

# Correct Cover for the Self-Employed

INSURANCE GUIDE

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It is important for the self-employed to be able to focus on their business operations. Disruptions in operations and unexpected expenses are not welcome. It is therefore worthwhile investing in the construction of appropriate risk management.

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# Correct Cover for the Self-Employed

## INSURANCE GUIDE

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This guide is not a comprehensive presentation of all the terms and conditions applicable to the various insurance policies available. Please also read through the individual policies' terms and conditions.  
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## Introduction

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Insuring is not a complex task or indeed difficult to manage if you make use of our company's representatives, who are experts in the field. Together, our experts and this guide will help you to put your insurance cover in order.

Taking out an insurance policy is part of risk management. In addition to insuring, the risk of loss can be managed through loss prevention.

This guide presents the various areas of corporate insurance, including different statutory and voluntary insurance cover options. At the end of each section, there are a few questions designed to help you make the right decision about your insurance cover with the assistance of your contact person.

Let's find out more about insurance and loss prevention!

# Statutory Personal Insurance

## GENERAL SOCIAL INSURANCE

Social insurance laws stipulate a company's duties regarding the insurance arrangements for its employees. The Finnish social insurance fee includes a sickness and national pension insurance premium paid on behalf of employees, as well as a child benefit payment. Social security payments are paid to the regional tax office in connection with income tax. In addition to this general social insurance, an employer must also take out a personal pension insurance policy for him- or herself, as well as accident and pension insurance for his or her employees.

## SICKNESS INSURANCE

People living in Finland permanently usually come under the scope of the sickness insurance provided and managed by Kela, the Social Insurance Institution of Finland. The benefits of such insurance include a daily allowance, maternity allowance, parental allowance and partial compensation for medical treatment expenses. Kela, with its local branch offices functioning as service points, is responsible for sickness insurance.

## NATIONAL PENSION

Individuals who are over 16 years of age and reside in Finland are generally entitled to the benefits stipulated in the National Pension Act. Those benefits include an old age pension, disability pension, individual early retirement pension, unemployment pension, day care allowance, housing allowance and rehabilitation allowance. A national pension and the benefits connected to it can be applied for in Kela's local branch offices.

## GENERAL SURVIVORS' PENSION

All people residing in Finland generally come under the scope of the Survivors' Pension Act. Based on that Act, widows, widowers and children are paid a pension after the death of the insured person. Kela is responsible for any issues relating to survivors' pensions.

## STATUTORY WORKERS' COMPENSATION INSURANCE

### EMPLOYEES

#### FOR WHOM?

Those persons coming under the scope of workers' compensation insurance include:

- employees in an employment or service relationship;
- partners in a general partnership whose share of authority is 50% at the most;
- active partners in a limited partnership whose share of authority is 50% at the most;
- a silent partner in a limited partnership, providing that person contributes to and is paid for the work involved;
- family members who contribute to the work of the partners and are paid for it, but who are not actually partners themselves;
- a shareholder in a leading position in a limited liability company who, alone or together with family members living in the same household, owns a maximum of 50% of the company's share capital;
- a shareholder in a limited liability company (not in a leading position);
- a person working in another company or organisation who, alone or together with family members living in the same household, holds a maximum of 50% of the authority in that company or organisation;
- certain students in the event of an accident suffered during an internship; and
- certain people working in a care relationship.

An employer is obliged to take out an accident insurance policy on behalf of his or her employees, and it could not be easier to do so with our company.

The fundamental characteristics of an employment relationship include:

- a contract of employment;
- working for someone else;
- compensation received for work done; and
- the management and supervision rights held by the employer.

**NOT FOR WHOM?**

Those to be insured by law exclude the following:

- the self-employed and their spouse and other family members (children and parents, etc.) who permanently live in the same household and contribute to their work;
- a shareholder in a leading position in a limited liability company who, alone or together with family members, owns more than half of the company’s share capital;
- a partner in a general partnership or an active partner in a limited partnership who, alone or together with family members living in the same household, holds more than half of the authority;
- a silent partner in a limited partnership if no wage or salary is paid for the work done; and
- a person in a leading position in another company or corporation who, alone or together with family members, holds more than half of the authority.

In accordance with the Workers’ Compensation Insurance Act, the above-mentioned groups of people can be insured on a voluntary basis for accidents or occupational diseases occurring either at work or as a result of work, as well as for accidents suffered during leisure time.

**COMPENSATION**

Workers’ compensation insurance is valid, for example:

- at work;
- in work-related situations: at the work place, on the way to and from work, and when running work errands for an employer; and
- when protecting or rescuing an employer’s property or, in connection with work, people’s lives.

Workers’ compensation insurance covers occupational accidents and diseases, as well as injuries inflicted within a short period of a maximum of 24 hours. A typical example of such an injury is pain in a muscle or ligament caused by movement performed at work.

- Compensation issued under the Workers’ Compensation Insurance Act covers:
  - medical treatment expenses;
  - daily allowance;
  - accident pension;
  - handicap benefit;
  - rehabilitation benefits; and
  - survivors’ pension and funeral allowance

**PREMIUM DETERMINATION**

Premiums are determined according to the insurance company’s grounds for payment in force at the time. Grounds for payment are drawn up in accordance with the Workers’ Compensation Insurance Act and the provisions issued by virtue of that Act by the Ministry of Social Affairs and Health. An insurance policy’s premium is determined according to the salaries and wages paid by the employer and the degree of risk of an occupational accident. When taking out insurance, an employer must inform the insurance company of the estimated amount paid in salaries and wages during the insurance period per employee group. On the basis of that payroll data, an advance premium is calculated, which the employer must pay at the start of the insurance period. At the end of the insurance period, the employer must send their final payroll data to the insurance company, and their final insurance premium will be calculated on that basis.

**DEDUCTIBLES**

From January the first 2012 the workers’ compensation insurance policy does not include a deductible.

**DURATION**

Workers’ compensation insurance is granted as a continuous insurance policy, annually renewable by calendar year. For certain temporary work, e.g. construction work, temporary insurance can be taken out for the duration of the work in question.

## WORKING ABROAD

When working in those countries with which Finland does not have a social security agreement, the fundamental principle is that social security is determined in accordance with Finnish legislation. In such countries, a person working for a Finnish employer, or for a foreign subsidiary or parent company belonging to the same financial entity, is considered to fall under the scope of Finnish workers' compensation insurance. However, the pre-requisite is that the employee has been temporarily posted from Finland and that an agreement on posting has been drawn up between the employee and the posting company. Persons employed from within the country of work, or 'locally hired persons', do not fall under the scope of Finnish insurance, even if they are of Finnish nationality.

When working in EU/EEA countries or those countries with which Finland does have a social security agreement, the main principle is that social security is determined in accordance with the legislation of the country of work. The 'posted employee' forms an exception to this rule. An employee who is posted to an EU/EEA country and who works there for the same employer falls under the scope of Finnish social security, providing the secondment lasts no longer than 24 months (in EU countries) or 12 months (in EEA countries). An employee who is posted to a social security agreement country and who works there for the same employer also falls under the scope of Finnish social security, providing the secondment lasts no longer than the time set in the social security agreement. Various time limits are included in social security agreements. A certificate of posting (A1/E101), obtainable from the Finnish Centre for Pensions, is required.

## UNEMPLOYMENT INSURANCE

Unemployment insurance premiums are paid separately in connection with accident insurance

premiums. An unemployment insurance premium consists of two parts: the employer's premium and the employee's premium. Insurance companies account for these premiums to the Unemployment Insurance Fund. For the purposes of collecting premiums, insured persons are divided into three groups by the unemployment allowance legislation in force: the self-employed, part-owners (partially self-employed persons) and other wage and salary earners.

**Self-employed persons** do not have to pay unemployment insurance premiums. Self-employed persons include partners in general partnerships, active partners in limited partnerships, and shareholders in a leading position in a limited liability company who alone own more than 30% or, together with family members, more than 50% of the company's share capital or votes.

**Part-owners** pay both the employer's and the employee's unemployment insurance premium.

A part-owner is:

- a person working in a limited liability company who, alone or together with family members, owns, or whose family members own, at least 50% of the share capital or votes; or
- a person in a leading position in a limited liability company who alone owns at least 15%, or who together with family members owns, or whose family members own, at least 30% of the share capital or votes
- a person who works in a general partnership, a limited partnership or a co-operative, and who, alone or together with family members, holds, or whose family members hold, the above-mentioned authority. Thus, a part-owner may, for example, be a family member of a partner in a general partnership living in the same household as the partner if that family member also works in the general partnership and receives a salary for work done.

Who in my company falls under the scope of workers' compensation insurance?		
Name	Position	Annual wages or salary

## EMPLOYEES' GROUP LIFE INSURANCE

Employees' group life insurance is based on agreements reached between central labour market organisations, and the regulations concerning the taking out of insurance are stipulated in field-specific collective agreements. Group life insurance covers people for whom an employer is under an obligation to arrange pension insurance in accordance with the Employees Pensions Act (TyEL) or other equivalent pension act. Also, those persons who are covered by the Self-Employed Persons' Pensions Act, e.g. a partner in a general partnership, and who come under the scope of workers' compensation insurance can be included in an employees' group life insurance policy. Such insurance entitles the beneficiaries to compensation in all cases of death, irrespective of the cause. The compensation is paid to the family members of the deceased, and in particular to the spouse, any children under 18 years of age, and those 18–22 year-olds who are not gainfully employed but are studying for a professional degree or career.

Employees' group life insurance is managed in connection with workers' compensation insurance. An employer who has not taken out a group life insurance policy can be forced to personally compensate the beneficiaries through legal means.

## SELF-EMPLOYED PERSONS' ACCIDENT INSURANCE

Accident insurance for those people who do not have to be insured by law can be arranged with the help of a voluntary insurance policy. The best solution for this situation is voluntary self-employed persons' accident insurance taken out in accordance with the Workers' Compensation Insurance Act. Such policies have been specially created to cover the needs of self-employed persons.

Self-employed persons rarely have regular working hours, which is why accident insurance is valid during both working and leisure time. Compensation is primarily determined on the same grounds for accidents occurring during working and leisure time. As concerns accidents occurring during leisure time, some restrictions relating to compensation can be stipulated in the insurance policy's terms and conditions. However, there are no restrictions regarding sports. Please read through the insurance policy's terms and conditions.

## COMPENSATION

Accident insurance covers accidents, occupational diseases and short-term injuries that are inflicted within less than 24 hours, e.g. a sore muscle or tendon caused by movement performed at work. The compensation issued under a self-employed persons' accident insurance policy is determined in accordance with the provisions of the Workers' Compensation Insurance Act. However, loss of earnings is calculated on the basis of a previously agreed amount of annual earnings. Annual earnings should be set to an amount equivalent to the actual earnings of the insured person. Compensation for loss of earnings represents taxable income.

