

Hidden Defects Insurance

Definitions

Hidden Defect

Hidden defect is understood to be defined as the secret defect defined by the Housing Transaction Act (Chapter 6, section 11) regarding second hand objects; as the result of the hidden defect, the **Object** is of significantly lower quality than what can justifiably be expected in view of the price and the other circumstances.

Insured

An Insured is a natural person(s) or an estate of a natural person named in the **Sales Contract** as the seller of the **Object**.

Insurer

This insurance is underwritten by certain underwriters at Lloyds managed by Canopus Managing Agents Limited. Canopus Managing Agents Limited is entered on the register of Lloyd's Managing Agents and its registered office is Gallery 9, One Lime Street, London EC3M 7HA. It is registered in England under registration number 01514453 and authorized by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

SP Underwriting Agency AB represents the Insurer in practical matters such as risk assessment, premium calculation, issuing of policy letters as well as collecting insurance premiums. This is agreed in a Binding Authority Agreement with market reference number B1262BW00270.

For inquiries regarding matters where the insurance terms and conditions refer to the Insurer, it is sufficient to contact SP Underwriting Agency AB.

Object

An Object is a flat in apartment building, semi-detached house, terraced house, or an individual house in a housing corporation consisting of two or more single houses, sale and purchase of which is governed by the Housing Transactions Act.

- The Object shall be used for residential or holiday purposes by the **Insured** in Finland at the time when the insurance is taken out.
- If the Object partially houses any sort of business activity, the majority (more than 50 %) of the dwelling area must be used for private accommodation.
- The insurance is eligible for Object up to maximum 350 sqm living area.
- Defined ONLY as part of the Object:
 - Indoor parts of the **Insured's** housing as stated in Limited Liability Housing Companies Act (1599/2009) Chapter 4, Section 3, and for maintenance and repair of which the **Insured** is or would be liable according to the "Division of maintenance and repair liabilities in Housing Corporations"-table published by Kiinteistöalan Kustannus Oy (and created by Suomen Kiinteistöliitto) in force at the time when the insurance was taken out.
 - In addition to this, it is considered that all supply systems inside the **Insured's** housing for electricity, water, drainage and ventilation to be parts of the Object.
 - The indoor parts of the owner apartment exceeding the current basic level in situations when the housing company is responsible for the repair of the indoor parts of the owner apartment to the current basic level that are damaged due to a failure in, or the repair of, the building structure or some other part of the building for whose maintenance the housing company is responsible as stated in Limited Liability Housing Companies Act (1599/2009) Chapter 4, Section 2.
 - The above shall apply even if the ownership of the Object is based on the share in the housing co-operative, in which case the Object shall for the purposes of this contract be treated as if it was a flat in a housing corporation.

Inspection Report

An Inspection Report is a comprehensive report describing the condition of the **Object**.

Purchaser

A Purchaser is a natural person(s), who is named in the **Sales Contract** as the buyer of the **Object**.

Only the Purchaser can file a claim (be the claimant) against the **Insured** under this insurance.

Sales Contract

A Sales Contract is a written agreement between the **Insured** and the **Purchaser** for the transaction of the **Object**.

Terrorism

An act including, but not limited to, the use or threat of force and/or violence of any person or group(s) of persons, whether acting alone or on behalf of or in connection with any organization(s) or government(s), committed for political, religious, ideological or similar purposes or reasons including the intention to influence any government and/or to put the public, or any section of the public, in fear.

1. Requirements for Insurance

In order to purchase insurance, the **Insured** needs to appoint a survey company that is approved by the insurance company. The survey company must inspect the **Object** and produce an **Inspection Protocol** as described below.

- At the time when the **Sales Contract** is signed, the **Inspection Protocol** must not be older than six (6) months.
- The **Insured** must provide the inspector (surveyor) with any information regarding the condition of the **Object** that could be relevant in order to determine the property condition.

Insurance cannot be purchased after the **Purchaser** has taken the **Object** into possession.

2. To Whom the Insurance Applies

The insurance applies to the **Insured**, named in the policy letter.

3. When the Insurance Applies

The insurance applies for two (2) years from the day when the **Purchaser** has gained possession to the **Object**. Regardless of the above stated time frames, the insurance is only valid from and until the dates specified in the policy letter.

The insurance covers claims from the **Purchaser** of the **Object** against the **Insured**.

4. The Insurance Coverage

The insurance covers the **Object**, and applies to claims from the **Purchaser** based on proven **Hidden Defects** of the **Object** according to chapter 6, section 11 of the Housing Transactions Act, excluding;

- The defects outlined in the chapter 6, section 11 subsection 2, and
- Financial irregularities and/or legal irregularities described in chapter 6, sections 20 and 21,

and where the **Insured** is liable to pay compensations to the **Purchaser**.

