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Law
of 16 May 2001
on Insurance Contracts
(Insurance Contract Act, ICA)

I hereby grant my consent to the following Resolution adopted by Parliament:

I. General provisions

Article 1

Insurance application

1) Whoever submits an application to an insurance undertaking for the conclusion of an insurance contract and has not specified a shorter period for accepting the application shall be bound for two weeks.

2) If a medical examination is required, the applicant shall be bound for four weeks.

3) It shall be permissible to agree on a longer period if the period has been negotiated in detail.

4) The period shall begin with the handing-over or dispatch of the application to the insurance undertaking or its representative.

Article 2

Special application circumstances

1) If the application for extending or amending an existing contract or for reinstating a suspended contract is not rejected by the insurance undertaking within two weeks, calculated from the date of receipt, then the application shall be deemed accepted.

2) If a medical examination is required, then the application shall be deemed accepted if it is not rejected by the insurance undertaking within four weeks, calculated from the date of receipt.

3) Applications leading to an increase in the insured risk for the insurance undertaking shall not fall within the scope of these provisions.

Article 3

Information requirement of the insurance undertaking

1) The general and special insurance conditions and the information required by articles 45 and 49 of the Insurance Supervision Act must either be included in the insurance application or be submitted to the applicant in another manner prior to submission of the insurance application.

2) If this provision is not complied with, then the applicant shall not be bound by the application. After conclusion of the contract, the policyholder may rescind the contract if the information requirement pursuant to paragraph 1 has been violated. The right of rescission shall expire at the latest four weeks after receipt of the policy including instructions concerning the right of rescission.

Article 4

Duty to notify

1) On the basis of a questionnaire or other written form of questioning, the applicant must notify the insurance undertaking in writing of all facts relevant to an assessment of the risk, to the extent and in the manner in which they are known or should be known to him prior to conclusion of the contract.

2) The risk factors to which the written questions of the insurance undertaking pertain in a specific, unambiguous fashion shall be assumed to be relevant and suitable to influencing the decision of the insurance undertaking to conclude the contract at all or under the agreed conditions.

3) If a question remains unanswered and the insurance undertaking nevertheless concludes the contract, then it shall be assumed that the insurance undertaking waives the right to assert the relevance of the question.

Article 5

Duty to notify in the case of third-party insurance

1) In the case of third-party insurance, the relevant risk factors must also be indicated that are known or should be known to the insured third party himself or to his intermediary, unless the contract is being concluded without the knowledge of these persons or unless the timely notification of the applicant is not possible.

2) If the question of an insurance undertaking is addressed to a third party to be insured or the third party's intermediary, then the addressee shall be responsible for answering.

Article 6

Violation of the duty to notify

1) If the person subject to the duty to notify falsely communicates or withholds a relevant risk factor that he knew or should have known when concluding the insurance contract or when amending the contract at a later time, then the insurance undertaking may, within four weeks of discovery of the violation of the duty to notify, demand an adjustment to the contract or cancel the contract.

2) If an insured incident has already occurred, then the insurance undertaking shall not be liable, provided that the incident has arisen from the falsely communicated or withheld risk factor.

Article 7

Violation of the duty to notify in the case of collective insurance and third-party life insurance

1) If a contract encompasses several objects or persons and if the duty to notify is only violated with respect to some of these objects or persons, then article 6 shall not be applicable to the remaining part, if the circumstances indicate that the insurance undertaking would have insured this part on its own under the same terms.

2) If a third-party life insurance contract requires the person to respond whose death is the object of the insurance, then the provisions on violation of the duty to notify shall apply *mutatis mutandis*.

Article 8

Non-occurrence of the consequences in the case of violation of the duty to notify

Article 6, paragraph 1 shall not apply, even if the duty to notify has been violated, if:

- a) the withheld or falsely communicated risk factor already no longer applies when the insured incident occurs;
- b) the insurance undertaking already knew or should have known of the violation of the duty to notify in advance;
- c) the violation of the duty to notify was induced by the insurance undertaking itself or by one of its authorized representatives and the applicant was acting in good faith.

Article 9

Lack of a risk

If the contracting parties do not agree otherwise or if legal provisions do not specify otherwise, then an insurance contract shall be void if, at the time it was concluded, the insured risk already no longer applied or the insured event had already occurred.

Article 10

Insurance policy

1) The insurance undertaking shall be required to make a contract document (insurance policy or, in the case of amendment to the contract, a supplement) available to the policyholder containing the rights and duties of the parties.

2) Moreover, the insurance undertaking shall, upon request, make available to the policyholder a copy of the explanations provided by the applicant in the application papers or otherwise on the basis of which the insurance contract was concluded.

Article 11

Provisional cover note

1) If the policyholder and the authorized representative of the insurance undertaking agree on a provisional cover note, then this cover note shall remain in force until the commencement of the policy or until rejection of the application, unless the parties have agreed otherwise.