The terms and conditions for self-employed persons' accident insurance policies do not contain provisions on the integration of pensions. Thus, in accordance with the provisions of the Workers' Compensation Insurance Act, compensation for loss of earnings is calculated on the basis of annual earnings, without deductions. The insured person can also receive compensation on the basis of sickness insurance for the same accident. However, if the compensation level is high, the disability pension paid on the basis of the self-employed persons' accident insurance policy may result in a deduction in the pension paid in accordance with earnings-related pension legislation.

## COMPENSATION FOR EXPENSES

Accident insurance covers [the medical expenses](#) incurred by a self-employed person in the event of an accident at work. Medical expenses include both medical treatment and medication. There are no limits regarding time or amounts of money. With respect to hospitalisation, treatment provided by both public and private sector institutions is compensated. However, compensation for hospital care expenses always requires the insurance company to have made an initial payment commitment.

### TEMPORARY DISABILITY

A **daily allowance** is paid if the injured person has been totally or partially disabled for at least three consecutive working days, excluding the day of the accident. That daily allowance is paid for no more than one year, including the day of the accident. If the disability continues, lost earnings are paid in the form of a disability pension. The daily allowance is calculated by dividing the agreed amount of annual earnings by 360.

### PERMANENT DISABILITY

A **disability pension** is paid if the working ability of a self-employed person remains diminished beyond the daily allowance's validity period and their earnings have dropped as a result. The injured person is entitled to a disability pension if he or she is completely unable to return to work or if their income decreases upon their return. The disability pension for a self-employed person in the event of total disability is 85% of his or her agreed annual earnings. Once the insured person turns 65, the pension is 70% of his or her agreed annual earnings. The amount of the pension is checked annually in accordance with the wage coefficient stipulated in the Employees Pensions Act (TyEL).

A **handicap benefit** is paid for permanent, general handicap caused by an occupational accident or disease. The amount of the handicap benefit is determined on medical grounds in accordance with the decision concerning handicap classification issued by the Ministry of Social Affairs and Health.

### REHABILITATION

Rehabilitation is used in order to try to return a professionally disabled self-employed person to work. Those methods used include medical rehabilitation (e.g. various aids), education and work training.

### DEATH

If a self-employed person dies as a result of an occupational accident or disease, his or her beneficiaries are entitled to a survivors' pension. The survivors' pension is granted in the form of a widow's/widower's pension and/or a child's pension. The spouse is entitled to the widow's/widower's pension, though a common-law spouse may also be entitled to it. A child's pension is paid to children under 18 years of age and to those under 25 if they are full-time students. The maximum amount of a survivors' pension is 70% of the self-employed person's agreed annual earnings. In 2011, the funeral allowance is fixed at 2013 € 4,700.

### PREMIUM DETERMINATION

The premium consists of working and leisure time components. The working time component is determined in the same manner as the premium for a workers' compensation insurance policy within the same profession. However, the premium for the working time component of a self-employed persons' accident insurance policy is smaller than the corresponding premium for a statutory workers' compensation insurance policy, since the premium's statutory increments do not include all the components used for statutory workers' compensation insurance. The component for leisure time insurance is determined according to the insurance company's annually confirmed premium coefficient. A self-employed persons' accident insurance policy never includes a deductible.

### STATUTORY PENSION INSURANCE

The earnings-related pension legislation in force in the private sector includes the Employees Pensions Act (TyEL), the Self-Employed Persons' Pensions Act (YEL), the Farmers' Pensions Act (MYEL) and the Seamen's Pensions Act (MEL). Those Acts guarantee the right to a pension in the event of old age, disability and unemployment. They also guarantee survivors' pensions in the event of the death of a guardian and enable part-time pensions. The vocational rehabilitation offered in accordance with the earnings-related pension legislation provides support for insured persons at risk of becoming incapacitated for work.

### EMPLOYEES' PENSION INSURANCE

In accordance with the earnings-related pension legislation in force, an employer must arrange for the pension security of his or her employees by taking out a pension insurance policy on their behalf with an authorised pension company.

In accordance with TyEL, an employee between 18–68 years of age must be insured when his or her income exceeds € 55.59 per month (in 2013). The obligation to insure commences at the beginning of the month immediately following that during which the employee turns 18, and ends at the end of the month during which the employee turns 68.

The **TyEL insurance premium** is calculated with the help of a payment percentage in accordance with the employee's TyEL wages or salary. The percentage is annually confirmed by the Ministry of Social Affairs and Health. In 2013, the TyEL premium for all employees in a company with an annual payroll of less than € 1,879,500 is 23.8% of the wages or salaries paid

out. The TyEL premium includes the employee's share of 5.15% for employees under 53 years of age and 6.5% for employees over 53 years of age. The higher premium is applied to the employee from the beginning of the calendar month immediately following that during which he or she turns 53. Varma's insurance-specific client bonus reduces the premium.

A company can deduct its share of the TyEL insurance premiums from the tax it pays as expenses incurred to generate income. An employee's share of the TyEL premium is tax deductible in his or her own taxation. An employer is a **contractual employer** if he or she has permanent employees or if the wages and salaries paid during a period of six months exceed € 7,962.

A contractual employer arranges pension cover by submitting an insurance application to Varma during the month following the salary payment month. When making that application, the contractual employer must choose whether to notify employment and payroll data on an annual basis (**annual notification**) or on a monthly basis by the 20th day of the month following the salary payment month (**monthly notification**).

If a contractual employer submits an annual notification of wages and salaries, the TyEL advance payment is determined on the basis of the total payroll stated in the insurance application. The premiums are paid as an advance payment in 1–12 instalments. The final TyEL premium is calculated on the basis of the actual payroll data notified the following spring.

When submitting a monthly notification via Varma's 'Services for logged in customers' at varma.fi, an employer can pay the premium at the same time through his or her online bank, or at a later date by using an invoice raised by Varma. Varma's 'Services for logged in customers' are also available to employers who have chosen the annual notification option.

An employer is a **temporary employer** if the employment contracts for his or her employees are fixed-term contracts, and the wages and salaries paid for a period of six months are less than € 7,962 (in 2013).

A temporary employer must submit their payroll information and pay their pension insurance premiums by the 20th of the month following the salary payment month through Varma's Pesti service, [www.varma.fi](http://www.varma.fi).

#### SELF-EMPLOYED PERSON'S PENSION INSURANCE

The self-employed must arrange for their own pension security by taking out a pension insurance policy within 6 months of the day on which their business activities began.

A sole trader or self-employed person usually comes under the scope of the Self-Employed Persons' Pensions Act (YEL). The prerequisite is that the self-employed person is 18–68 years of age, that he or she has been in business, without interruption, for a minimum of four months, and that his or her work in 2013 is worth at least € 7,303.99. The upper limit for YEL income is € 165,875 per year.

The owner of a company-form business comes under the scope of either YEL or TyEL as follows:

- partners in a general partnership who work in the company come under the scope of YEL;
- active partners in a limited partnership come under the scope of YEL, and silent partners who work in the company and receive a salary or wages are insured under the scope of TyEL;
- a shareholder in a limited liability company who is in a leading position in the company and who, alone or together with family members, owns more than 50% of the company's shares or votes comes under the scope of YEL. Likewise, a shareholder who alone owns more than 30% of the shares or votes in the company comes under the scope of YEL. Other shareholders working in the company come under the scope of TyEL.

When taking out YEL insurance, the self-employed person's **YEL income** is confirmed, and his or her earnings-related pension and social security payments will be determined on that basis. For example, YEL income affects the amount of sickness, maternity and parental allowances and the entitlement to unemployment allowance. YEL income is an estimate of the value of the self-employed person's work contribution to the company. It must usually be at least as high as that of the best-paid employee.

In 2013, the **YEL insurance premium** is fixed at 22.5% of a self-employed person's income if he or she is under 53 years of age, and at 23.85% if he or she is over 53 years of age. The higher premium is applied to the self-employed person from the beginning of the calendar year immediately following that during which he or she turns 53. The YEL premium is paid in 1–12 instalments and is fully tax deductible.

**Premium discounts** for new entrepreneurs that fall subject to YEL, regardless of the entrepreneur's age, are granted for the first 48 months of entrepreneurship. If the first period of entrepreneurship lasts less than 48 months, the premium discount can be granted, upon application, for the remaining discount period during a second period of entrepreneurship. The reduced premium is 22% of the full YEL premium.

Unpaid YEL premiums reduce the amount of the available YEL pension.

Under certain conditions, a self-employed person can pay a larger or smaller premium in accordance with the financial situation of his or her company, without adjusting his or her confirmed income.

Who in my company falls under the scope of YEL?

Name	Earnings	YEL premium

Who in my company falls under the scope of TyEL?

Name	Wages or salary	Employer's TyEL sremium

## Voluntary Personal Insurance

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Voluntary personal insurance complements the cover offered by statutory insurance. Pensions and daily allowances do not always completely cover lost income, so it is worthwhile supplementing statutory cover with voluntary insurance.

When an accident occurs, the owner of a business is usually in a much less secure position than the other key employees of that business. Usually, a self-employed person is not covered by workers' compensation insurance. Furthermore, the waiting period of the national sickness insurance system applied to self-employed persons, i.e. the day of falling ill and the three subsequent working days, leaves them without pay. It is also clear that if a self-employed person suffers an accident, the operations of the entire business are affected by it.

Personal insurance is suitable not just for the self-employed, but for other members of staff as well. There are no watertight methods for keeping key persons within a company, but one can prepare for the loss of work input by taking out a personal insurance policy. Such insurance covers the financial losses caused to a business as a result of the illness or death of a key person. A personal insurance policy represents a suitable motivator in the form of a staff benefit and can help to reduce the attraction of changing job. Personal insurance can also be taken out for a business' entire workforce.

### CORPORATE HEALTH CARE INSURANCE

The best way to start building a personal insurance system is to perform a risk analysis. Our experts evaluate the type of personal risks the company faces, how the risks can be reduced and what insurance policies can be taken out as a precaution.

#### TREATMENT EXPENSES COVER

Cover for medical treatment expenses ensures that a self-employed person is provided with good medical care as soon as possible in the event of an accident or illness. A company must arrange for occupational health care for its employees. The benefits can range from health examinations to partial or complete cover for medical care. One way in which a company can arrange for occupational health care is to take out a Corporate Health Care Insurance policy.

**Corporate Health Care Insurance** covers, amongst other things, doctor's fees and examinations, as well as any treatments and medication ordered by a doctor. The advantage of such insurance is that each person can use the services needed and they are not tied to the services of a specific clinic. On the other hand, this insurance solution can be constructed to supplement occupational health care by adding other clinics.

#### DISABILITY COVER

Disability leads to the loss of the person's work input on either a permanent or a temporary basis. The disability can be caused by an illness or be the sudden result of an accident.

One can prepare for the financial loss caused by a disability through **compensation paid in a lump sum and a daily allowance issued during the period of the disability**. That compensation can be used to pay the company's operational expenses, e.g. the expenses incurred by hiring a temporary employee, as well as to prevent the lowering of one's own and one's family's standard of life.

