



# Legal Expenses Insurance

## Product description, effective from 1 January 2023

Any business can encounter the need for legal assistance due to disputes or criminal cases. It is advisable to prepare for such events by taking out legal expenses insurance. This could turn out to be the most important insurance policy your business ever had. The insurance covers necessary and reasonable legal and litigation expenses incurred by the policyholder through the use of legal assistance in litigation, criminal cases and petitions relating to the business activities specified in the policy document.

## What is liability insurance?

Liability insurance is a contract by which the company (= policyholder) transfers part of its liability for damages to an insurance company.

The content of the insurance contract is determined by the policy document, the terms and conditions, and the safety regulations.

The appropriate liability insurance solution is based on the nature and scope of the policyholder's activities. The following table describes the liability insurance offered by If.

**This product description applies to legal expenses insurance.**

PRODUCT	FOR WHICH DAMAGES	FOR WHOM
General Liability Insurance	Personal injury and property damage caused by the company's operations	All lines of business
Product Liability Insurance	Personal injuries and property damage caused by products	Importers, producers, manufacturers and B2B vendors
Professional Indemnity Insurance for Technical Consultants	Personal injury, property damage and financial losses resulting from incorrect consultancy	Technical consultants
Professional Indemnity Insurance for Non-technical Consultants	Financial losses resulting from an incorrect assignment	Professional services
<b>Legal Expenses Insurance</b>	<b>Lawyer's fees and legal expenses related to the company's operations</b>	<b>All lines of business</b>
Crime Insurance	Losses incurred by the policyholder or the policyholder's client as a result of the policyholder's property crime	All lines of business, especially trade, and sectors where money or a client's property is handled
Directors' and Officers' Liability Insurance	Financial losses caused to the corporation or a third party for which the insured is liable under the current law while acting as a member of a governing body	All lines of business
Cyber Insurance	Costs incurred by the policyholder as a result of a data breach; financial losses caused by the interruption of operations; liability for the disclosure of trade secrets	All lines of business
IPR Insurance	Legal expenses and liability related to intellectual rights	All lines of business involving intellectual rights

## Why should a business have legal expenses insurance?

Even if your own actions cannot be faulted, disputes concerning the content of a contract, for example, may arise at any time. It is advisable to prepare for such risks by having legal expenses insurance.

Legal expenses arising from court proceedings may be higher than anticipated. For this reason, new entrepreneurs in particular would benefit from taking out legal expenses insurance as soon as they go into business. This will also ensure that all contract-related disputes are covered by the insurance.

The Legal Help risk management service, provided as part of Legal Expenses Insurance, enables companies to take advantage of legal advice provided by the If legal team to help the company avoid unnecessary litigation and the resulting costs, as well as other legal risks related to the company's operations.

### CLAIM EXAMPLE

The insured had leased commercial premises from X Oy for running a restaurant. A dispute over the amount and payment of rent arose between the insured and X Oy after the insured had requested a discount in rent and X Oy refused to grant it.

*In this case, the legal expenses arising from the dispute were paid out of the Legal Expenses Insurance, because the commercial premises were used by the insured company.*

## Sum insured and deductible

The sum insured stated in the policy document is the maximum limit of the insurance company's liability per insured event. Legal and litigation expenses for which compensation is paid out of the insurance are determined in accordance with the relevant legal instructions in force. Necessary and reasonable legal expenses arising from the use of an agent are covered by the insurance.

The VAT included in the amount of expenses is deducted from the amount of compensation, if the insured is entitled to deduct taxes included in attorney fees or legal expenses under the Value Added Tax Act.

The policyholder's deductible is deducted from the amount of compensable loss, separately for each insured event. In general, the maximum amount of deductible is 15% of the total amount of legal expenses, but at least the specified amount agreed when taking out the insurance.

Legal Help includes 15 hours of legal advice provided by If lawyers per insurance period, without a deductible.