2) Upon request of the policyholder, the insurance company shall hand over a written confirmation of the provisional cover note.

Article 12

Commencement of policy

1) The performance obligations of the parties arising from the insurance contract shall commence at the date specified by the parties. This provision shall be subject to article 11.

2) If no agreement has been made for purposes of paragraph 1, then the policy shall commence at the time the contract is concluded.

Article 13

Third-party insurance

1) Insurance for the account of a third party shall be deemed third-party insurance. In the case of collective health and accident insurance, the insured person shall have a direct legal claim to the benefits of the insurance undertaking.

2) In cases of doubt, it shall be assumed that the policyholder has concluded an insurance contract for his own account.

Article 14

Deductions and offsets for third-party insurance

1) In the case of third-party insurance, an insurance undertaking may set all deductions arising from the insurance contract against the beneficiary, with the exception of those resulting from:

- a) the consequences of grossly negligent behavior of the policyholder in bringing about the insured event; with respect to benefits provided, the insurance undertaking shall assume any rights of the insured person arising from the insured event vis-à-vis the policyholder;
- b) the suspension of the performance obligation due to unsuccessful reminder of premium payment due; with respect to benefits provided, the insurance undertaking shall assume any rights of the insured person arising from the insured event vis-à-vis the policyholder.

2) In the case of third-party insurance, the insurance undertaking may offset any premium due at the time of occurrence of the insured event against the benefits it owes. Other claims of the insurance undertaking vis-à-vis the policyholder may not be offset against the insurance claims of the beneficiary.

Article 15

Collective insurance

If insured persons are only determined according to their affiliation with a group or if objects are only determined by type, then all persons belonging to the designated group or all objects belong to the type shall fall within the scope of the policy at the time this insured event occurs, unless they are unambiguously excluded by the contract.

Article 16

Premium

- 1) The policyholder shall be required to pay the premium.
- 2) If the insurance contract does not determine otherwise, the premium for the first insurance period shall be due upon commencement of the policy, at the earliest however at the time the contract is concluded. The subsequent premiums shall be due at the beginning of each new insurance period.
- 3) The insurance period shall be understood to be the period of time according to which the premium unit is calculated. In cases of doubt, the insurance period shall cover the period of one year.

Article 17

Non-payment of the premium

- 1) If a premium is not paid when it is due or during the grace period granted by the contract, then the insurance undertaking may, at the expense of the debtor, demand in writing that the debtor pay within four weeks from the time the reminder is sent and threaten the debtor with penalties for delay. This procedure shall also apply in the case the first payment is not paid on time.
- 2) If the reminder is unsuccessful, the performance obligation of the insurance undertaking shall be suspended once the reminder period expires. This legal consequence shall not apply if only the costs for the reminder are not paid.
- 3) These provisions shall be subject to article 72.

Article 18

Contractual relationship after default

- 1) If payment of the premium in arrears is not demanded by court order within two months of expiry of the deadline specified in article 17, paragraph 1, it shall be assumed that the insurance undertaking cancels the contract with immediate effect, renouncing its claim to payment of the premium in arrears.

2) If the insurance undertaking demands the premium by court order or accepts it retroactively, then its liability shall resume at the point in time at which it receives the premium in arrears together with interest and costs.

Article 19

Unilateral change to the contract

1) If, on the occasion of a price or tariff change, the conditions of the contract provide for the possibility of an automatic premium increase, the introduction or increase of a deductible, or any other worsening of the contract, then the policyholder must be informed of such a change in writing at least four weeks before it becomes effective. The policyholder shall have the right to cancel the contract up to this point in time; the cancellation shall become effective at the same time as the change to the contract.

2) If the period of at least four weeks prescribed by paragraph 1 is not complied with, then the change to the contract shall be irrelevant.

Article 20

Premium reduction

If the premium has been agreed taking into account certain risk-increasing circumstances, then the policyholder may, if these circumstances cease to apply over the course of the policy or lose significance, demand that the premium be reduced in accordance with the risk and tariffs for the remaining term of the contract.

Article 21

Divisibility of premium

1) In the event the insurance contract is terminated prematurely, an insurance company must reimburse the premium proportionately in accordance with the shortened duration of the policy.

2) The premium owed for the current insurance period shall be owed in full if the premature termination of the contract is a result of cancellation by the policyholder after that insured event has occurred.

3) The obligation set out in paragraph 2 shall also apply if an insurance undertaking cancels the contract due to behavior of the policyholder that is contrary to the contract or due to a substantial increase in risk arising from the policyholder's actions.

Article 22

Culpability in bringing about the insured event

1) An insurance undertaking shall not be liable if the policyholder or the beneficiary intentionally brought about the insured event.

2) If the policyholder or the beneficiary brought about the insured event through gross negligence, then the insurance undertaking shall be entitled to reduce its benefits in proportion to the degree of culpability.