#### DEATH COVER

The death of a key person can cause different kinds of financial loss for both the company and the next of kin. One can prepare for such financial loss through death cover, paid as a lump sum to either the company or the next of kin.

**The sum payable upon death** can, for example, be used to help the company get through the period of crisis, to pay debts or to secure the standard of living for the next of kin. The sums payable upon death to the next of kin are tax free up to € 35,000 per beneficiary. The spouse is paid half of the compensation issued, yet no more than € 35,000, tax free.

#### ACCIDENT COVER

If you wish, you can take out insurance to cover the event of an accident alone. In this case, the insurance policy does not cover sickness, but the premium is lower. However, when making that decision, you should remember the following statistical fact:

Over 70% of short-term disabilities and approximately 90% of permanent disabilities and deaths are the result of sickness.

### **ADDITIONAL COVER FOR SEVERE ILLNESS OR INJURY**

If's Guardian, Readjustment and Disability Covers are unique and affordable additional covers that can be used to supplement Corporate Health Care Insurance.

Covers for medical treatment expenses (InternetPlus, TelephonePlus, Occupational Health Care Plus) cover doctor's fees and expenses for medication. In addition to these, you can buy Guardian or Readjustment Cover. The lump-sum compensation for such cover includes other expenses caused by serious illness or injury, and it helps you move forward if your employee or his or her child is seriously injured or disabled. Disability Cover helps employees who have to permanently leave the workforce as a result of serious illness or injury.

### **INSURANCE PREMIUM AND TAXATION**

The premiums for personal insurance policies taken out by a company are generally considered to represent deductible expenses for that company and are not counted as income for the insured party. However, the premiums for medical treatment expenses cover are considered to represent part of the employee's taxable income if the policy does not cover all employees.

### **NB!**

The explanation of the personal risks manageable through personal insurance given above is not all encompassing. With Corporate Health Care Insurance, personal risks can be covered flexibly in the manner best suited to each business. Corporate Health Care Insurance is handled as part of property and casualty insurance.

### **BUSINESS TRAVEL INSURANCE**

Travel insurance for a company's employees can be arranged in three different ways:

- journey-specific, i.e. a travel insurance policy taken out for each separate journey;
- individual, continuous travel insurance; or
- insurance for business trips or secondment insurance, for which the premium is determined on the basis of the total number of travelling days per year.

The choice of insurance depends on the size of the company and the number of travelling employees.

Travel insurance cover may include the following risks:

#### **– TRAVELLER**

Medical treatment expenses for travel accidents and illnesses; a daily allowance for temporary disability caused by an accident; compensation for permanent handicap caused by an accident; or a sum payable upon death in the event of a death caused by an accident.

#### **– LUGGAGE**

Damage caused to the insured person's personal property during the journey, as well as to property which belongs to the employer but which is intended to be used by the employee and can be equated to luggage.

#### **– LIABILITY RELATING TO TRAVEL**

Bodily injury and property damage caused by the insured as a private person during the insurance policy's validity period, for which they are liable by law, as well as the legal expenses incurred as a result of the establishment of liability.

#### **– LEGAL EXPENSES INSURANCE RELATING TO TRAVEL**

The immediate and reasonable legal and litigation expenses incurred by the insured as a private person through the use of legal assistance in litigation, criminal cases and petitions.

Travel insurance is a necessary additional insurance policy for business journeys, particularly those abroad. Statutory workers' compensation insurance only covers accidents that occur at work or in work-related situations. During travels, one also participates in leisure time activities, e.g. evening events and guided tours, which are not covered by workers' compensation insurance. Accident insurance for self-employed persons is valid both at work and during leisure time. The validity of corporate health care insurance abroad is usually limited. In addition to accidents, travel insurance also covers sudden illnesses suffered during travel, and it is valid worldwide.

Our company's travel insurance policy includes a contractual medical system, through which the insured person can receive emergency hospital treatment free of charge in most countries. In serious cases of illness or accidents, the insured person can be repatriated to the home country on an ambulance flight or by other means of transportation for further

treatment, providing those means are considered to be justified by the seriousness of the illness or injuries. The prerequisite for the acceptance of that transportation is that it be negotiated by the doctor in charge and the insurance company's representative.

You will find up-to-date instructions for cases of loss or damage at [if.fi/travel](http://if.fi/travel) – In Case of Loss.

### VOLUNTARY LEISURE TIME GROUP INSURANCE IN ACCORDANCE WITH THE WORKERS' COMPENSATION INSURANCE ACT

A leisure time group insurance policy is granted as a form of group insurance for all the employees of a company or a specific group of those employees.

Those accidents that are not considered to be occupational accidents by the Workers' Compensation Insurance Act, i.e. leisure time accidents, are covered by such insurance. However, non-coverable accidents include traffic accidents and accidents occurring during self-employment operations. The terms and conditions of this policy also include other accidents that fall outside the scope of compensation. The amount of compensation is determined on the basis of the Workers' Compensation Insurance Act.

Who in my company needs additional cover in the event of an accident?

Name/Employee Group	Need		
	During work and leisure time	During leisure time	At other times
_____			
_____			
_____			
_____			
_____			
_____			

## Cover for the Self-Employed

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### NEED TO PREPARE FOR PENSION TIME AND PERSONAL RISKS

The average life expectancy of Finnish people has lengthened considerably. Pension time may be up to one third of one's life. It is worth considering what standard of life you wish to enjoy during that time. The number of net payers will decrease substantially in the near future and various sectors are already suffering from the lack of competent key employees.

Statutory cover gives only basic cover, which is not enough. Thus, it needs to be completed by voluntary insurances. The statutory pension cuts the income level to less than a half. It is good to make sure the standard of life stays at the desired level.

The death or permanent disability of the self-employed is a total shock for both his family as well as the company. Sufficient personal insurance cover gives security to the self-employed and his family and enables the business to continue in unexpected situations.

### BE PREPARED AND PROSPER

Mandatum Life's Cover for the Self-Employed offers coverage during the working life and enables you to prepare for the time after your career. With Mandatum Life's Cover for the Self-Employed, you can prepare for the future, guarantee the continuity of your business and secure your family's subsistence in unexpected situations. Cover for the Self-Employed lets you prepare for disability, case of death and serious illnesses, for example.

### FLEXIBLE PREPARING

A voluntary corporate pension insurance is a flexible and financially rational solution for completing the subsistence of the self-employed and the key personnel during the pension time, both from the company's point of view as well as for the self-employed.

The insurance may be extended to include an investment solution in line with the situation of the self-employed. It provides additional funds for the self-employed during pension time and gives coverage if the self-employed has to retire before his mandatory retirement age.

Corporate pension insurance may be used as a method of compensation and motivation for keeping the key employees in the house. To secure that commitment, it can be agreed that the employee is entitled to the insurance savings only after his or her employment has lasted an agreed period of time. If the employment is terminated earlier, the accumulated funds can be withdrawn by the company.

Investment management services provided by Mandatum Life enables active wealth management for any amount of investment. The customer receives unique service as if he had his own Portfolio Manager. The customer chooses the investment strategy that best suits his needs, and after that Mandatum Life's investment management services will take care of his assets.

### COMPREHENSIVE COVER FOR PERSONAL RISKS

Sufficient life insurance cover maintains the standard of life of the family in the same level it was prior to death and enables continuity of the business. Cover for permanent disability secures the standard of life of the self-employed and his family in spite of not being able to continue working. The amount of each cover can be set freely. The most important is that it helps to cover both personal and the company's debts and liabilities and to secure the subsistence of the family.

Think about your own personal insurance needs, using the following rules of thumb to assist you:

	Additional cover	My additional needs:
Temporary disability	Present level of income - daily allowance from Kela	_____ euroa/month
Permanent disability pension (tax free)	Debts + a year's salary or wages	_____ €
Disability pension	Income – YEL pension	_____ €/month
Death	Debts + a year's salary or wages	_____ €/month

Think about your company's need to cover risks for key persons, using the following rules of thumb to assist you:

	Needs for cover	My company's needs:
Key person's temporary disability	Salary or wages + indirect labour cost - daily allowance from Kela	_____ €/month
Permanent disability	Substitute's salary or wages	_____ €/month
Loss of key person	Loss of margins	_____ €
	Recruiting new employees	_____ €

# Property & Casualty Insurance

## WHAT IS IT?

A voluntary property and casualty insurance solution that covers the following insured interests:

- **Property insurance**, which covers buildings, movable fixed assets, current assets, fire and software recovery costs, cash and securities, and other property;
- **Interruption insurance**, which cover the loss of estimated gross profit or rental income (estimated gross profit refers to the company's gross margin on sales and possible production wages and salaries, including payroll overheads);
- **Liability insurance**, which, under certain conditions, covers loss or damage caused to a third party, as well as the expenses incurred by the establishment of liability and possible legal expenses;
- **Cargo insurance**, when the insured interest is merchandise or other property;
- **Motor vehicle insurance**, voluntary cover (NB! statutory Motor Third Party Liability Insurance); and
- **Illness, accident and travel insurance**.

Depending on the insurance field, the customer can thus decide:

- which objects to insure (insured interests); and
- against what the insured interests are to be insured (scope of cover).

The different forms of cover and their scope are explained in the following sections.

### DEDUCTIBLES

There are numerous different deductibles. Insurance premiums can be lowered by increasing the deductible amount.

### PAYMENT TERMS

Premiums can be paid in 1-6 instalments.

