurance contract, the insurer shall reimburse the policy holder the part of the insurance premium the amount of which is determined by deducting the part of the insurance premium for the period of time when the insurance contract was in effect and the expenses of the insurer in the amount of 15 per cent of the remaining insurance premium, however not more than of the insurance premium per one year. The procedures for this calculation shall not be applied in the case of a life insurance contract with accumulation of funds and in the cases an insurance contract is terminated in accordance with Paragraph two of this Section and Section 22, Paragraphs eight and nine, Section 29, Paragraph one, Section 36, Paragraphs one (if the insurance contract is terminated by an insurer) and four, and Section 52, Paragraph five of this Law.

(6) An insurance contract shall be regarded as invalid in the cases provided for in Section 13, Paragraph two, Section 14, Section 17, Paragraphs one and four, Section 25 of this Law and other laws and regulations.

[*15 February 2024*]

**Section 36. Special Cases of Termination of an Insurance Contract**

(1) An insurer and policy holder may terminate an insurance contract between the day when the insurance contract is concluded and the day when the insurance comes into effect. The other party shall be notified of such termination of the insurance contract not later than within 15 days before its entry into effect. If the insurance contract is terminated upon the initiative of a policy holder, the insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law. If the insurance contract is terminated upon the initiative of the insurer, the insurer shall refund the policy holder the paid insurance premium.

(2) If an insurance contract provides for the right to terminate this contract after the disbursement of the insurance benefit, any of the parties may unilaterally terminate the insurance contract. The insurance contract shall be terminated on the basis of the notification of the relevant party on the day indicated in the notification, however not earlier than after 15 days from the day when the relevant party has sent the notification on the termination of the insurance contract.

(3) In the case provided for in Paragraph one of this Section all the obligations arising from an insurance contract shall be terminated for a policy holder from the day when the termination of the contract is notified to the insurer. The policy holder shall be obliged to prove the fact of sending the notification on the termination of the contract.

(4) A policy holder – natural person – has the right to terminate a life insurance contract with accumulation of funds within 15 days from the day of concluding such contract. In such case the insurer shall reimburse all the insurance premium paid in by the policy holder. If a policy holder – natural person – has entered into a unit-linked life insurance contract with accumulation of funds, an insurer shall refund the policy holder the amount of money which is calculated from the paid insurance premium by taking into account the value of the investment instrument selected by the policy holder on the day when these instruments are sold in accordance with the provisions of the insurance contract on the time periods for the purchase and sale of investment instruments. The insurer has the obligation to take the actions necessary for the sale of investment instruments without delay, as soon as it is possible.

(5) The provisions of Paragraph four of this Section shall not apply to life insurance contracts with accumulation of funds if insurance period is shorter than six months.

(6) In the case of mortgage recrediting, regardless of the rights provided for in Section 35, Paragraph four of this Law for the insurer and policy holder to agree on the termination of the insurance contract, the policy holder is entitled to unilaterally terminate the insurance contract of the immovable property. Such contract shall be deemed terminated on the day indicated in the notification of the policy holder, however not earlier than five days from the day of sending such notification. In such case, the insurer shall reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law and from which the insurance benefit has been deducted.

[*15 February 2024*]

**Section 37. Restrictions for the Termination of an Insurance Contract in Case of Liquidation or Insolvency Proceedings of a Policy Holder**

Administrator of insolvency proceedings or liquidator is not entitled to terminate or contest an insurance contract if:

1) in classes of personal insurance, the validity of the insurance contract does not depend on payment of new insurance premiums;

2) insurance period is applicable to a warranty period if a security insurance contract or civil liability insurance contract has been concluded in mandatory classes of insurance.

**Section 38. Procedures for the Termination of an Insurance Contract**

(1) If an insurance contract is terminated unilaterally in the cases laid down in this Law or other laws and regulations, the relevant party shall send a notification on the termination of the insurance contract to the other party. The insurance contract shall be terminated on the day indicated in the notification, however not earlier than 15 days from the day of sending the notification.

(2) The provisions set out in Paragraph one of this Section shall not be applicable in cases where this Law or other laws and regulations provide for other procedures for the termination of an insurance contract.