3) If the insured event was brought about intentionally or through gross negligence by a person for whose conduct the policyholder or the beneficiary must vouch, then the insurance undertaking may reduce its benefits in proportion to the degree of personal culpability of the policyholder or the beneficiary with respect to supervision and monitoring of this person.

4) If the insured event was brought about through petty negligence, then the insurance undertaking shall be liable in full.

Article 23

Act of humanity

If the insured event was brought about by an act of humanity, then the insurance undertaking shall be liable in full

Article 24

Substantial increase in risk

1) An increase in risk shall be deemed substantial if it is based on a change of fact material to the assessment of the risk and if the scope of the fact was agreed by the parties when they concluded the contract.

2) Contractual understandings according to which the policyholder or the beneficiary assumes certain obligations to reduce the risk or to avert an increase in the risk shall remain unaffected.

3) The legal consequences of a substantial increase in risk shall be evaluated in accordance with articles 25 to 28.

Article 25

Rights of the insurance undertaking

1) If a substantial increase in risk occurs in the course of the policy, then the insurance undertaking may cancel the contract with immediate effect, provided that the applicable premium calculation did not cover such a risk at the time the increase in risk occurred.

2) If the substantial increase in risk was brought about through no fault of the policyholder, then the legal consequences set out in paragraph 1 shall only take effect if the policyholder or the beneficiary neglected to communicate the known increase in risk to the insurance undertaking without delay.

3) If the insurance undertaking remains bound to the insurance contract in accordance with paragraph 2, then it may cancel the contract within four weeks of gaining knowledge of a substantial increase in risk.

Article 26

Reduction of the performance obligation of the insurance undertaking

If the increased risk arising from the actions of the policyholder or the beneficiary was insurable at the time of its occurrence in accordance with the premium calculation of the insurance undertaking, then the performance obligation of the insurance undertaking shall be reduced in proportion to the lacking additional premium. The performance obligation shall be dropped entirely if the increased risk was not insurable.

Article 27

Performance obligation upon occurrence of the insured event

1) Once an insured event has occurred, then the insurance undertaking may not reject its performance obligation if the substantial increase in risk has had no effect on the occurrence of the event or on the amount of the performance obligation; the same shall apply if the risk has been increased with the intention of preserving the interests of the insurance undertaking.

2) The performance obligation of the insurance undertaking set out in paragraph 1 shall also persist if the substantial increase in risk has occurred through no fault of the policyholder or the beneficiary, unless the policyholder or the beneficiary has neglected to communicate the known increase in risk to the insurance undertaking without delay.

Article 28

Increase in risk in the case of collective insurance contracts

If the contract encompasses several persons or objects and if the substantial increase in risk only effects some of these persons or objects, then the policy shall remain in effect for the remainder, as long as the policyholder pays the higher premium applicable to the remainder upon the first request of the insurance undertaking.

Article 29

Scope of the risk

Unless this Act provides otherwise, an insurance undertaking shall be liable for all events bearing the characteristics of the risk against the consequence of which the insurance contract was concluded, unless the contract excludes individual events from the policy in a specific, unambiguous fashion.

Article 30

Termination of the business activities of an insurance undertaking

1) The policyholder shall be entitled to cancel the contract immediately if the license of an insurance undertaking has been withdrawn or the insurance undertaking voluntarily renounces it.

2) If a policyholder cancels a life insurance contract in accordance with paragraph 1, then he may reclaim the premium reserve.

Article 31

Bankruptcy of the insurance undertaking

1) If bankruptcy is opened with respect to an insurance undertaking, then the contract shall expire four weeks from the day on which the opening of bankruptcy is announced.

2) In the case of life insurance, the policyholder may reclaim the premium reserve.

Article 32

Duty to notify

Once the insured event has occurred, the beneficiary must notify the insurance undertaking as soon as he gains knowledge of it and of his insurance claim. The contract may provide that the notification must be in writing.

Article 33

Violation of duty to notify

1) If the beneficiary has culpably violated the duty to notify and if the insurance undertaking does not gain knowledge of the occurrence of the insured event in another manner, then the insurance undertaking shall be authorized to reduce the compensation by the amount by which it would have been lower had the notification been on time.

2) The insurance undertaking shall be relieved of its performance obligation if the beneficiary neglected to provide immediate notification with the intention of preventing the undertaking from determining the circumstances in a timely manner under which the insured event occurred. Moreover, the insurance undertaking may cancel the contract with immediate effect.

Article 34

Fraudulent justification of insurance claim

If the beneficiary or his representative falsely communicates or withholds facts that would exclude or reduce the performance obligation of the insurance undertaking, then the insurance undertaking shall be relieved of its performance obligation vis-à-vis the beneficiary. Moreover, it may cancel the contract with immediate effect.