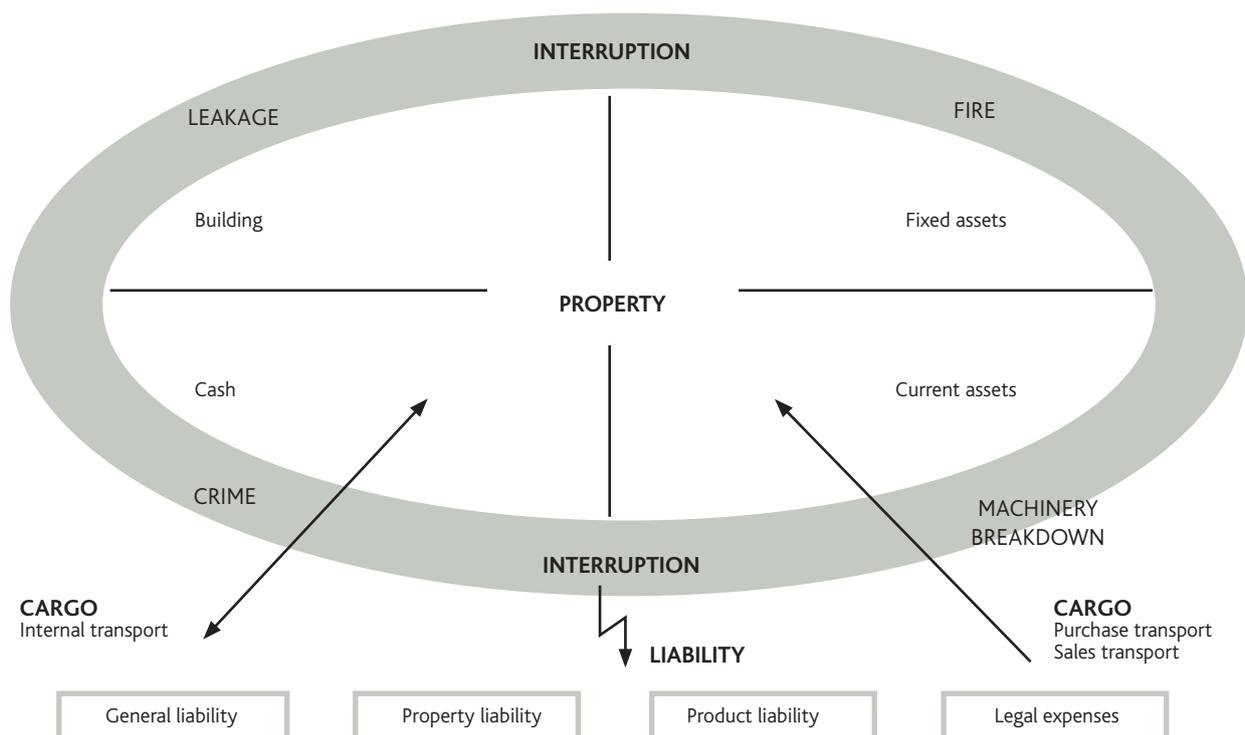
## COMPANY'S RISK-BEARING CAPACITY

Being in business means taking risks. If a risk materialises, it always brings with it additional costs and problems. Such problems can also affect the company's stakeholders, e.g. customers and suppliers.

Only identified risks can be managed. For example, risks can be reduced through loss prevention, which can itself decrease the probability of the risk materialising or mitigate the consequences. To define the level and methods of loss prevention required by your

company, you can perform the Safety Test. You can do it yourself through the If eFolder or together with your contact person.

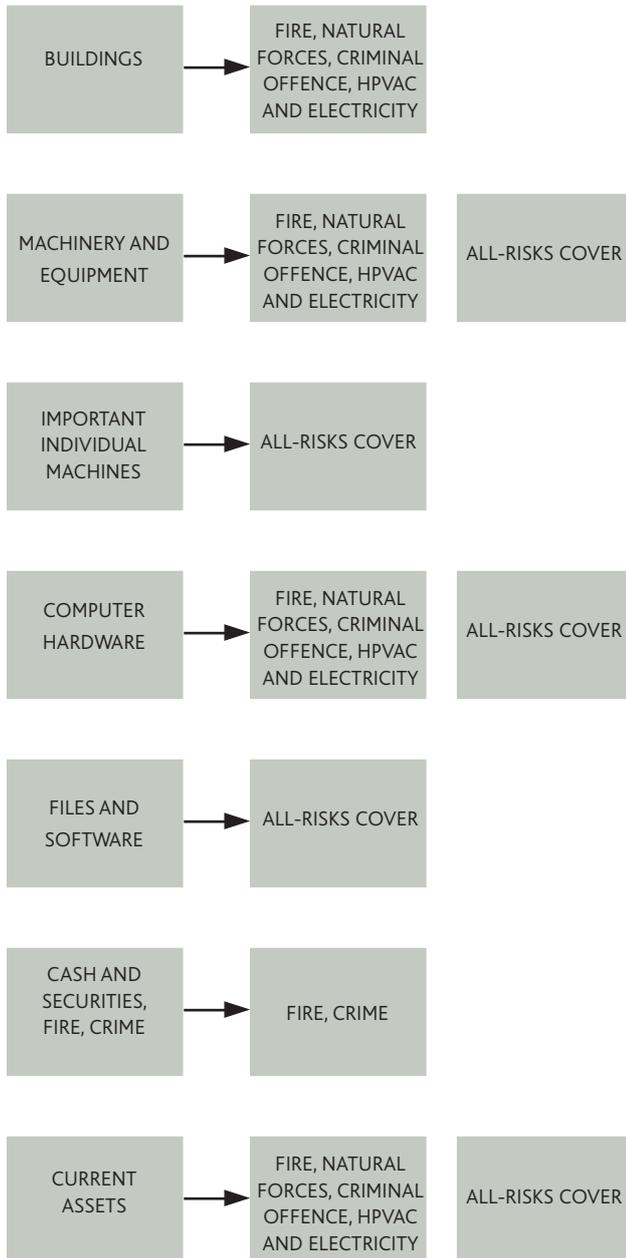
A company can also transfer risks to an insurance company through an insurance contract. However, insurance does not cover all risks: some must always be borne by the company. You should always read the terms and conditions of your insurance contracts carefully in order to establish who is liable and for what in the event of loss or damage.



## INSURING PROPERTY

### STRUCTURES

Certain insured interests and the scope of cover they require belong to the field of property insurance. The diagram below presents a good general overview of this.



## BASIC CONCEPTS

### SUM INSURED

The sum insured refers to the amount of money that is noted for each insured property interest. The policyholder is primarily responsible for the sufficiency of the sum insured.

### REPLACEMENT VALUE

Replacement value refers to the cost of constructing, manufacturing or acquiring new property similar to the insured property, or property with equivalent characteristics.

### FIRST LOSS

If the sum insured is an agreed sum of money payable as first loss compensation, the amount of loss is compensated regardless of the ratio between the value of the property and the sum insured.

The costs incurred by the recovery of software and files from backup files, as well as cash, are insured as first loss.

### SUM INSURED FOR CURRENT ASSETS

The sum insured must correspond to the maximum replacement value during the insurance period. In trade businesses, the sum insured for current assets is their replacement value, i.e. the purchase price excluding VAT and the gross margin on sales. However, the purchase price should be increased by approximately 10% for purchase and other acquisition expenses.

In production businesses, the sum insured should be the production price, excluding VAT but including the gross margin on sales.

### OVER- OR UNDER-INSURANCE

The sum insured should be as close to the replacement value as possible. If the sum insured is lower than the replacement value, it is a case of under-insurance and, when loss or damage occurs, compensation is paid in relation to the sum insured and the replacement value. If the sum insured is higher than the replacement value, it is a case of over-insurance. However, the compensation paid when loss or damage occurs is never higher than the replacement value.

## PROTECTING PROPERTY AGAINST INFLATION

A decrease in the value of money during the insurance period increases the value of the property. To keep the insurance cover up-to-date despite inflation, the policy is linked to an index.

The sum insured for an index-linked insurance policy is usually adjusted once a year.

## INSURED INTERESTS AND SCOPE OF COVER

### INSURED INTERESTS

The following should be stated as separate insured interests:

- buildings;
- machinery, work tools and equipment;
- drawings, models, moulds, records and archives;
- recovery costs of computer files from backup files;
- computer hardware;
- recovery costs of computer software from backup files;
- cash, securities, works of art and valuables; and
- current assets

## SCOPE OF COVER

### ALL-RISKS COVER

Of the various scopes of cover, ‘all-risks’ cover is the most extensive, as it includes all sudden and unforeseeable loss and damage. Typical such events are the breaking down of machinery and equipment. Such insurance does not cover slowly progressing phenomena such as wear and tear or corrosion. Damage due to poor quality is also excluded from this insurance policy.

Other scopes of cover can be combined according to need. They include:

- **Cover against Fire**, which covers damage or loss caused by fire, soot, sprinkler leaks or explosions;
- **Cover against Natural Forces**, including compensation, for example, for damage or loss caused by storms, heavy rain, hail or lightning;
- **Cover against Criminal Offences**, including compensation for burglary, robbery, specified theft and vandalism;
- **HPVAC & Electricity Cover**, which includes the damage caused by leaks resulting from problems with the above-mentioned technology; and
- **Real Estate Cover**, which includes fire, natural phenomena, crime and HPVAC & electricity covers. Real Estate Cover also includes the loss of

rental income caused to the policyholder when a building cannot be used due to coverable damage, as well as loss caused by exceptional sea water floods or the flooding of water bodies. Liability and legal expenses cover for the owner of real estate can also be attached to Real Estate Cover. Real Estate Cover is suitable for residential buildings.

### DAMAGE CAUSED TO FILES AND SOFTWARE

Compensation issued for computer files and software is based on the costs incurred by their recovery from backup files, including the cost of entering, etc. The prerequisite is that backup files be created for all files and software and that those backups be stored separately from the original files and software.

### BUILDING AND INSTALLATION WORK

Building and installation work can also constitute insured interests, together with the machinery, equipment, constructions, raw materials and supplies in Finland needed for that work.

This solution is intended for both builders and any subcontractors involved in construction work, as well as for companies performing installations. It covers all construction engineering work, excavation work, prefabrication work and HPVAC & electrical work, as well as machine installation work.

The insurance cover extends from the transportation phase to the place of construction, installation and storage, and from the construction and installation phase to the moment of delivering the work, and continues, with certain limits, for a guarantee period of one year.

The policy also covers theft, breakdowns and collapses during installation.

### SPECIAL CONDITIONS

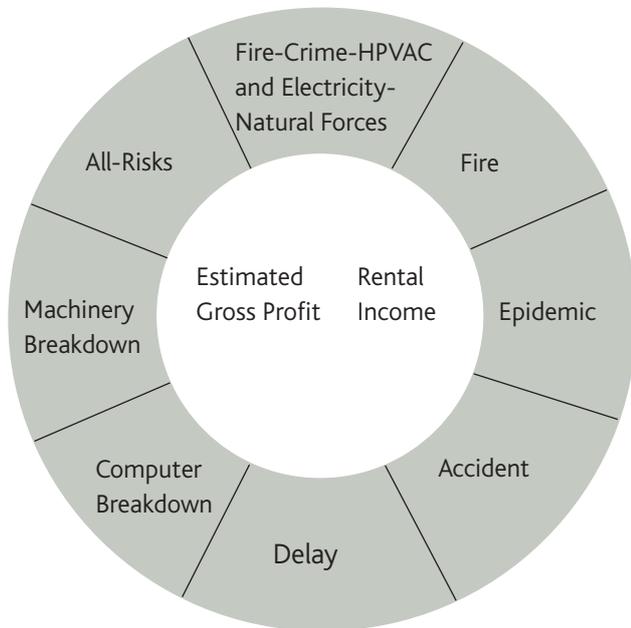
By attaching special conditions to a property insurance policy, the scope of the cover provided can be either extended or limited. Those special conditions can also stipulate the age reductions and any special deductibles applicable to a coverable situation.



## BUSINESS INTERRUPTION INSURANCE

### GENERAL

Insured interests (inner circle) and the scope of cover they require (outer circle) can be seen in the diagram below.