(3) If the insurance benefit is less than the difference between the paid insurance premium and the part of the insurance premium for the remaining insurance period, the insurer shall, within 15 days after termination of the contract, reimburse the policy holder the part of the insurance premium which is calculated in accordance with the provisions of Section 35, Paragraph five of this Law, and from which the insurance benefit has been deducted.

(4) If a life insurance contract with accumulation of funds or a unit-linked life insurance contract with accumulation of funds is terminated early, the insurer shall, within 15 days after the termination of the contract, disburse the surrender value to the policy holder. If the surrender value cannot be disbursed within 15 days due to circumstances beyond the insurer’s control, the insurer shall notify the policy holder of the reasons for the delay in disbursement of the surrender value and time period within which it will be disbursed.

**Section 39. Lapsing of Claims**

(1) The claims arising from an insurance contract shall lapse within three years. The right to submit a notification to an insurer on the occurrence of an insurance risk shall terminate if the person who has the right to claim the insurance benefit does not exercise it within three years from the day of occurrence of the insurance event.

(2) If the insurer executes a lapsed claim, he or she does not have a right to reclaim the executed from the person.

**Chapter VI**

**Co-insurance and Leading Insurer**

**Section 40. Co-insurance**

In co-insurance, all insurers who conclude an insurance contract shall sign the insurance contract. Rights and obligations of the parties shall be determined in conformity with the insurance contract. If the insurance contract does not provide for special agreement between the insurers, co-insurance shall not give rise to full (joint) liability of the insurers.

**Section 41. Leading Insurer**

(1) The leading insurer shall be indicated in an insurance contract. The rights and obligations thereof shall be laid down in the contract which has been concluded by the insurers. The leading insurer shall be authorised to represent all other insurers. The leading insurer has the obligation to undertake the leading role in ensuring legal relations with a policy holder.

(2) A policy holder or an insured person shall address all the notifications related to an insurance contract to the leading insurer, unless otherwise provided by the insurance contract.

(3) The leading insurer shall inform a policy holder of the distribution of rights and obligations between the insurers, all changes in the distribution of these rights and obligations, and also of all changes in the composition of insurers.

**Chapter VII**

**Insurance against Losses**

**Section 42. Compensation Principle**

(1) The insurance benefit disbursed in accordance with the compensation principle may not exceed the losses caused in the insurance event.

(2) Parties may agree on the method for the assessment of losses, and also the value of specially irreplaceable object in the insurance contract.

(3) Parties have the right, by mutual agreement, to reduce the initial value of the insurance object if a specially irreplaceable object considerably loses its initial value. If such agreement cannot be reached, any of the parties has the right to unilaterally terminate the insurance contract.

**Section 43. Over-insurance**

(1) If the sum insured in insurance against losses in accordance with one or several insurance contracts regarding the same insurance risk exceeds the value of the insurance object (over-insurance), upon the request of any party, it shall be reduced in chronological order of the conclusion of contracts, starting from the last insurance contract, until this sum does not exceed the value of the insurance object. If necessary, one or several insurance contracts shall be terminated.

(2) The parties may agree on other procedures for the reduction of the sum insured.

(3) If an insurance event has occurred before the sum insured is reduced in conformity with Paragraph one of this Section, an insurer shall disburse the insurance benefit in compliance with the compensation principle.

(4) If, in accordance with one or several insurance contracts which have been concluded with one or several insurers, the sum insured exceeds the value of the insurance object by more than 50 per cent, those insurance contracts which have been concluded due to the policy holder acting with wrongful intent or gross negligence shall not be in force from the moment of their conclusion. In such cases the paid insurance premium shall not be reimbursed.

**Section 44. Cost Allocation of Insurance Benefit if Several Insurance Contracts have been Concluded**

(1) If in insurance against losses one and the same insurance object is insured with several insurers in one and the same class of insurance, each insurer shall disburse the insurance benefit in proportion to the sum insured that is specified in each insurance contract.

(2) None of the insurer may use the existence of other insurance contracts as grounds for full or partial rejection of the payment of insurance benefit, except in the cases of fraud.

(3) Insurers may agree on other procedures for the disbursement of the insurance benefit if the person who claims the insurance benefit agrees thereto.

**Section 45. Subrogation Right**

(1) An insurer who has disbursed insurance benefit has the subrogation right, except in the cases of personal insurance.