5. Exclusions to the Insurance Coverage

The insurance does not cover:

- 5.1. Any part or parts of the **Object** not inspected in the **Inspection Report**;
- 5.2. Any part or parts of the **Object** where the **Inspection Report** recommended an additional inspection;
- 5.3. Claims based on defaults, defects, damage, deficiencies or other remarks recorded in the **Inspection Report**;
- 5.4. Defects that would have been evident at the time of purchase of the **Object** (even if omitted from the **Inspection Report**);
- 5.5. Claims based on defaults, defects, damage or deficiencies in materials, constructions or rooms that according to the housing company's articles of association or the decision made by general meeting or other institution of the housing company are the responsibility of the shareholder in situations where this maintenance responsibility of the shareholder differs from what is stated in Limited Liability Housing Companies Act (1599/2009) Chapter 4, Section 3, and the "Division of liability for maintenance and repairs"-table published by Kiinteistöalan Kustannus Oy;
- 5.6. Any defect for which the **Purchaser** has either reduced the purchase price for the **Object** or withheld money to the **Insured**, as a result of the defects;
- 5.7. Claims based on defects that:
 - the **Insured** knows about;
 - is concealed or hidden by the **Insured**;
 - are based on the **Insured** giving false or misleading information.
- 5.8. Claims that are based on promises and/or descriptions by the **Insured** or the **Insured's** representative that gives the **Purchaser** a wrongful picture of the dwelling's standard;
- 5.9. Claims based on defects connected to contractors work when a contractor has a legal liability in Finnish law or by contract to indemnify the **Insured**. If the contractor has a legal liability, as stated above, but is not able to fulfill his obligations due to bankruptcy or other proven insolvency, such as bailiff's statement of insolvency, then the Hidden defect policy will indemnify the **Insured** if the claim is defined as a hidden defect and covered in this wording;

- 5.10. Claims based on defects in fireplaces and flues;
- 5.11. Claims based on defects in household machines, fans, antennas, air conditioning machines, central vacuum systems including piping systems, computer and other technical/electronic equipment, swimming pools and associated equipment;
- 5.12. Claims based on defects or deficiencies related to water quantity or quality;
- 5.13. Claims based on defects consisting of or caused by radon, asbestos or creosote.
- 5.14 Any cost for the **Purchaser**, unless there is a valid claim under this policy, for which the **Insured** is liable to compensate the **Purchaser**.

The **Insurer** can never be obligated to reimburse the **Purchaser** only because of the consent or promise of payment from the **Insured** or other than the **Insurer**.

6. Maximum Insurance Indemnity Amount

The maximum insurance indemnity amount is;

- Flats: EURO 45,000 including the **Insured's** legal defense and survey costs (incl. VAT);
- Semi-detached houses and terraced houses: EURO 75,000 including the **Insured's** legal defense and survey costs (incl. VAT).

The amount represents the total compensation for the entire period of insurance.

7. Deductible

The deductible is;

- Flats: EURO 2,000 per claim;
- Semi-detached houses and terraced houses: EURO 3,000 per claim.

Each defect to be considered as a separate claim.

8. Insurance Compensation

8.1. Amount of Compensation

The insurance policy is not intended to provide the **Insured** or the **Purchaser** with any profit, only replace the loss suffered, even if the sum insured is higher. Regulating the claim is done primarily through cash settlement.

If the **Purchaser** makes a claim against the **Insured**, the **Insurer** will, provided that the claim exceeds the deductible:

- Investigate if the **Insured** is liable to compensate the Purchaser according to the Housing Transaction Act.
- Negotiate with the claimant.
- Defend the **Insured** in a trial or in other available mechanisms of dispute resolution, thereby paying the litigation costs that the **Insured** suffered or is ordered to pay and which cannot be recovered from the counterparty or another liable party. Any lawyer appointed as insured's counsel must be pre-approved by the **Insurer**.
- Pay the indemnity provided that;
 - the **Sales Contract** is not cancelled,
 - the **Insured** is liable to compensate,
 - the amount exceeds the deductible and that the claim is covered by the insurance.

Indemnification will never be paid in order to increase building standard, except when the increase in the building standard is due to legal norms requiring higher standard than the original building standard. The indemnification for the loss shall never be higher than the cost to repair the damage added with other associated costs such as legal and survey costs.

Notwithstanding the above, the compensation is never higher than stated in paragraph 6 "Maximum Insurance Indemnity Amount" above.

8.2. Age reduction

A compensation will be what the **Object** was worth just before the loss. When a damaged part of the **Object**, for example, a floor is replaced by a new, similar one put in the same place and intended for the same use, we say that compensation is based on the replacement value of the **Object** in question.