### WHY?

A company's operations can be interrupted or disturbed for a long period of time by a fire or other form of damage to property. As a result, the company's normal operational income decreases or ceases altogether. Despite the loss of income, the company must take care of all its fixed costs, such as wages and salaries, rent, loan repayments, etc. Those costs and, thus, the company's operational income, can be covered by a business interruption insurance policy.

### WHAT IS INSURED?

The sum insured by a business interruption insurance policy is usually the budgeted gross profit for the insurance period. Varying costs for wages and salaries, as well as social expenses, can also be included in the sum insured. Alternatively, only parts of those costs may be insured, e.g. the share corresponding to the expenses for salaries and wages during a layoff notice period.

The estimated gross profit is calculated by deducting from the turnover the variable costs that fluctuate in accordance with the company's turnover. The most important variable costs are included in the 'Materials and Services' item in the Profit and Loss Account. The insurance policy's liability period, i.e. the longest continuous period for which the insurance company pays compensation, is usually one year. It can be

extended if it takes longer than that to restart operations and achieve the previous level of income.

The cover provided by business interruption insurance defines its scope. The most common scopes include all-risks, fire, fire-crime-natural forces-HPVAC & electricity, and machinery breakdown. The scope of the risk protection offered can be determined by the name of the cover in question.

### COMPENSATION

Interruption insurance covers the lost gross margin, as well as the variable wages, salaries and social expenses corresponding to the work input that the company has been unable to make use of due to the loss or damage suffered. The policy also covers such additional expenses as those caused by maintaining operations under unusual conditions or expediting the restart of operations which, from a business point of view, are well justified in reducing the loss or damage caused by the interruption.

### ALL-RISKS INTERRUPTION INSURANCE

Interruption insurance for a company's own operations can be taken as an all-risks policy, which covers the damage caused by interruptions arising from sudden and unforeseen property damage. Only a few named types of loss or damage are excluded from this cover by the policy's terms and conditions, e.g. loss or damage caused by wear and tear.

### FIRE INTERRUPTION INSURANCE

To cover the financial loss caused by business interruption resulting from a fire, operations can be protected by Fire Interruption Insurance. Interruption damage caused by fire, explosions or leaks in a sprinkler system is covered by such insurance.

The cover can be supplemented by Crime, Natural Forces and HPVAC & Electricity Covers.

### MACHINERY BREAKDOWN INTERRUPTION AND COMPUTER INTERRUPTION INSURANCE

Machinery Breakdown Interruption Insurance secures a company's annual return in the event that the machinery listed in the policy document breaks down and the company's operations are interrupted, thus reducing sales profits and/or incurring additional expenses. Machinery Breakdown Interruption Insurance is intended for production machinery, and Computer Interruption Insurance is mainly for office machinery. Compensation is based on the sum insured, which is determined according to the risk of interruption in question.

**DELAY INTERRUPTION INSURANCE**

Delay Interruption Insurance provides cover for investment projects, which may involve either new constructions or the renovation of old buildings. Delay interruption protection can be extended to include the entire realisation chain of the investment project, starting from the equipment supplier, including transportation to the investment location, and ending at the moment the operation is begun.

Damage causing delay includes the following, amongst others:

- fire damage;
- breakdowns;
- installation damage;
- transport damage; and
- damage to transport equipment.

If the planned launching of operations is delayed due to any of the reasons mentioned above, delay interruption insurance covers the resulting gross margin loss.

**ADDITIONAL COVER AGAINST INTERRUPTION**

If necessary, a company’s interruption cover can be extended with additional personal, epidemic, and Contingency Covers.

**PERSONAL INTERRUPTION**

Personal Interruption Cover compensates any interruption damage caused by the accidental disability of an insured key person.

Insured key persons usually include self-employed persons or the Managing Director.

**EPIDEMIC INTERRUPTION**

Epidemic Interruption Cover compensates the loss of estimated gross profit caused by binding authority regulations intended to ward off infectious and animal diseases. Such insurance is intended for cafeteria and restaurant businesses, as well as for producers and sellers of foodstuffs.

**CONTINGENCY COVER**

Contingency Cover compensates the loss caused by interruption brought about by damage to property on a customer’s, supplier’s, subcontractor’s or other party’s premises.

A company may be dependent on the following, for example:

- a supplier of raw materials;
- a supplier of half-fabricates;
- the use of the company’s products; or
- the delivery chain’s warehouses

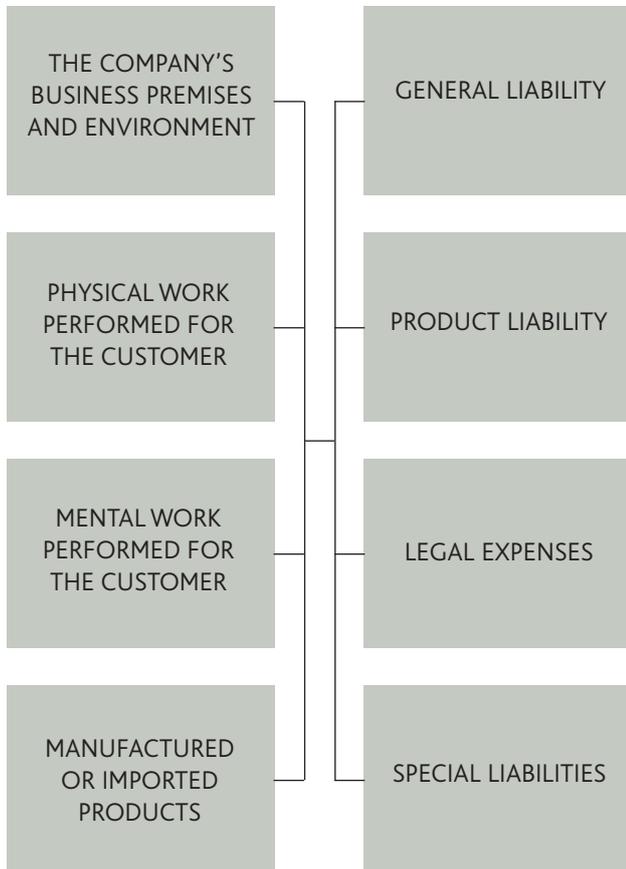
Which of the following interruption covers are essential for your company?  
 What are the estimated gross profit and the variable wages and salaries?

	Needed (tick the box)	Estimated Gross Profit €	Variable Wages and Salaries €
All-Risks Interruption	<input type="checkbox"/>		
Fire Interruption	<input type="checkbox"/>		
Fire-Crime-HPVAC and Electricity-Natural Forces	<input type="checkbox"/>		
Machinery Breakdown Interruption	<input type="checkbox"/>		
Computer Interruption	<input type="checkbox"/>		
Delay Interruption	<input type="checkbox"/>		
Personal Interruption	<input type="checkbox"/>		
Epidemic Interruption	<input type="checkbox"/>		
Contingency Cover	<input type="checkbox"/>		

## LIABILITY INSURANCE

### WHY

The diagram below gives an overview of the total cover provided by liability insurance.



Liability insurance helps to prepare for those claims for damages for which a company is liable in accordance with the legislation currently in force.

The premise of the Damages Act is that each party 'licks its own wounds'. Within the field of insurance, this means that damage to or loss of property is compensated by a property insurance policy and bodily injury by a personal insurance policy. However, if someone has intentionally caused damage to another person, he or she must compensate the injured party for their loss. Liability insurance covers this risk.

**Intent means** that sufficient precautions have not been taken in the situation in question. Typical examples of such negligence include the following:

- a slippery section of the pavement is left unsanded;
- a large amount of snow falls from the roof of a building onto a customer's car;
- a customer trips on the edge of a mat and hurts him- or herself.

In accordance with the Damages Act, an employer's liability basically includes all damage caused by errors or negligence committed by an employee in an employment relationship in his or her work.

There are certain **exceptional situations** in which liability exists even without intent:

- the possessor of a piece of electrical equipment or apparatus that has caused damage is liable to compensate for the damage, regardless of intent (Section 38 of the Electricity Act);
- explosion and quarrying work; and
- bodily injury or property damage caused by the unsafe nature of a product.

Liability insurance compensates bodily injury and property damage occurring during the policy's validity period, as well as the reasonable cost of preventing damage when it has occurred or if there is immediate danger of damage. Any legal expenses incurred during the insurance policy's validity period are also covered, within the limits of the sum insured.

The insurance company will undertake the following on the basis of the insurance policy taken out:

- **establish** whether the company is liable;
- **take care** of negotiations and other actions connected to the establishment of the coverable amount with the injured party;
- **pay** compensation in accordance with the terms and conditions of the policy; and
- **take care of** any possible trial if the coverable damage is taken to court by the injured party despite the negotiations entered into.

The following events, amongst others, are **excluded from the domain of liability insurance**:

- if liability is solely contractual;
- contractual fines;
- if the damage occurs to the policyholder;
- if the joint-stock property company does not replace leaking water pipes and the structures of the building are damaged;
- if the damage occurs to property in possession;
- if property left for storage is stolen; or
- if the damage occurs to property under construction;
- if the customer's equipment is installed and damaged during installation.

Damage to property in possession or under construction can be insured by extending the insurance cover in return for paying additional premiums.

Furthermore, in the above-mentioned cases, damage is usually compensated through property insurance, providing the owner has insured the property with sufficient cover.

#### SCOPE OF COVER

Liability insurance is divided into the following types of cover:

- General Liability, which covers bodily injury and property damage to a third party or his or her property. This cover is essential, for example, in installation operations. However, without a separate extension, the insurance policy does not cover damage caused to the target under work or handled property.
- Product Liability, which covers liability for damage caused by safety defects in the product. It is essential for companies that manufacture products, import products to the EU and EFTA areas or sell products to other companies, or for companies which lease products.
- Recall Liability, which covers the expenses caused by the withdrawal of a product from the market.
- Defective Product Liability, which covers the cost of repairing a defective product or, if less expensive, a new product, providing the product has caused or could cause damage that is coverable by the Product Liability Insurance policy.
- General Legal Protection covers the legal expenses incurred in certain dispute situations.

#### SPECIAL COVER

Special liability cover is intended for certain types of operations.

They include:

- Professional Indemnity Insurance, which covers the damage caused by errors made in consultancy, design or planning work performed;
- Directors' and Officers' Liability, which covers the damage caused by errors made by the Managing Director or the Board of Directors, for which they are personally liable;

- Financial Liability, which covers purely financial damage. (purely financial damage is damage that does not include bodily injury or property damage; a typical example would be a deadline forgotten by a law firm and the resulting additional expense);
- Limited Guarantee Insurance, which covers certain expenses incurred by the policyholder in correcting incorrect work or deliveries; and
- Embezzlement Cover, which covers a crime committed by an employee when directed at the property of the policyholder.