(2) If the insurance benefit disbursed by an insurer covers only a part of the loses caused, and the insurer brings an action against the person who is responsible for the caused losses within one year from the day of disbursement of the insurance benefit, the insurer has the obligation to inform the insured person of the use of the subrogation right. In such case the insured person has the right to submit its claim as a co-plaintiff or bring a separate action.

(3) If it is not or will not be possible to bring an action in favour of an insured person against the person who is responsible for the caused losses due to the insured person acting with wrongful intent or gross negligence, the insurer may refrain from disbursing the benefit in such amount for which the action cannot be brought or will be impossible to be brought, or, if the benefit has been disbursed, request the insured person to refund the disbursed insurance benefit.

(4) By using the subrogation right, an insurer cannot bring an action against the children, parents or spouse of the insured person even if they are guilty of causing the losses. Such insurance events when the perpetrator has caused them due to wrongful intent or gross negligence shall be exemptions.

(5) In terms of civil legal consequences, the subrogation right of an insurer shall be equated to cessation which is carried out in accordance with the provisions of this Section. The limitation period specified for the claim of the insured person against the person who caused the losses shall be applied to the subrogation right of an insurer.

(6) An insurer has the right to cede the right of claim taken over in the result of subrogation to other persons and transfer these persons such information regarding the ceded right of claim which may facilitate the recovery of losses.

**Section 46. Under-insurance**

If the sum insured in the insurance against losses in accordance with one or several insurance contracts regarding one and the same insurance risk is less than the value of the insurance object (under-insurance), an insurer shall pay insurance benefit in the proportion which exists between the sum insured and this value, unless it is otherwise provided for in the insurance contract.

**Section 47. Change of Owner**

(1) If the owner of an insured immovable property changes, the insurance contract shall be in force in favour of the new owner one month after the change of the owner of the immovable property is registered with the Land Registry.

(2) The provision referred to in Paragraph one of this Section shall not be in force in cases of expiry of the term of a contract before the documents necessary for the change of ownership rights are drawn up or before the new owner has entered into another insurance contract prior to the expiry of the term of validity of the abovementioned contract.

(3) If the owner of an insured movable property changes and there is no other agreement in effect with the insurer, the insurance contract shall expire at the moment when the movable property is transferred to its new owner.

(4) If the owner of the movable or immovable property dies, the insurance contract shall remain in effect until the confirmation of an heir in inheritance law, except when the insurance period expires earlier or the insurance contract has been terminated in the cases provided for in this Law.

**Chapter VIII**

**Civil Liability Insurance**

**Section 48. Retroactive Period**

A civil liability insurance contract may provide that the losses caused by an event causally linked to the losses which has occurred in the retroactive period, i.e. prior to the beginning of the insurance period, shall be compensated if neither of the parties had been aware of the possibility of occurrence of such losses at the moment of concluding the contract.

**Section 49. Compensation of Losses after the End of the Insurance Period**

A civil liability insurance contract can provide that an insurer shall compensate the losses which are causally linked to the event in a retroactive period or insurance period, if a third party has submitted a claim against the insured person for the compensation of losses within the time period specified in the insurance contract after the end of the insurance period.

**Section 50. Representation in Civil Liability Insurance**

(1) An insurer has the right to act in favour of an insured person and represent the interests of the insured person within the scope of liability limit laid down in the insurance contract from the moment when an action for the recovery of losses can be brought against the insured person.

(2) Assuming of the representation obligations shall not imply that an insurer automatically acknowledges the liability of an insured person, and it shall not impose a commitment on the insurer or insured person to reimburse the losses caused to the third party.

(3) An insurer may not assume the representation obligations in cases when such fulfilment of obligations can have a direct or indirect adverse effect on the interests of the insured person.

**Section 51. Agreement with a Third Person in Civil Liability Insurance**

(1) If an insured person has in any way reimbursed or given a promise to reimburse a third party without the consent of an insurer, the expenditures that are or possibly can be incurred as a result of the actions of the insured person shall not be binding on the insurer.

(2) If, in the occurrence of the insurance risk, the insured person has taken measures to reduce losses or provided emergency assistance to the injured person, the insurer shall not therefore have the right to waive the commitments determined for it in the insurance contract.