The value of an **Object**, however, may have reduced to less than 50 % of an equivalent new one owing to, for example, age, use and suitability for its intended purpose. If this is the case, we will compensate according to its current value.

An age reduction is made when a part of the **Object** has a damage. An age reduction is made, for example, on the costs of pulling down, repairing and drying the structures of a damaged **Object**.

The maximum age reduction is however 50 % for everything excluding bathroom(s).

Part of the Object	Age	Age Reduction of the Loss Amount
1) Any part, except 3) below	0-10	0 % per year
2) Any part, except 3) below	11 <	3 % per year
3) Bathroom (or similar)	Any	3 % per year

The age of the part(s)/property is calculated as the number of full calendar years following the year the part/parts was installed.

Replacement value – Age reduction = Compensation to the **Insured**

Age reduction in case of machine, equipment or pipe breakage in an **Object**.

Property	Age reduction
Tanks, waste water, rainwater, supply water and heating pipes of the building, other than those located in the ground slab;	3 %
Copper and plastic pipes in the ground slab and underground;	3 %
Other pipes in the ground slab and underground;	6 %

The age reduction percentage is computed by multiplying the percentage in the above table by the number of full calendar years following the year the property was first used.

Age reductions are also made on costs of;	Age reductions are NOT made on;
<ul style="list-style-type: none"> exposing and resealing structures of a building, excavating and filling. 	<ul style="list-style-type: none"> costs arising from locating faults and damage, electric cables.

8.3. Insurance Claim

Any insurance claim must be made as soon as possible within one (1) year from the date at which the **Insured** becomes aware of the occurrence of a damage that resulted from the occurrence. In any event, the claim shall be made within ten (10) years from the occurrence of the insured event or from the occurrence of the damage.

A claim report must be made without delay and sent to;

Cunningham Lindsey Nordic ApS c/o Oy Lars Krogus AB Sörnäisten Rantatie 25 A tel. 09 4763 6300 FI-00500 Helsinki vahingot@kauppaturvavahingot.fi Finland
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The claim report must include;

- A copy of the **Purchaser's** claim (if this has been forward in writing);
- Proof of damage, such as a copy of a damage survey report;
- A copy of the **Inspection Report**;
- Information regarding any other insurance policy that may be covering the damage / claim;
- Any other information and or documents which the **Insurer** may need for handling the claim.

8.4. Commitments

The **Insured** shall contribute, as can be reasonably required, to the settlement of claims by providing the **Insurer** with the information and documents requested by the **Insurer** according to Section 69 of the Finnish Insurance Contract Act. If the **Insured** does not contribute to the settlement of claims, the **Insurer** is not liable for any additional costs incurred as a result of this.

9. General Conditions

9.1. Premium Payment and Inception Date

The premium is paid to the **Insurer** in accordance with their applicable payment conditions. If the premium is not paid, the **Insurer** is entitled to terminate the policy at 14 days' notice, calculated from the dispatch of the notice. The policy is not to be terminated if the premium is paid within these 14 days. (Section 39 Finnish Insurance Contract Act).

If the insurance cannot be granted, the **Insurer** is not responsible for any damage.

The **Insurer's** liability begins at the inception date of the insurance period stated in the policy letter and applies until the insurance has been terminated, provided that the premium has been paid in accordance with the issued premium invoice.

9.2. Termination of the Insurance

The insurance will be terminated if the **Sales Contract** is cancelled.

The insurance can also be terminated with immediate effect by the **Insurer** if the **Insured** has;

- provided incorrect information,
- failed to comply with applicable construction regulations,
- caused loss or damage willfully or through gross negligence,
- increased the risk of damage, for example by hiring the **Object** to a third party.

9.3. Personal Information

The personal details of the **Insured** that we handle are necessary in order for us to administer the insurance and to fulfill our obligations in connection with this insurance and according to law.

This information is normally provided by the **Insured** or by other companies that we cooperate with. Personal data are also the basis for market and customer analysis, business and methodology development, statistics and risk management, marketing and our services in general.

Personal information may for the purposes specified above be disclosed to other companies that we cooperate with, or to an authority requesting such information.

The data manager for the Finish Personal Data Act (PDA) is the Insurer's representative, SP Underwriting Agency. According to PDA, the **Insured** has the right to receive information about the personal data of the **Insured** that we handle. The **Insured** is also entitled to annually, request in writing that we correct inaccurate personal data relating to the **Insured** or to notify us that personal information about the **Insured** should not be used for direct marketing.

Such requests shall be made in writing and be addressed to SP Underwriting Agency AB, att: Björn Haglund, Tulegatan 39, 113 53 Stockholm, Sweden, tel: +46 72 716 82 86.