Article 35

Due date of the insurance claim

The claim arising from the insurance contract shall be due four weeks after receipt by the insurance undertaking of all documentation necessary to assess the insurance claim.

Article 36

Cancellation in the event of loss

1) If an insured event occurs and if the insurance benefit is claimed in whole or in part, then each contracting party shall be entitled to cancel the contract.

2) If the insured object is completely lost as a consequence of an insured event, then the contract shall expire with immediate effect.

3) Cancellation by the insurance undertaking must occur at the latest upon performance; in such a case, the contractual performance obligation shall expire four weeks after receipt of the declaration of cancellation.

4) Cancellation by the policyholder must occur at the latest four weeks after knowledge is gained of the benefits performed by the insurance undertaking; in such a case, insurance protection shall expire upon receipt of the declaration of cancellation.

Article 37

Breach of an obligation or contractual requirement

1) If the parties have agreed that the policyholder or the beneficiary shall be affected by a legal disadvantage due to breach of an obligation or contractual requirement, then this disadvantage shall not take effect if, given the circumstances, the breach is to be regarded as having occurred through no fault of the policyholder or the beneficiary, respectively.

2) A missed premium payment due to inability to pay shall be deemed the fault of the premium debtor.

3) Where the contract or this Act make the existence of a right arising from the insurance policy dependent on observation of a deadline, then the policyholder or the beneficiary shall be authorized to make up for the action missed through no fault of his own immediately upon elimination of the obstacle.

Article 38

Period of limitation

Claims arising from an insurance contract shall be subject to a five-year period of limitation.

Article 39

Tacit renewal of the contract

An understanding that the insurance contract shall be deemed renewed for lack of cancellation shall be void to the extent that the renewal was agreed upon for more than one year each.

II. Non-life insurance

A. Provisions governing all non-life insurance

Article 40

Insurance value

1) The insurance value shall be the value that the insured interest has at the time the contract is concluded.

2) If the insurance value has changed substantially over the course of the policy, then both the insurance undertaking and the policyholder may demand proportional adjustment of the insurance sum. The premium shall be adjusted accordingly.

Article 41

Performance obligation of the insurance undertaking

Unless the insurance contract or this Act provides otherwise, the insurance undertaking shall only be liable for the loss in the amount up to the insurance sum.

Article 42

Underinsurance

If the insurance sum is less than the replacement value (underinsurance), then the loss shall be replaced in the proportion between the insurance sum and the replacement value, unless agreed otherwise.

Article 43

Overinsurance

If the insurance sum is more than the insurance value (overinsurance), then, in the event of loss, the benefit by an insurance undertaking may not exceed the value of the object affected by the insured event.

Article 44

Double insurance

1) If the same object is insured with more than one insurance undertaking against the same risk and for the same time in such a way that the sums insured total more than the insurance value (double insurance), then the policyholder shall be required to immediately provide written notice to all insurance undertakings.

2) Each insurance undertaking shall be entitled to the entire premium agreed upon.

3) Each insurance undertaking shall be liable for the loss in the proportion between its insurance sum and the total amount of the insurance sums.

4) If an insurance undertaking has become unable to pay, then the remaining insurance undertakings shall be liable for the insured loss that is no longer covered in the proportion between the sums insured by them, up to the amount of their insurance sum. The claim to which the beneficiary is entitled against an insurance undertaking unable to pay shall be transferred to the insurance undertakings that have provided compensation.

Article 45

Intentional overinsurance or double insurance

If the policyholder has concluded an overinsurance or a double insurance policy with the intent of gaining unlawful pecuniary advantage or if he has intentionally neglected to inform the insurance undertakings of a double insurance, then the contract shall be void.

Article 46

Replacement value

The replacement value of an object shall be assessed on the basis of the value that the insured object had at the time the insured event occurred. This assessment shall be subject to agreements between the parties according to which the assessment value shall correspond to the value of a new acquisition.

Article 47

Agreement on the replacement value

If the parties have determined the insurance value by way of a special agreement, then this agreed value shall be deemed the replacement value, unless the insurance undertaking proves that the replacement value is lower than the insurance value.

Article 48

Prohibition of modification

1) Before a loss has been determined, no modifications may be made to the damaged objects without the consent of the insurance undertaking that may make determination of the cause of the loss or of the loss more difficult or impossible, unless the modification appeared necessary for purposes of loss mitigation or in the public interest.

2) If paragraph 1 is culpably breached, the insurance undertaking shall be authorized to reduce compensation by the amount by which it would have been lower if the prohibition of modification had been complied with.

Article 49

Duty to mitigate loss

1) The beneficiary shall be required to mitigate loss upon occurrence of the insured event. In order not to lose his rights, he must obtain and observe the instructions of the insurance undertaking, unless danger is imminent.

2) If the beneficiary has breached these duties intentionally or with gross negligence, then the insurance undertaking shall be authorized to reduce the compensation by the amount by which it would have been lower if those obligations had been fulfilled.

