



Insuring risks in the Nordics - December 2023



Arthur Csatho
Partner, Head of Insurance,
Sweden



Anders Julius Tengvad
Partner



Esa Salonen
Partner



David Johansson
Senior Associate



Lars Albert Jøstensen
Lead Lawyer



Lauri Rantanen
Senior Associate



Mohsin Ramani
Partner, Head of Insurance

Many international insurers writing non-marine commercial risks in the Nordics may be unaware of relevant differences and nuances in the respective insurance contract acts of the Nordics. While the Nordic countries' insurance contract acts may be contracted out of (in specific cases), insurers which are unaware of the differences may not be offering policies sufficiently tailored for the relevant jurisdiction. Insurers offering policy provisions which do not account for relevant differences in the Nordic countries are therefore likely writing risks at an insufficient premium and their policies are in any event more susceptible to litigation.

DLA Piper Nordic's insurance team publishes a series of briefings on the most relevant differences between the Nordic countries' insurance contract acts which foreign insurers should be aware of. The idea behind the series is to enable insurers to get a better understanding of the realities of writing insurance business in the Nordic market. The topic of this briefing is renewal.



Norway:

Section 3-2 of the Norwegian Insurance Contracts Act (“NICA”) provides for automatic renewal of policies with policy periods of one year or more. If insurers wish to cancel/not renew, section 3-5 first paragraph of the NICA provides that this may only be done in writing and no later than two months before expiry of the policy period. If the Insurer fail to do this, the policy will be automatically renewed for one more year.

Section 3-5 second paragraph further provides that the insurer may only cancel/not renew the policy where there are “specific grounds” which makes it “reasonable” not to renew the policy (e.g. that the risk has materially changed). In other circumstances, insurers would be bound by the automatic renewal.

Finland:

The Finnish Insurance Contracts Act sets out that the terms and conditions governing non-life insurance contracts may include a clause providing that the contract is automatically renewed after the close of an insurance period, unless the contract is terminated by either party (automatically renewed non-life insurance policy).

The insurer is entitled to terminate an automatically renewed non-life insurance policy at the expiry of any insurance period. Termination shall be justified by a reason that is in compliance with good insurance practice and notice of such termination shall be dispatched to the policyholder not later than one month before the closing of the insurance period concerned.

Denmark:

In Denmark, insurance agreements typically have a defined duration and operate on a cancellation basis. If not canceled within the specified notice period, these contracts usually automatically renew for a pre-determined timeframe. In business insurance, it has become customary for automatic renewal to occur on a yearly basis, although examples of longer periods do exist.

The Danish Insurance Contracts Act ("DICA") section 31 contains a mandatory provision on the scope of automatic renewal. According to section 31, a provision stipulating an extension beyond one year due to failure in cancellation cannot be enforced by the insurer unless it issues a notice to the policyholder. This notice must be delivered no earlier than 3 months and no later than 1 month before the cancellation period expires, reminding the policyholder of the impending extension if no cancellation takes place. Failure to give notice of renewal will result in the insurance only being renewed for one year at a time.

Further, Danish insurance contracts also commonly contain a provision that allows both the insurer and the policyholder to cancel the insurance during the policy period in connection with the notification of claim and/or handling of a claim.

Sweden:

The Swedish Insurance Contracts Act ("SICA") does not provide for automatic renewal of business insurances. The insurer does not need to provide a reason for not renewing the insurance. Likewise, in case of renewal, the insurer may unilaterally demand that the terms of the insurance are changed or amended as a condition for accepting the renewal. Nevertheless, sometimes policy wordings, irrespective of the SICA, provide for automatic renewal on unchanged terms, unless cancellation is made by the insurer.