## What type of compensation is paid out of legal expenses insurance?

The insurance covers the necessary and reasonable legal and litigation expenses incurred by the insured through the use of legal assistance in disputes or criminal cases relating to the activities specified in the policy document.

In the case of disputes, expenses arising from the use of an agent and the presentation of evidence are paid out of the insurance, if the dispute is of a type that can be immediately submitted for consideration by a district court. If such a case is handled through arbitration or conciliation, the fees of arbitrators or any conciliator are not paid out of the insurance.

In a criminal case, the insured is paid compensation for legal expenses as the injured party, if the insured is presenting a claim for loss or damages. For a defendant in a criminal case, payment of compensation for legal expenses is subject to a range of restrictions.

The insured can be compensated for expenses arising from the process of lodging an appeal before the Supreme Court only in situations where the Supreme Court has granted permission to appeal.

In addition, legal assistance provided by If lawyers is covered for 15 hours per insurance period. Legal Help is an integral part of Legal Expenses Cover and is automatically included in every legal expenses insurance policy If grants to companies. The purpose of Legal Help is to provide legal advice and guidance on legal issues relating to the policyholder's operations.

Presenting a claim for loss or damage in disputes and criminal cases related to contracts, work performed or unpaid wages are typical examples of insured events compensable from the insurance.

### CLAIM EXAMPLE

The insured had acquired the business operations of X Oy and was demanding a price reduction due to its discovery, after the finalisation of the acquisition, that the movable property was not as specified in the agreement. X Oy contested the demands, which led to legal proceedings in the district court, initiated by the insured. The insured placed the dispute before the district court for court mediation in the belief that a quick settlement would be crucial to its business operations.

*The dispute was settled through court mediation, with the district court judge acting as the mediator. The dispute was compensable from the Legal Expenses Insurance due to the possibility of placing the dispute before the district court in compliance with the insurance terms, and the fact that court mediation is not considered an administrative authority or special court procedure, which would make the dispute non-compensable under the insurance.*



## How to extend your cover

In general, the losing party in legal proceedings is responsible for paying the opponent's legal expenses.

If's Legal Expenses Insurance can be extended to cover the opponent's legal expenses.

## Exclusions

There are certain exclusions to the legal expenses coverage, which means that it does not cover all legal and litigation expenses arising from the policyholder's operations. Compensation is not paid out of the insurance for expenses incurred by the insured

- in a matter which is of minor importance to the insured. This means that minor financial disputes cannot be settled at the expense of the insurance. If the claim is more than minor, it should be noted that the maximum amount of compensation that can be paid is double the contested amount.
- where the contesting of the claim cannot be demonstrated. The insurance does not cover the collection of undisputed receivables.
- in a matter relating to operations other than those stated in the policy document. The policyholder is required to list all areas of business which the Legal Expenses Insurance is intended to cover.
- in matters relating to bankruptcy or recovery proceedings, or the enforcement of recovery proceedings referred to in the Enforcement Code.
- relating to patents or other intangible rights. Other intangible assets and rights include trademarks, copyrights, and trade names.
- in the case of litigation expenses awarded to the opponent or agreed to be paid by the insured. However, expenses to be paid under a court decision are compensated for if they are specifically insured under an additional cover.
- arising from the reporting of an offence and preliminary investigation.
- arising from the acquisition of a legal expert's statement.
- arising from unnecessary legal proceedings, for example, if the action is deemed inadmissible, outdated or unfounded in law. Compensation is not paid out of the insurance for expenses arising from matters handled by administrative authorities or special courts.

In addition, Legal Help cannot be used for:

- matters related to corporate transactions
- acting as legal counsel
- insurance-related matters
- matters relating to taxation and pensions
- matters relating to public procurement
- issues relating to financing and securities markets

## Validity

The Insurance is valid within the area stated in the policy document; usually in all EU countries.