**Section 52. Payments of Insurance Benefit and Other Expenditures in Civil Liability Insurance**

(1) An insurer shall disburse insurance benefit to a third party or insured person in accordance with the provisions of an insurance contract, if the insured person has compensated losses to the third party, and this benefit may not exceed the liability limit laid down in the insurance contract. The insurance benefit shall be disbursed in accordance with the compensation principle.

(2) The insurance contract may provide that also expenditures associated with legal proceedings, expert-examination or other activities related to the protection of the interests of the insured person shall be compensated.

(3) In civil liability insurance, the insurance benefit does not cover the fine, late payment charge or other sanctions imposed on the insured person.

(4) If an insured person has not participated in the procedural investigation activities or court proceedings due to him or her acting with wrongful intent or gross negligence, the insured person shall reimburse to the insurer all losses caused by this action or lack thereof.

(5) An insurer may refuse to disburse insurance benefit and unilaterally terminate an insurance contract without reimbursing the insurance premium, if the insured person has not performed any of the activities referred to in Paragraph four of this Section due to wrongful intent or gross negligence, and therefore the following actions cannot be taken:

1) the circumstances of the accident which were the basis for the claim by the third party cannot be fully established;

2) the procedural actions necessary to justifiably reject the claim of the third party cannot be taken.

(6) If in civil liability insurance one and the same person has insured his or her liability with several insurers, each insurer shall pay insurance benefit in proportion to the liability limit determined in the insurance contracts. Insurers may agree on other procedures for the disbursement of the insurance benefit if the person who claims the insurance benefit agrees thereto.

**Section 53. Right of the Third Party to Bring Action to Court**

The third party has the right to bring an action directly against an insurer only when the laws and regulations specifically provide such rights for the person.

**Section 54. Subrogation Action**

(1) In civil liability insurance, an insurer is entitled to bring a subrogation action against the insured person in the cases laid down in the laws and regulations governing civil liability insurance and in the insurance contract. A subrogation action against an insured person shall lapse within three years from the day when the insurance benefit is disbursed.

(2) An insurer has the right to cede the right of subrogation action to other persons and transfer these persons such information regarding the ceded right of subrogation action which may facilitate the recovery of losses.

**Chapter IX**

**Personal Insurance**

**Section 55. Classes of Personal Insurance**

(1) Life assurance, accident insurance and health insurance are classes of the personal insurance.

(2) Other classes of insurance related to the physical condition or health of the person may be additionally included in a life insurance contract.

(3) Parties to the insurance contract may provide, that, upon the occurrence of the insurance event, an insurer shall disburse the sum insured or other sum provided for in the insurance contract the amount of which or provisions for the calculation of the amount of which are provided when concluding the insurance contract. In such cases the compensation principle laid down in Section 42 of this Law shall not be applied.

(4) In personal insurance, except for life assurance, the parties may agree in an insurance contract on the application of the compensation principle to the disbursement of insurance benefit. In such case the provisions of Section 44 of this Law shall also be complied with.

**Section 56. Insurance Benefit and Diversity of Payments**

(1) If the parties have not agreed in the insurance contract on the application of the compensation principle, the payments which an insured person or beneficiary has received from other sources shall not reduce the commitments of the insurer.

(2) In life insurance contracts with accumulation of funds, the insurance benefit at the end of the insurance period shall be formed by the funds accrued in accordance with the provisions of the insurance contract, but if an insurance event occurs within the insurance period – the insurance benefit shall be formed by the funds accrued in accordance with the provisions of the insurance contract and sum for which the life is insured that is specified in the insurance contract, unless it is otherwise agreed upon by the parties in the insurance contract.

**Section 57. Beneficiary**

(1) In life and accident insurance contracts, an insured person has the right to indicate one or several persons – beneficiaries who will receive the insurance benefit in the event of the death of the insured person, and also to refuse from a beneficiary or to substitute these persons with other persons during term of validity of the insurance contract by notifying the insurer thereof.

(2) If an insured person, upon conclusion of an insurance contract or within the term of validity of this insurance contract, has not indicated a beneficiary, it shall be determined at the moment of bringing a claim.

(3) If an insured person has not indicated a beneficiary or at the moment of bringing a claim it cannot be determined, the insurance benefit shall be disbursed to the heirs of the insured person in accordance with the procedures prescribed by the Civil Law.

(4) A beneficiary has the right to decline this status.