#### GENERAL BUSINESS LIABILITY

This insurance covers a company's liability when its operations cause bodily injury or property damage to a third party or an employee of the company. Such insurance also covers the liability of a company as the owner or possessor of the property used for its operations, as well as the financial damage stipulated in Section 47 of the Personal Data Act (caused by providing false information or by illegal surrendering of information).

#### COVERABLE DAMAGE MAY OCCUR AS FOLLOWS:

##### TO A THIRD PARTY

As a result of the use of a machine, some equipment or tools, the installation or maintenance of artefacts at the customer's place of business or home, the keeping of a guard dog, delivering the wrong goods, arranging or participating in an exhibition, using advertisement boards or posters, maintaining an office, etc.

##### TO AN EMPLOYEE

As a result of a lack of safety equipment, insufficient supervision or guidance, neglecting to keep order, or disregarding safety regulations. Damage compensated by workers' compensation insurance or Motor Third Party Liability Insurance is not covered by this policy.

## **PROPERTY MAINTENANCE**

Insufficient maintenance of driveways, pavements, stairways, buildings and the equipment within them which is out of order.

## **PRODUCT LIABILITY INSURANCE**

### **WHAT IS COMPENSATED?**

Such insurance covers damage or loss caused to a consumer or other person or to their property due to defects in or the unsafe nature of a product specified in the policy document and launched on the market through industrial and commercial activity for which the policyholder is considered legally liable. Product Liability Insurance does not cover the manufacturing of a new product. If, for example, a toaster catches fire and destroys part of a kitchen, Product Liability Insurance compensates all other property destroyed by the fire except the toaster itself.

### **STRICT LIABILITY IN ACCORDANCE WITH THE PRODUCT LIABILITY ACT**

Strict liability means that, in order to receive compensation, the injured party must prove the following:

- the damage caused;
- the unsafe nature of the product; and
- that the damage was caused by the unsafe nature of the product.

That the unsafe nature of the product is due to negligence on the part of the manufacturer or the importer does not have to be proved.

In accordance with the Product Liability Act, liability for damage caused by a product is strict liability, regardless of negligence. The Product Liability Act is applied only when the victim of the damage is a person or an artefact intended for private use (in other cases, the negligence of the manufacturer must be proved). Product liability arises when the product is not safe enough, i.e. when the product is not as safe as it would be reasonable to expect it to be. When assessing the safety of a product, the following must be taken into account:

- the predicted use of the product;
- the marketing of the product and its instructions; and
- other factors.

Hence, a person who cuts him- or herself with a knife cannot expect compensation. However, the situation is completely different if the handle of the knife has caused the cut.

### **WHY PRODUCT LIABILITY INSURANCE?**

Product Liability Insurance is a fundamental way of preparing for product liability risks. Strict liability and the public attention it has gained increase the number of claims for damages and the need for protection through insurance. Insurance is a particularly important risk management tool for those companies that import products into the EU, because they are liable for the products in all EU countries. This is important, since these companies cannot make sure that all safety regulations are followed during the manufacturing of their products.

Even for a small company, insuring is often the most important form of product liability risk management, since the resources for far-extending product safety, quality assurance and documentation operations are quite limited. Furthermore, one has to take into consideration the fact that the financial consequences of product damage can be equally large for a small and a large company. In other words, product liability risks are different from traditional property and interruption risks in that they grow in proportion to the size of the company as the value and amount of the property increases. Product liability risks, however, remain the same regardless of whether the product is manufactured by a small or a large company.

For a subcontractor, Product Liability Insurance is also an opportunity to show their contractual partners that they can cover for the damage caused by their own products, and that those partners will not have to compensate for damage caused by any defects in their products. With the help of Product Liability Insurance, a subcontractor can increase their reliability and safety vis-à-vis the manufacturer of the end product.

**LEGAL EXPENSES INSURANCE**

Such insurance covers the business operations mentioned in the policy document, together with any disputes and criminal cases concerning the ownership, possession and usage of the property used for the business' operations. The prerequisite is that the concern be a matter that can be immediately submitted for consideration by a general Court of First Instance.

The policy covers the legal and litigation expenses incurred by damage or loss caused by the insured business' operations. The damage or loss can be caused by any of the following:

- a delivery, sales or contract agreement;
- a disagreement over loans or receivables;
- notice of termination or salary disputes;
- a rental agreement; or
- a traffic violation.

Legal Expenses Insurance does not cover a dispute, case or issue concerning any of the following:

- a matter connected to operations other than those mentioned in the policy document;
- a matter concerning the collection of undisputed receivables;
- a matter concerning bankruptcy or recovery proceedings;
- a matter concerning patents, trade names, trademarks, the registration of designs, copyright or any other intangible rights; or
- a matter concerning a dispute over an agreement drawn up before the beginning of the insurance period, unless the policy had been valid for at least two years when the dispute began.

Legal Expenses Insurance covers those expenses incurred by the use of a lawyer. However, the legal expenses of the counter party, if sentenced to be paid by the policyholder, are not compensated unless the insurance cover has been separately extended to cover such expenses as well.

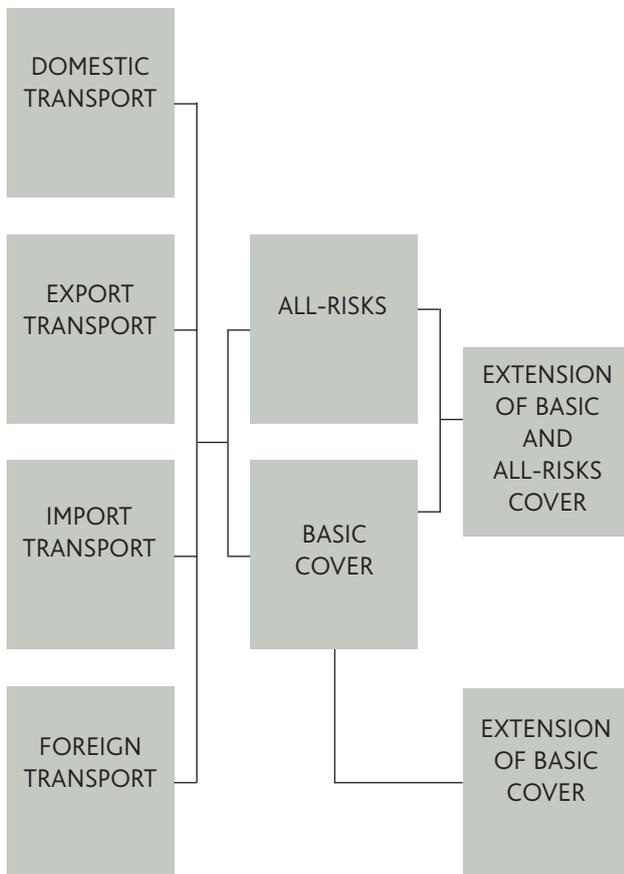
The above is not a complete account of the content of liability and legal expenses insurance. Please also read through the insurance terms and conditions that you have received!

Think about whether your company might be deemed liable in the situations listed below.  
How large do you estimate the liability to be?

	Possible or not? (tick the box)	How much at worst? €
Property damage or bodily injury to a third party	<input type="checkbox"/>	
Property damage or bodily injury to employees	<input type="checkbox"/>	
Product liability towards consumers	<input type="checkbox"/>	
Product liability towards customer companies	<input type="checkbox"/>	
Removing your own products from the market	<input type="checkbox"/>	
Legal expenses	<input type="checkbox"/>	
Liability resulting from consultations	<input type="checkbox"/>	

## CARGO INSURANCE

Insured interests and the scopes of cover they require are described in the diagram below:



### INSURED INTERESTS

Cargo insurance covers all types of transportation:

- domestic;
- export;
- import; and
- transportation entirely carried out abroad.

### SCOPE OF COVER

#### ALL-RISKS COVER

All-risks Cover compensates all sudden and unpredicted loss or damage, such as broken goods, missing goods, theft, water-damaged goods, soiled goods and damage caused to goods by traffic accidents.

#### BASIC COVER

Basic Cover compensates damage caused as a result of the following:

- sea, land or air traffic accidents, as well as the collision of goods, loaded into a car or onto a train, with an external object, e.g. a bridge;
- fire or explosions;
- avalanches or landslides, floods, earthquakes, volcanic eruptions or lightning strikes;
- the unloading of the cargo at an emergency port; or
- throwing the goods overboard or other general average contribution.

#### SPECIAL CONDITIONS

Special conditions can be added to extend Basic Cover to the following specific risks:

- breakages;
- wet and soiled goods; or
- disappearance and theft.

All-risks Cover and Basic Cover can also be extended to the following special conditions, amongst others:

- damage caused by extreme cold or heat;
- a validity extension, e.g. from warehouse shelf to warehouse shelf;
- damage caused by strikes and war, e.g. a vessel colliding with a mine; or
- damage occurring in indoor facilities at an exhibition.

#### INSURANCE METHODS

Cargo insurance can be taken out as either a [single policy](#) or an [annual contract](#). Both can be used to cover the same risks.

Single cargo insurance policies are appropriate when there is relatively little transportation involved. Such insurance is valid only during an agreed journey.

An annual contract, on the other hand, is suitable for companies that transport cargo on a regular basis. The contract lists the journeys covered by the insurance policy, and the contractual terms stipulate the applicable insurance terms and conditions, as well as the premiums charged.

The premiums are debited in advance on the basis of the estimated sum insured. At the end of the insurance period, the premium is evened out to match the number of actual journeys. The insurance period is adjusted in line with the company's accounting period.

The insurance notification procedure can also be different, depending on the company's information processing system.

Describe your own transport needs in the table below:

	Delivery clause to be used	Value of shipment	Value of all transportation/year
Domestic transport			
Export transport			
Import transport			
Foreign transport			

## CARRIER LIABILITY

### INTERNATIONAL AGREEMENTS

The liability of a carrier in possession of transported goods is defined in accordance with international agreements and the domestic legislation based thereon. Each mode of transport has its own agreements and laws:

- road transport is governed by the CMR Convention, the Finnish counterpart of which is the Road Transport Act;
- in sea transport, Finland applies the Haag-Visby Rules, which are included in the Maritime Act;
- in air transport, the Warsaw Convention and the Montreal Convention act as the foundation, together with the Finnish legislation based thereon;
- in rail transport, an equivalent CIM Convention, the Railway Transport Act and the Transit Traffic Agreement apply.

The majority of European countries follow the above-mentioned agreements. All the above-mentioned laws and agreements assign the cargo carrier a limited liability for the possessed goods.