3) The insurance undertaking shall be required to reimburse the beneficiary for expenses incurred for purposes of loss mitigation that were not obviously unreasonable, even if the measures taken have been unsuccessful or if these expenses and the compensation for loss jointly exceed the insurance sum.

4) If the insurance sum is lower than the replacement value, then the insurance undertaking shall bear the costs in the proportion between the insurance sum and the replacement value.

Article 50

Sale of the insured object

1) If the insured object changes owners, then the rights and duties arising from the insurance contract shall devolve to the purchaser.

2) The purchaser as well as the previous owner shall be liable to the insurance undertaking for the premium due at the time of the sale of the object.

3) The insurance undertaking shall be entitled to cancel the insurance contract once it has learned of the sale, observing a cancellation period of four weeks.

4) The cancellation right set out in paragraph 3 shall also be accorded to the purchaser. In this case, the cancellation may only take place with immediate effect or as of the end of the current insurance period. The cancellation right shall expire if it is not exercised within four weeks after the purchase; if the purchaser did not know of the insurance policy, then the cancellation right shall persist until the expiry of four weeks from when the purchaser learned of the policy.

Article 51

Distrain in an enforcement procedure or as a security

If an insured object has been distrained in an enforcement procedure or as a security in accordance with articles 270 et seq. of the Enforcement Procedure Act, then the insurance undertaking may only validly pay the compensation to the Court of Justice, if it has been informed in a timely manner.

Article 52

Right of lien over the insured object

1) If a distrained object is insured, then the right of lien of the distrainor shall extend both to the insurance claim of the distrainee and to the replacement objects procured with the compensation.

2) If the right of lien has been registered with the insurance undertaking, then the insurance undertaking may only pay the compensation to the insured person with the consent of the lienor or upon providing the lienor with a guarantee.

Article 53

Right of recourse of the insurance undertaking

1) The right of replacement to which the beneficiary is entitled vis-à-vis third parties shall devolve to the insurance undertaking to the extent that it has paid compensation.

2) The beneficiary shall be responsible for any action by which he infringes upon this right of the insurance undertaking.

3) Paragraph 1 shall not apply if the loss has been brought about through petty negligence by a person who lives in the same household as the beneficiary or for whose actions the beneficiary must vouch.

B. Liability insurance

Article 54

Object

In the case of liability insurance, the insurance undertaking shall be required to compensate the policyholder for the performance that he must render on the basis of his responsibility toward a third party.

Article 55

Occupational liability insurance

If the policyholder is insured against the consequences of legal liability associated with a business, then the policy shall also extend to the liability of the persons entrusted with the management or supervision of the business.

Article 56

Legal right of lien of an injured third party

1) An injured third party shall have a right of lien in the amount of his claim for damages over the compensation claim for legal liability to which the policyholder is entitled pursuant to the insurance policy. The insurance undertaking shall be entitled to pay the compensation directly to the injured third party.

2) The insurance undertaking shall be responsible for every action by which it infringes upon the rights of third parties.

C. Legal expenses insurance

Article 57

Object

Legal expenses insurance shall consist in assuming the risk of having to cover costs arising from legal matters or of having to perform services in such matters, in return for payment of a premium.

Article 58

Scope of application

Articles 59 to 61 shall not be applicable to:

- a) the activities conducted by an undertaking offering liability insurance for purposes of defending or representing an insured person in judicial or administrative proceedings, if these activities are also in its own interest on the basis of this insurance;

- b) legal expenses insurance, if this insurance relates to disputes or claims arising from the use of ships at sea or associated with such use.

Article 59

Form and content of the legal expenses insurance contract

1) The guarantee of legal expenses must be the object of a contract separate from other branches of insurance or of a separate chapter of a policy with an indication of the content of the guarantee of legal expenses and the corresponding premium.

2) If claims processing is transferred to a claims management undertaking as set out in article 21, paragraph 2 of the Insurance Supervision Act, then this undertaking must be mentioned in the separate contract or the separate chapter with an indication of its company name and the addresses of its head office.

Article 60

Free choice of legal representative

1) In each legal expenses insurance contract, the insured person must be expressly accorded free choice of a professionally qualified representative, with a reference to this provision, in the event of the following situations:

- a) if a representative must be appointed in view of judicial or administrative proceedings;
- b) if there is a clash of interests, in particular if several persons involved in a matter are insured by the same legal expenses insurance undertaking and a clash of interests could therefore arise.

2) If a clash of interests according to paragraph 1(b) exists, then the insurance undertaking or the claims management undertaking must inform the insured person of his right.

Article 61

Procedure in case of disagreement

1) The insurance contract shall provide for a procedure for deciding disagreements arising between the insurance undertaking or the claims management undertaking and the insured person with respect to the measures to be taken to resolve the dispute. This procedure must offer comparable guarantees for objectivity as arbitration proceedings.