**Section 58. Right of a Beneficiary to Become Acquainted with Insurance Contract**

When claiming the insurance benefit after the occurrence of the insurance event, a beneficiary has the right to request from an insurer information regarding the insurance contract and become familiar with it.

**Section 59. Additional Requirements for a Life Insurance Contract**

(1) In addition to the requirements laid down in Section 8 of this Law, a life insurance contract shall indicate:

1) the surrender value or procedures for the calculation of this value, and provisions for its receipt if the life insurance contract with accumulation of funds has been concluded;

2) the right of the policy holder to amend the contract by changing the insured sum, insurance premium and procedures for its payment;

3) additional benefits to be granted by the insurer (money funds) and procedures for their calculation and granting if the life insurance contract with accumulation of funds has been concluded;

4) in a unit-linked life insurance contract with accumulation of funds – assets corresponding thereto and the procedures for the calculation of accumulated funds.

(2) If the term of validity of the life insurance contract with accumulation of funds is longer than one year, an insurer shall, not less than once in 12 months, inform a policy holder of additionally granted benefits (funds), if any are provided for in the contract, during the term of validity of such insurance contract.

(3) An insurer shall immediately inform a policy holder and insured person (unless it differs from the policy holder) of the following during the term of validity of a life insurance contract:

1) changes in the firm name, contact details and other similar information of the insurer which is necessary for the fulfilment of the contractual commitments of the policy holder and insured person (unless it differs from the policy holder);

2) changes in insurance provision or laws applicable to the insurance contract, if they are related to:

a) the time periods for the payment of insurance premiums and procedures thereof;

b) the procedures for the calculation and granting of benefits to be granted additionally (funds);

c) the procedures for determining the amount of the surrender value and amount of accumulated funds and provisions for their guaranteed disbursement;

d) the insurance premium and sum insured separately for each insurance risk, as well as the insurance benefit or the procedures for its determination for each insurance event;

e) in the unit-linked life insurance contract with accumulation of funds – assets corresponding thereto and the procedures for the calculation of the sum insured;

f) the procedures for the application of the notice period of the life insurance contract.

(4) If a life insurance contract with accumulation of funds has been concluded which provides for profit participation, the insurer shall, at least once in a year, inform the policy holder of the accumulated amount of funds (including of profit participation). If the insurer provides information on the probable further development of profit participation, it shall inform the policy holder of differences between actual and initial data.

(5) If amendments are made to the provisions for operations with the assets linked to the unit-linked life insurance contract with accumulation of funds, an insurer shall, after their coming into effect, ensure that these amendments are available for a policy holder. The provisions for operations with assets shall be regarded as available to a policy holder when they are published in electronic format on the website of the insurer, and the insurer has indicated the address of the website where such information is available.

**Section 60. Death of the Policy Holder**

In personal insurance in the case of the death of a policy holder, if the insured person is another person, the commitments of the policy holder may be taken over by the insured person or other successor of the commitments of the policy holder by notifying the insurer thereof within 15 days after the day of succession of the commitments. The insurer is not entitled to terminate an insurance contract due to the change of the policy holder.

**Section 61. Harm Caused to Life, Health or Physical State of a Person**

If upon the occurrence of an insurance event the insured person has died or harm has been caused to his or her health or physical state, insurance benefit shall be disbursed in accordance with all concluded insurance contracts which provide disbursement for such event, except for those cases when the insurance contract provides for the use of the compensation principle.

**Transitional Provisions**

1. With the coming into force of this Law, the law On Insurance Contracts (*Latvijas Republikas Saeimas un Ministru Kabineta Ziņotājs,* 1998, No. 15; 2000, No. 13, 2002; No. 22; *Latvijas Vēstnesis*, 2007, No. 56) is repealed.

2. Section 28, Paragraph two of this Law shall come into force concurrently with coming into force of the amendment to the Law on the Rights of Patients (in respect of the rights of a medical treatment institution to provide information to the insurer).

**Informative Reference to European Union Directives**

This Law contains norms arising from:

1) Directive 2002/83/EC of the European Parliament and of the Council of 5 November 2002 concerning life assurance;

2) Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) (text with EEA relevance).

This Law has been adopted by the *Saeima* on 3 May 2018.

President R. Vējonis

Adopted 18 May 2018