### LIABILITY

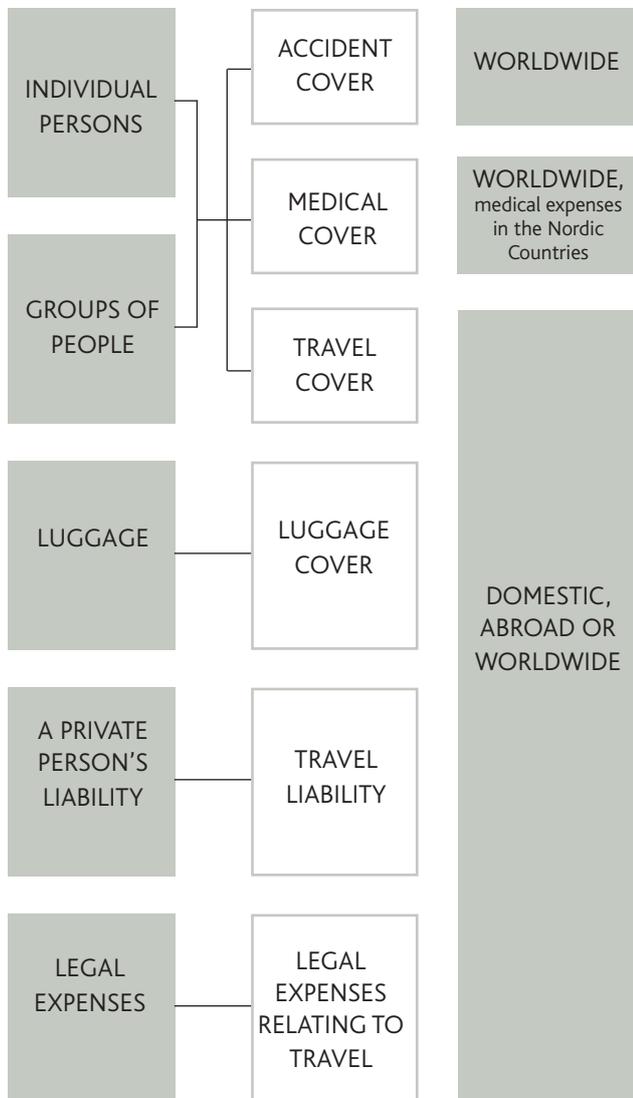
The carrier can be completely exempted from liability even though the damage has indisputably occurred during transportation. Furthermore, liability can be limited according to weight, the number of packages and other similar factors. The owner of a light and valuable piece of cargo receives only partial compensation for the goods, even though the carrier is liable for the damage.

The general terms and conditions for the carrier or the bill of lading may include additional limits to the extent that the law allows the parties freedom of contract.

The carrier does not insure the goods on behalf of their owner. Road transport insurance and other carrier liability insurance policies cover only the aforementioned limited liability of the carrier and require an investigation into the grounds for compensation.

## VOLUNTARY ILLNESS, ACCIDENT AND TRAVEL INSURANCE

The diagram below provides a good overview of the sickness, accident and travel insurance field.



Voluntary Illness, Accident and Travel Insurance is explained in more detail in the section on voluntary personal insurance.

## INSURING MOTOR VEHICLES

### MOTOR THIRD PARTY LIABILITY INSURANCE

Motor Third Party Liability Insurance is a statutory insurance policy intended to guarantee that both bodily injury and property damage caused to an innocent party are compensated. Such insurance also covers any bodily injury caused to the people in the culpable car. However, Motor Third Party Liability Insurance does not cover damage caused to the policyholder's own vehicle.

Motor Third Party Liability Insurance must be taken out for all registered vehicles and other motor vehicles used in traffic in accordance with the Motor Liability Insurance Act:

- cars;
- tractors;
- motorcycles;
- mopeds;
- work machines and forklifts;
- snowmobiles and other off-road vehicles; and
- trailers.

There are also vehicles that do not need Motor Third Party Liability Insurance because of their structural properties. To determine whether you have to take out a Motor Third Party Liability Insurance policy, please contact our representatives.

Finnish Motor Third Party Liability Insurance applies in nearly all European countries, as well as in some countries outside Europe. When travelling outside the Nordic countries, it is recommended that you acquire a Green Card from the insurance company issuing the Motor Third Party Liability Insurance. It is free of charge but is extremely useful when dealing with an accident.

The type of vehicle, its use and its domicile affect the size of the Motor Third Party Liability Insurance premium. Corporate clients can take out Motor Third Party Liability Insurance with a deductible, which also affects the size of the premium.

Motor Third Party Liability Insurance and voluntary Motor Vehicle Insurance premiums are based on a loss statistics system. Loss-free driving is beneficial to the policyholder as it can result in premium reductions.

**VOLUNTARY MOTOR VEHICLE INSURANCE**

The optional covers available for vehicles belonging to the motor vehicle insurance field are shown in the diagram below.

Voluntary motor vehicle insurance cover includes such damage to motor vehicles that is not compensated by the other party's (the one causing the damage) Motor Third Party Liability Insurance.

The most typical compensated types of damage covered by a voluntary insurance policy include driving off the road, theft and fire damage.

We insure vehicles individually or in groups. A group consists of vehicles of a similar type, used for the same purpose. For example, trucks used for the transportation of gravel form one group, whereas the wheel loaders used for loading form another. Vehicles belonging to the same group have the same cover, deductibles and territorial limits.

The various cover options and safety regulations, as well as some typical examples of loss or damage, are described below. More detailed information is available in the insurance policy's terms and conditions, as well as in the attached safety precautions.

**VOLUNTARY MOTOR VEHICLE INSURANCE**

Basic cover	Theft	Malicious damage	Fire	Deer	Collision	Additional cover
FULL KASKO	•	•	•	•	•	INTERRUPTION EMERGENCY ROAD SERVICE
SEMI KASKO	•	•	•	•		LEGAL EXPENSES REDEMPTION COVER
COVER AGAINST THEFT	•	•				HIRE PURCHASE, MOTOR VEHICLE MORTGAGE AND LEASING COVER
COVER AGAINST FIRE			•			WINDSCREEN COVER
DEER			•			COVER AGAINST FRAUD
						COVER AGAINST BREAKAGES (work vehicles)
						CONTINUATION COVER

**BASIC COVER**

**FULL KASKO**

Covers sudden loss or damage caused to the vehicle by an external source. Typical examples include collisions with another vehicle or an animal of the deer family, driving off the road or the turning over of the vehicle. Vandalism to the vehicle and theft are also compensated. Damage or loss caused by fire is compensated, regardless of whether the fire started externally or internally. However, the breakdown of the engine or transmission, or the corrosion of the vehicle are not compensated. Loss or damage caused during competitions or training is also not covered.

**SEMI KASKO**

Typical coverable loss or damage includes that caused by fire, theft and vandalism. Loss or damage caused as a result of a collision with an animal of the deer family is compensated, but damage caused as a result of avoiding a collision with the aforementioned type of animal, e. g. swerving off the road, is not compensated. Loss or damage caused during competitions or training is also not compensated.

**COVER AGAINST FIRE**

Covers loss or damage caused by the outbreak of fire if that loss or damage has not been caused during a competition or while training for a competition.

**COVER AGAINST CRIME**

Covers the theft of a locked vehicle or its standard equipment, usage theft or attempts at such, as well as the loss or damage caused by vandalism to the vehicle.

**COVER AGAINST AN ANIMAL OF THE DEER FAMILY**

Cover Against an Animal of the Deer Family  
Covers loss or damage caused by a collision with an animal of the deer family, but not loss or damage caused as a result of avoiding a collision with the animal.

## **ADDITIONAL COVER**

### **EMERGENCY ROAD SERVICE PLUS**

Covers expenses incurred by the interruption of travel when the vehicle has been damaged during the journey. Typical such expenses are the transportation of the car to a garage and additional travel expenses to the limit stipulated in the policy document. If the care of the vehicle has been neglected or if, for example, it does not start at all due to severe cold, expenses are not covered.

### **INTERRUPTION COVER**

Pays an agreed daily allowance for days on which the vehicle is out of use as a result of loss or damage coverable by basic cover. Compensation for lost days of usage depends on whether the vehicle has been in for repair or is awaiting repair, or whether it is a question of theft or redemption. If the damage repair is delayed due to negligence on the part of the policyholder, the lost days of usage are not compensated.

### **COVER AGAINST FRAUD**

Covers the loss of or damage to a leased vehicle due to misappropriation or fraud.

### **COVER AGAINST BREAKAGES**

Covers loss or internal damage caused to a work machine less than 10 years old. Damage caused by external sources is covered by, for example, Motor Third Party Liability Insurance or voluntary basic cover. Damage is not compensated if it is caused by the inadequate or negligent maintenance of work machinery. In addition to the deductible, 5% per year of usage after the first year is deducted from the compensation issued.

### **WINDSCREEN COVER**

Covers damage caused by impacts on windscreens.

### **LEGAL EXPENSES**

Covers legal and litigation expenses incurred by the owner, possessor or driver of the vehicle in that capacity or as a private person in cases of indictments or a disputed claim.

## **REDEMPTION COVER**

You will receive a new car similar to the one damaged if it is no more than three years old, has been driven less than 60,000 km and the coverable repair expenses after an accident exceed 50% of the cash sale price of a similar new vehicle. The replacement value redemption also requires the vehicle to have been in the ownership or possession of the policyholder alone since its initial registration. If the above requirements are not fulfilled, the vehicle is redeemed to the price of its current value +30% when the estimated repair costs are at least 60% of the vehicle's current value. However, the maximum amount of compensation is always the current value of the vehicle at the time of its purchase.

## **CONTINUATION COVER**

Covers expenses incurred by the use of a replacement car when a journey is interrupted due to the breakdown, damage or driving off the road of the insured vehicle. Continuation cover can be taken out for passenger cars and vans in private use.

## **HIRE PURCHASE, MOTOR VEHICLE MORTGAGE AND LEASING COVER**

Covers the property damage to the seller, mortgagee or owner of a vehicle when compensation is otherwise precluded or diminished by the general terms and conditions, the attached safety precautions or the exclusions stipulated in the policy's terms and conditions.

### **Safety precautions**

- The vehicle must be driven, maintained, used and stored in an appropriate manner.
- In heating the vehicle, only the equipment approved for the vehicle in question can be used.
- Heavy work machinery must have sufficient initial fire extinguishing equipment.
- Neglecting safety precautions may reduce the compensation issued.
- The risk of theft can be significantly reduced by installing an electronic immobiliser and an approved alarm system.

**EXAMPLES OF LOSS OR DAMAGE**

The insurance cover marked ‘•’ in the table below compensates any loss suffered. The insurance policy’s terms and conditions define the coverable damage and the cover exclusions in more detail.

Insured Event	Full Kasko	Semi Kasko	Deer	Fire	Crime
The garage burns down and the car inside it is damaged.	•	•		•	
The wiring in the engine catches fire.	•	•		•	
A work machine is warmed up next to an unattended open fire.	no	no		no	
The car hits a deer and is damaged.	•	•	•		
The car has been hit by another car whilst parked, and the guilty party is not found.	•				
The car swerves into a ditch whilst avoiding a collision with a deer but does not collide with the animal.	•				
An unlocked car with the engine running is stolen whilst the owner is inside a shop. The car is not found.	no	no			no
The car is broken into and stolen.	•	•			•
The car is broken into and a fixed telephone installed inside it is stolen.	•	•			•
The tyres of the car are slashed in a car park.	•	•			•
The car hits another car. The guilty party’s car is damaged. (The damage to the innocent party is covered by the Motor Third Party Liability Insurance policy held by the guilty party.)	•				
The car swerves into a ditch and is damaged during rally practice.	no				
The car swerves into a ditch and is damaged.	•				

If Mileage Benefit is a new, unique motor vehicle insurance option with which we reward our corporate clients who drive rarely. If a car is driven rarely, the risk of accidents decreases.