2) If the insurance undertaking or the claims management undertaking denies performance with respect to a measure, then the proposed solution must be justified immediately and the insured person informed of the option of the procedure set out in paragraph 1.

3) If the insurance contract does not provide for a procedure according to paragraph 1, or if the insurance undertaking or the claims management undertaking neglects to inform the insured person at the time a performance obligation is denied, then the legal expenses requirements of the insured person shall be deemed recognized in the respective case.

D. Reinsurance

Article 62

Scope of application

Without prejudice to article 63, this Act shall not apply to reinsurance contracts.

Article 63

Rights of the policyholder

The beneficiary of the direct insurance contract shall have no independent claims vis-à-vis a reinsurance undertaking; subject to any agreement otherwise, the beneficiary shall only be entitled to claims vis-à-vis the insurance undertaking designated in the insurance contract.

III. Life insurance

Article 64

Policy and entitlement to claim

1) For the assignment or pledge of life insurance claims to be valid, the assignment or pledge must be in writing and the policy must be handed over. An insurance undertaking may continue to pay benefits and thereby discharge debt to the former beneficiary as long as it has not been informed of the assignment or pledge.

2) If the policy specifies that the insurance undertaking may pay benefits to the bearer, then an insurance undertaking acting in good faith shall be authorized to consider any bearer to be entitled to claim.

Article 65

Right of rescission of the policyholder

1) If the policyholder concludes an individual life insurance contract, then he may rescind this contract within one month of learning of the conclusion of the contract if the term of the contract exceeds six months.¹

2) The declaration of rescission shall be submitted to the insurance undertaking in writing. The rescission deadline shall be deemed fulfilled if the declaration of rescission is posted on the fourteenth day.

3) The notification by the policyholder that he is rescinding the contract shall release him for the future from all obligations arising from this contract.

4) The law applicable to the life insurance contract shall apply *mutatis mutandis* to all legal questions arising in connection with such a rescission.

¹ Article 65, paragraph 1 amended by Liechtenstein Law Gazette LGBl. 2005 No. 39.

Article 66

Cancellation by the policyholder

- 1) If the policyholder has paid the premium for one year, then he may cancel the life insurance contract.
- 2) The cancellation must be submitted in writing to the insurance undertaking four weeks prior to commencement of a new insurance period.

Article 67

Cancellation of a life insurance policy with surrender value

If a life insurance contract that may be surrendered in accordance with this Act is canceled prematurely, then the insurance undertaking must pay the minimum benefit determined for the surrender.

Article 68

Conversion and surrender

- 1) The insurance undertaking shall, upon request of the policyholder, be required to convert in whole or in part any life insurance policy for which premiums have been paid for at least three years into a fully paid-up policy.
- 2) The insurance contract may provide that the surrender value be paid in lieu of the desired conversion if the insurance sum or annuity resulting from the conversion would exceed an agreed amount.
- 3) Moreover, the insurance undertaking must, upon request of the policyholder, repurchase in whole or in part any life insurance for which the insured event is certain to occur, if the premiums have been paid for at least three years.

Article 69

Determination of the settlement amount

The insurance undertaking must determine the bases for calculating the conversion value and the surrender value of the insurance policy and communicate these to the policyholder.

Article 70

Calculation of the conversion value and the surrender value

An insurance undertaking shall be required, upon inquiry by the policyholder, to calculate the conversion value or the surrender value of the life insurance policy within four weeks and to communicate the value to the policyholder. Moreover, the insurance undertaking must, if the policyholder so demands, provide the information necessary for experts to determine the conversion value or the surrender value.

Article 71

Due date of the surrender request

If the policyholder requests surrender of the policy, the surrender request shall become due four weeks after receipt of the request.

Article 72

Non-forfeiture

1) If no premium is paid after the insurance policy has been in force for at least three years, then the conversion value of the policy shall be owed. The insurance undertaking shall determine the conversion value and, if the policy may be surrendered, also the surrender value in accordance with this Act and shall, upon request of the policyholder, communicate these values to him.

2) If the insurance policy may be surrendered, then the policyholder may, within four weeks of this notice, demand the surrender value of the policy instead of the conversion value.

Article 73

Third-party life insurance

1) A third-party life insurance policy shall be void if the person whose death is the object of the insurance did not consent in writing prior to conclusion of the contract. If the policy is concluded with respect to the death of a person incapable of acting, then the written consent of the legal representative shall be necessary; this provision shall be subject to special consent requirements pursuant to the General Civil Code.

- 2) The insurance claim may be ceded without the consent of the third party.

Article 74

Insurance for the benefit of a third party

- 1) The policyholder shall be authorized to designate a third party beneficiary without the consent of the insurance undertaking.
- 2) The designation of the beneficiary may refer to the entire insurance claim or to a part thereof. An insurance undertaking shall pay the benefit to the last person named pursuant to the beneficiary rules with discharging effect.