The insurance only covers insured events that occur during the validity of the insurance. However, if the insurance has been in force for less than two (2) years at the time of origin of the insured event, the matters on which the dispute, claim or charge is based must also have arisen during the validity period of the insurance. The validity period of the insurance includes

the period during which the insurance has been continuously valid for the insured on its own or consecutively with other legal expenses insurance policies similar in content to this one.

If the insurance is terminated during the insurance period due to unpaid premiums, this also terminates the continuous validity period, regardless of whether the insurance is later brought into force.

Read more  
[if.fi/en/  
commercial](https://if.fi/en/commercial)

## Occurrence time of insured event and validity requirements for the insurance policy

In case of a dispute or petition, the insured event has occurred when the claim presented is specifically disputed regarding either its grounds or amount. This means that compensation will not be paid for expenses arising from submitting the claim and any preliminary investigation pertaining to the matter, on account of the insurance terms and conditions requirement that the claim must be presented and responded to prior to the loss. Compensation can only be paid from the date of creation of a claim that has been specifically disputed.

In a criminal case, the start time for legal proceedings is deemed the time of the insured event's occurrence.

### EXAMPLE

Previously, the insurance did not cover legal expenses to be paid under a court decision. The insurance is now extended to cover such expenses. Compensation can be paid out of the insurance for legal expenses payable under a court decision two years from the occurrence of the insured event, at the earliest, if the dispute concerns, for example, an agreement that has been concluded prior to the entry into force of the extended insurance.

### EXAMPLE

If a dispute over a trade agreement concluded on 1 January 2015 begins on 1 April 2019, and the insurance period has begun on 1 January 2016, the insurance will have been valid for at least two years at the time that the dispute began, making the time of origin of the dispute irrelevant. Legal expenses coverage can thus be granted even though the insurance period began only after the time of origin of the dispute.

The requirement 'similar in content to this insurance' means that, in claims occurring during the first two years after the insurance has become effective, compensation is paid for those insured events that would have been compensated by insurance policies valid prior to this one, and in the same manner. In practice, this means that extending the insurance policy coverage or raising the sum insured will become effective only for those insured events that occur no earlier than two years after the time of making such changes, if the event that is the origin of the dispute has occurred during the validity of the previous insurance policy that has less extensive coverage.

## Claiming compensation for legal expenses

The insured should notify the insurance company at the earliest possible time if it plans to claim compensation for legal expenses from the insurance. A written legal expenses claim notification must be submitted to If in advance. The notification must include an itemised account of the dispute or criminal case by the insured. Based on the notification, If will provide the policyholder with a written decision concerning the legal expenses claim.

Legal Help can be used in matters based on Finnish legislation and where the dispute could lead to legal and litigation expenses covered by Legal Expenses Insurance. If the matter is already pending as damage compensable from the Legal Expenses Insurance, Legal Help cannot be used.

## How can you get legal advice?

You can contact the Legal Help Team by filling out the contact form at <https://www.if.fi/yritysiasiakkaat/ilmoita-vahingosta/lakiapu>

## Insurance is a contract

Insurance is based on an insurance contract. When entering into the contract, it is important that you provide accurate and complete information about, for example, the nature and scale of the insured operation. The contract determines the scope of coverage and the amount of the deductible which form the basis of the compensations payable when the damage occurs. The key contents of the contract are laid out in the policy document.

You must inform the insurance company promptly of any mistakes or omissions that you notice and that may have a bearing on the policy.

The policy is effective indefinitely from the date agreed between the policyholder and the insurance company. The insurance premium invoice must be paid on the due date to the bank account indicated on the invoice.

The insurance remains valid if the insurance premium is paid no later than the date due. If the insurance premium has not been paid on the due date, the insurance company can terminate the insurance, effective at the earliest 14 days from the date of dispatch of the notice of termination.

The policyholder can cancel the policy by giving notice of termination in writing. You can cancel your policy at any time. The insurance company also reserves the right to terminate the policy at the end of the insurance period.



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