**The benefits of If Mileage Benefit**

- Right price** → The less you drive, the more you benefit.
- Environmentally friendly** → The less you burden the environment, the less you pay in insurance premiums.
- Industry-specific** → If Mileage Benefit takes industry-specific differences in the use of a car into consideration.

You can attach the If Mileage Benefit to both your Motor Third Party Liability Insurance policy and your Motor Vehicle Insurance policy for the following vehicles in your company:

- all passenger cars and vans, excluding licensed vehicles;
- taxis;
- lorries; and
- buses.

**HOW DOES THE IF MILEAGE BENEFIT WORK?**

- When concluding the insurance contract, you must report the annual kilometres driven and the vehicle’s kilometre reading.
- You can easily report any changes in the annual kilometres driven via the If eFolder.
- If monitors the accuracy of the kilometre information provided at the turn of the insurance period and in each case of loss or damage.
- You should keep the kilometre information up-to-date. In cases of loss or damage, the deductible can be tripled if the actual kilometres driven differ considerably from the reported kilometres.



## If eFolder

By using the electronic If eFolder, you can submit your insurance claims and relay any other messages to your insurance company, as well as check your business' insurance and loss data.

Your information is always kept in good order in the Folder, and the required documents are easy to find.

If eFolder is a free service. If you appreciate simplicity and cost-efficiency, the Folder is an excellent way to manage your insurance affairs.

### BENEFITS FOR THE USER

We asked the current users of the If eFolder what they most liked about this electronic service. Here are some of their opinions:

#### 1. ALWAYS UP-TO-DATE

“The information is tidy and in order in the If eFolder, without any unnecessary archiving fuss. It is easy and quick to find the Policy Documents, Insurance Terms and Conditions, and Claim Forms.”

#### 2. ALWAYS READY TO SERVE

“The If eFolder is at your disposal throughout the year and around the clock. You can manage your insurance business when it best suits you.”

#### 3. EASY TO ADAPT ACCORDING TO YOUR WISHES

“We also wanted to receive part of the material traditionally, by post, in the future. That was easily arranged, and the amount of paper dropped to a fraction of previous amounts.”

#### 4. DISCOUNTS ON WORKERS' COMPENSATION INSURANCE PREMIUMS

“As active If eFolder users, we get a 2% discount on our workers' compensation insurance and self-employed persons' accident insurance basic premiums.”

### EASY TO USE

You can read more about the If eFolder at [if.fi/yrityskansio](http://if.fi/yrityskansio). There, you can browse the Folder presentation and register your company or corporation as a user.

After registering, you will receive an e-mail when the Folder is ready to use.

### if.fi/If eFolder

The If eFolder is easy to use.

You can log in to the service with:

- your personal online banking identifiers; or
- your specific If eFolder username and password.

When entering your If eFolder for the first time, you will have to approve its terms and conditions. You can first log in using your personal online banking identifiers, but we will also send you your own If eFolder username and password. In the future, you can select how you wish to log in to the Folder.

For further information, please contact your own contact person.

### FOLDER CONTENTS

The most commonly used sections include:

#### INSURANCE

- insurance data (policy itemisation, agreements, terms and conditions);
- sending amendment notifications and requesting tenders; and
- instructions on loss prevention and insuring.

#### CLAIMS

- filling in and sending claims;
- summary of losses that have occurred and compensation paid;
- claims submitted and related messages; and
- attachments relating to claims.

#### LOSS PREVENTION

If's Safety Test helps you to go through your business field's key risks and protect your company against them. The Safety Test is available through the If eFolder.

#### MESSAGES

- sending messages to the insurance company, viewing sent and incoming messages.

### SAFE TO USE

Updating your user information is the responsibility of your company's authorised administrator. Inform him or her when there are amendments to be made to the users' data or you wish to add or remove users.

The Folder is protected by passwords, which prevents outsiders from gaining access to its data.

# Corporate Claims Handling

## CLAIMS SERVICES WHERE EVERYTHING WORKS AS IT SHOULD

### REPORT YOUR LOSS STRAIGHT TO THE EXPERTS

Using the If eFolder

- regardless of time and place
- you will receive confirmation of the progress of your claim

The If eFolder is available at [if.fi/yrittajiansio](http://if.fi/yrittajiansio)

By phone +358 (0)10 19 16 00

- weekdays 8 a.m.–5 p.m.

## Insurance and Taxation

### INSURANCE PREMIUMS AND TAXATION

The financial results of business operations must be confirmed in accordance with the Business Tax Act (EVL). Real estate companies are normally taxed in accordance with the Income Tax Act (TVL). A company may have a separate piece of real estate that is unrelated to its business operations. The following sections handle taxation under the Business Tax Act only.

#### SPREADING

In accordance with Section 23 of the Business Tax Act, an expense the amount of which is defined on the basis of time lapsed must be included in the expenditure for the fiscal year in which it is paid. In accordance with Section 22 of the Business Tax Act, small amounts of expenditure can be seen as expenses for the fiscal year in which they are paid. Therefore, small insurance premiums can be left unspread, but large premiums, such as YEL premiums, must be spread to the accounting period to which the premiums belong.

#### TAX DEDUCTIBLES

In accordance with Section 7 of the Business Tax Act, the expenses incurred by the acquisition and maintenance of income through industrial and commercial activities are tax deductible. Such expenses include the following:

- the accident, unemployment, group life and pension insurance premiums of self-employed persons and employees in industrial and commercial activities;
- fire and other insurance premiums for the buildings, machinery and equipment used for industrial and commercial activities; and
- fire and other insurance premiums for current assets used, arising and/or sold as part of industrial and commercial activities.

#### YEL

In accordance with the Self-Employed Persons' Pensions Act (YEL), obligatory pension insurance premiums are fully tax deductible.

#### TYEL

A company can deduct its share of TyEL insurance premiums from the tax it pays as expenses incurred to generate income. An employee's TyEL premium is tax deductible in his or her own taxation.

#### VOLUNTARY PENSION SECURITY

A company can deduct its pension insurance premiums from the tax it pays. The premiums for an individual insurance policy are not considered to be part of the earnings of the insured person, provided they do not exceed €8,500 per calendar year and the retirement age is no less than that prescribed by the earnings-related pension legislation in force at the time. Premiums exceeding that sum are considered to be the insured person's earned income in their entirety. The tax treatment of policies taken out before 2005 varies.

#### OTHER PERSONAL INSURANCE

When the policyholder is a company, it can usually deduct the premiums for the insurance policy it has taken out on behalf of its employees, and the premiums are not generally considered to represent the salary or wages of the insured person. However, medical treatment expenses insurance premiums are considered to be part of the employee's taxable income if the policy does not cover all staff.

#### PROPERTY

The insurance premiums for property in private use only, e.g. the movables in a residential building, are not tax-deductible. Therefore, the insurance premiums for property in private or industrial and commercial use are divided according to usage, e.g. according to the surface area of the building.

## **INSURANCE COMPENSATION AND TAXATION**

In accordance with Section 5 of the Business Tax Act, the transfer price and consideration gained through industrial and commercial activities represent income that is subject to tax. In accordance with Section 50 of the Business Tax Act, insurance compensation is considered to represent consideration. In the Business Tax Act, income is seen as income for the fiscal year in which it has been received in the form of cash, receivables or other monetary benefit. The recognition of insurance compensation as income cannot be postponed on the grounds, for example, that the claims settlement process remains unfinished at the end of the accounting period.

### **SPREADING**

In accordance with Section 19 of the Business Tax Act, small income items can be considered to represent income for the year of their payment. Similarly, a self-employed person who keeps other than double entries is allowed to book the income and charges according to the time of payment. However, an exception to the latter is the fact that the transfer price and other consideration received for the fixed assets (unless they are very small) of a self-employed person of this kind represent income for the fiscal year in which the right to them has arisen.

### **CURRENT ASSETS AND REPAIRED FIXED ASSETS**

The insurance compensation from current asset and personal insurance policies (relating to business activities) are entered as income in the year of acquisition. Compensation paid for repairs can be dealt with either as a correction of an expense or as other income. Thus, such compensation is added to the taxable income in full.

### **DESTROYED CURRENT ASSETS**

Compensation for destroyed current assets, on the other hand, is entered as indirect income, i.e. the compensation is added to the balance sheet as a deduction of the acquisition costs. In these cases, the effect on taxation comes through the adjustments to depreciation.

### **REPLACEMENT RESERVE FOR FIXED ASSETS**

The insurance compensation received for movables is always subject to tax in a company, regardless of the time of ownership. If the compensation is taxable income and it exceeds the undepreciated balance, the excess can be used to form a replacement reserve. The formation of such a reserve requires the commercial operations to continue, a corresponding reserve to be made in accounting, new current assets to be acquired, or the damaged current assets to be repaired within two years of that in which the loss or damage occurred.

### **VOLUNTARY PERSONAL INSURANCE**

The taxation of the compensation paid to self-employed persons or a key person varies from completely tax-free (e.g. compensation for expenses) to totally taxable income (e.g. daily allowances). The sums payable upon death to the next of kin are tax free up to € 35,000 per beneficiary. The spouse is paid half of the compensation, yet no more than € 35,000, tax free. Compensation exceeding that limit is subject to inheritance tax. Compensation exceeding that limit is subject to inheritance tax.

Compensation paid to companies represents taxable business income.

### **PENSION INSURANCE**

Pensions paid during the retirement period by virtue of the insurance policies taken out by an employer represent earned income, but since the income received during the pension period is usually lower than that earned during the active years, the taxation of the pension is correspondingly lighter.

FOR FURTHER INFORMATION, PLEASE CONTACT A  
BRANCH OFFICE, OUR CALL CENTRE OR VISIT OUR  
WEB SITE.

[if.fi](http://if.fi)

Call Centre:

+ 358 (0)10 19 15 00

Corporate Claims Handling:

+358 (0)10 19 16 00

Fill in and submit a claim over the Internet:

[if.fi/yritys](http://if.fi/yritys)

Claims Services in emergencies:

+358 (0)800 1 3800

in the evenings and at weekends

Calling our service numbers beginning with +358 (0)10 19 costs the local network charge when calling from a landline and the mobile phone charge charged by your operator when calling from a mobile phone. Calls to our service numbers beginning with +358 (0)10 51 are charged according to universal access number rates. For further information, please visit our web site at [if.fi](http://if.fi).

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