Article 75

Power of disposal of the policyholder

- 1) The policyholder of a life insurance policy may, even if a third party beneficiary has been designated, exercise free disposal of the claims arising from the insurance among the living and in consequence of death.
- 2) The right of the policyholder or his legal successor to revoke the designation of the beneficiary shall only expire if the policyholder has signed a waiver of this right in the policy and has handed over the policy to the beneficiary.

Article 76

Direct right of the beneficiary to claim

Subject to any later instructions by the policyholder, the designation of the beneficiary shall establish an independent right of the beneficiary to the insurance claim assigned to him upon occurrence of the insured event.

Article 77

Distrain, opening of bankruptcy, enforcement

1) The designation of the beneficiary shall expire if the insurance claim is distrained in Liechtenstein or if bankruptcy is opened with respect to the policyholder in Liechtenstein. It shall revive if the distraint expires or bankruptcy is lifted.

2) If the policyholder has waived the right to revoke the designation of the beneficiary, then the insurance claim arising from the designation shall not be subject to enforcement on behalf of the creditors of the policyholder.

Article 78

Exclusion of enforcement and bankruptcy

If the spouse or the descendants of the policyholder are beneficiaries, then, subject to any liens, neither the insurance claim of the beneficiary nor of the policyholder shall be subject to enforcement on behalf of the creditors or to the bankruptcy of the policyholder or the beneficiary. A person living in cohabitation with the policyholder shall be considered equivalent to a spouse.

Article 79

Succession right of the spouse and the descendants

1) If the spouse or the descendants of the policyholder are beneficiaries of a life insurance contract, then they shall succeed to the rights and duties arising from the insurance contract from the time the policyholder is subject to enforcement or bankruptcy, unless they expressly reject the succession.

2) The beneficiaries shall be required to indicate the succession to the policy by submitting a certification of the Court of Justice to the insurance undertaking. If there is more than one beneficiary, then they must designate a representative who shall receive the notifications for which the insurance undertaking is responsible.

Article 80

Reservation of action for rescission

The provisions of this Act concerning insurance for the benefit of a third party shall be subject to the provisions of the Rights Protection Code governing actions for rescission.

Article 81

Utilization of the insurance claim under enforcement or bankruptcy law

1) If the claim arising from a life insurance contract that the debtor has concluded with respect to his own life is subject to utilization under enforcement or bankruptcy law, then the spouse or the descendants of the debtor may, with the debtor's consent, demand that the insurance claim be transferred to them in return for reimbursement of the surrender price.

2) If such an insurance claim is distrained and if it is to be utilized under enforcement or bankruptcy law, then the spouse or the descendants of the debtor may, with the debtor's consent, demand that the insurance claim be transferred to them in return for payment of the claim secured by the distraint or, if this claim is smaller than the surrender price, in return for payment of this price.

3) The spouse or the descendants must assert their request prior to utilization of the claim before the Court of Justice or the estate trustee.

Article 82

Exclusion of right of recourse in the case of life insurance

In the case of life insurance, claims to which the beneficiary is entitled vis-à-vis third parties due to occurrence of the insured event shall not transfer to the insurance undertaking.

IV. Health insurance

Article 83

Object and applicable provisions

- 1) Health insurance may be concluded with respect to the person of the policyholder or with respect to another person.
- 2) To the extent that insurance protection is granted in accordance with the principles of non-life insurance, articles 41 to 45, 49, and 53 shall apply *mutatis mutandis*.
- 3) Articles 24 to 28 shall not be applicable to health insurance.

Article 84

Insured person

- 1) The person with respect to whom the insurance policy is concluded shall be considered the insured person.
- 2) To the extent that knowledge and conduct of the policyholder are of legal significance, the knowledge and conduct of a third party with respect to whom an insurance policy is concluded shall also be subject to consideration.
- 3) If health insurance is concluded with respect to another person, then this person shall have an independent right to claim vis-à-vis the insurance undertaking.

Article 85

Exclusion of time limits

Health insurance that can replace in whole or in part the health or care insurance protection provided for in the statutory social insurance system shall not be limited in time.

Article 86

Waiting periods

- 1) To the extent that waiting periods are agreed upon with respect to medical expenses insurance, daily allowance insurance, and hospital daily allowance insurance, they may not exceed three months as a general waiting

period and eight months as a special waiting period for childbirth, psychotherapy, dental treatment, dental replacement, and orthodontics. With respect to care insurance, the waiting period may not exceed three years.

2) Persons withdrawing from statutory health insurance shall be credited for their uninterrupted insurance period under the statutory policy when calculating the waiting period, as long as the insurance policy is concluded at the latest two months after termination of the previous policy.

3) Unless insurance protection is expressly concluded for diseases or consequences of accidents known to both contracting parties at the time the contract is concluded, waiting periods longer than those specified in paragraph 1 may be agreed upon.

Article 87

Premium

1) In the case of health insurance for which the premium must be calculated in accordance with the actuarial basis for computation specified in article 16 of the Insurance Supervision Ordinance, the insurance undertaking may only demand the premium resulting from this calculation. This shall be without prejudice to the possibility of agreeing upon an appropriate risk premium or exclusion from benefits with respect to an increased risk.

2) If the ordinary cancellation right of the insurance undertaking is excluded by law or by contract with respect to an insurance relationship, then the insurance undertaking shall, in the event of a non-temporary change to the claims expectancy vis-à-vis the actuarial basis for computation, be entitled to recalculate the premium in accordance with the adjusted bases for computation, even for existing insurance contracts.

Article 88

Cancellation by the policyholder

Subject to any agreed minimum insurance term of up to three years, the policyholder may cancel a health insurance contract that was concluded for a term of more than one year as of the end of the first year or of any subsequent year, observing a cancellation period of three months. The cancellation may be limited to individual insured persons.

Article 89

Cancellation by the insurance undertaking

1) Ordinary cancellation of a health insurance contract by the insurance undertaking shall be excluded if the insurance can in whole or in part replace the insurance protection provided for in the statutory social insurance system.

2) Ordinary cancellation of a collective insurance contract by the insurance undertaking shall be permissible if the insured persons may continue the insurance relationship under the terms of individual insurance and are credited for the rights acquired under the contract and for the aging reserve.

Article 90

Exclusion of right of rescission

An insurance undertaking may no longer rescind a contract due to a breach of the duty to notify that is incumbent upon the policyholder at the time the contract is concluded if three years have passed since conclusion of the contract. The right of rescission shall persist if the duty to notify was intentionally breached.

V. Accident insurance

Article 91

Object and insured person

1) Accident insurance may be concluded against accidents befalling the policyholder or against accidents befalling another person.

2) In cases of doubt, insurance against accidents befalling another person shall be deemed to be for the account of the other person.

3) If insurance against accidents befalling another person is concluded by the policyholder for his own account, then the written consent of the other person shall be required for the contract to be valid. If insurance is concluded for a person incapable of acting, then the written consent of the legal representative shall be necessary; this provision shall be subject to special consent requirements pursuant to the General Civil Code.

4) To the extent that knowledge and conduct of the policyholder are of legal significance in the case of paragraph 3, the knowledge and conduct of the other person shall also be taken into consideration.

5) To the extent that insurance protection is granted in accordance with the principles of non-life insurance, articles 41 to 45, 49, and 53 shall apply *mutatis mutandis*.

Article 92

Disability compensation

If the earning ability of the insured person is expected to be permanently impaired as a consequence of an accident, then compensation may be paid in the form of a lump-sum settlement on the basis of the sum insured for the event of disability, as soon as the anticipated permanent consequences of the accident have been determined. Subject to contractual agreements otherwise, the insured person may demand annuity payments instead of a lump-sum settlement.

VI. Transitional and final provisions

Article 93

Provisions that may not be modified

1) Contractual understandings may not modify the provisions set out in articles 3, 39, 43, 44, 64, and 73 paragraph 1 of this Act.

2) To the extent that the provisions of article 39 and article 44, paragraph 3 are affected, paragraph 1 shall not apply to transport insurance.

Article 94

Provisions that may not be modified to the disadvantage of the policyholder or the beneficiary

1) Contractual understandings may not modify the following provisions of this Act to the disadvantage of the policyholder or the beneficiary: Articles 1, 2, 6, 8, 10, 13 paragraph 1, 17 to 19, 21, 22 paragraph 4, 23 to 27, 35 to 38, 46, 50 to 52, 53 paragraph 3, 55, 56, 59 to 61, 65, 66, 68 to 72, 74 paragraph 1, 75 paragraph 1, 82, 84 paragraph 3, 85 to 90, and 92.

2) Paragraph 1 shall not apply to contracts covering large risks set out in Annex 3 of the Insurance Supervision Act.

Article 95

Relationship to civil law

To the extent this Act contains no relevant provisions, the relevant provisions of other private law shall apply to the insurance contract.

Article 96

Repeal of existing law

The Law of 6 June 1941 on Adoption of the Federal Law on Insurance Contracts of 1 April 1908, LGBI. 1941 No. 14, and article 2 of the final clauses of the Law of 13 December 1973 revising Chapter 26 of the General Civil Code, LGBI. 1974 No. 18, are hereby repealed.

Article 97

Relationship between the new law and the old law

Insurance contracts concluded prior to entry into force of this Act shall be amended in accordance with the new law within three years.

Article 98

Entry into force

This Act shall enter into force on 1 January 2002.

signed *Hans-Adam*

signed *Otmar Hasler*
Prime Minister