9.4. Applicable Law

The Finnish Insurance Contracts Act (543/1994, including amendments) applies to this insurance.

9.5. Force Majeure

The insurance does not cover loss that may occur if the claim investigation, repair or payment of compensation is delayed due to war, war-like events, revolution, insurrection or because of government action, strikes, lockouts, blockades or similar events.

9.6. Period for Filing Suit against the Insurer

Any suit based on either a decision made by the **Insurer** on a claim or another decision that affects the position of the policyholder, the **Insured** or another party entitled to compensation or benefits, shall be filed within three (3) years from the date of receipt by the party concerned of the **Insurer's** written notice of the decision and of the time limit, under penalty of forfeiture of the underlying right. If the case is pending settlement by the Consumer Disputes Board, the Insurance Complaints Board or any other body resolving consumer disputes, the statute of limitations is suspended as provided in Section 11 of the act on the period of limitation of debt (728/2003).

9.7. Inquiries Regarding the Insurance Policy

For any inquiries regarding this insurance contract, please contact the Insurance Intermediary: Optimum Insurance Consultants Oy, Nuijamiestentie 5 A 2krs, FI-00400 Helsinki, Finland, tel: 09 8775 2385.

9.8. Information on Consumer's Right for Withdrawal in Distance Selling

According to the Finnish Consumer Protection Act, a consumer has the right to withdraw from the contract by notifying the Insurance Intermediary within 14 days after the conclusion of the contract or a later date on which the consumer received the prior information and the contractual terms in a permanent manner. In the event of withdrawal, your agreement is terminated and you regain the premium that you have paid for the insurance.

10. Insurer's Liability

The subscribing insurers' obligations under contracts of insurance to which they subscribe are several and not joint and are limited solely to the extent of their individual subscriptions. The subscribing insurers are not responsible for the subscription of any co-subscribing insurer who for any reason does not satisfy all or part of its obligations.

11. Complaints Handling

The **Insurer** has appointed Mr. Björn Haglund at SP Underwriting Agency AB as responsible for handling complaints. Post address; Tulegatan 39, SE-113 53 Stockholm, Sweden. E-mail address; bjorn.haglund@sp-underwriting.se

A response should be received within 8 weeks.

12. Complaints Handling at Lloyds

If you are not satisfied with the handling of your complaint, you can contact the Lloyd's representative in Sweden (address below) who will bring the case to Lloyd's complaints Department for a final review of the case, without prejudice to your rights under Finnish Law.

Erik Börjesson, General representative of Lloyd 's, Sveavägen 20, 111 57 Stockholm, Sweden, tel: +46 8 545 253 40, or via email: erik.borjesson@lloyds.com.

Regardless of the above, the client always has the right to have his case tried by general court. All subpoenas, notifications and law suits relating to this insurance are considered to be served to the **Insurer** if they are addressed and submitted to Erik Börjesson, General Representative for Lloyd's.

If the **Insured** is not satisfied with the **Insurer's** decision the **Insured** can have it be reconsidered by the **Insurer** by presenting a case in writing to the **Insurer** requiring reconsideration.

13. Disputes

Legal steps in connection with the insurance shall be brought against the **Insurer**:

Erik Börjesson, General representative of Lloyd 's, Sveavägen 20, 111 57 Stockholm, Sweden, tel: +46 8 545 253 40, or via email: erik.borjesson@lloyds.com.

Lloyd's General Representative can at any time present the case to Lloyd's Complaints Department, without this having any influence on the **Insured's** legal position.

If the **Insured** is not satisfied with the **Insurer's** decision the **Insured** can have it be reconsidered by the **Insurer** by presenting a case in writing to the **Insurer** requiring reconsideration.

13.1. Consumer Disputes Board (Finland)

The Consumer Disputes Board is a neutral and independent expert body whose members represent consumers and business in a balanced way. Their examination is free of charge and the decision is in the form of a recommendation. Address: Consumer Disputes Board, P.O. Box 306, 00531 Helsinki, tel. 029 566 5200 or e-mail: kril@oikeus.fi

13.2. District Courts

All disputes will be settled by the district court of Helsinki. If the **Insured** is a consumer, the consumer can also institute legal action in the district court within whose jurisdiction the consumer has his or her domicile.

13.3. Other Information

If you want to know more, you can contact the Insurance Intermediary.

Optimum Insurance Consultants Oy, Nuijamiestentie 5 A 2krs, FI-00400 Helsinki, Finland, tel: 09 8775 2385.

You can also contact the Finnish Financial Ombudsman Service and Consumers Insurance Bureau. They will not make any examination of individual cases but they give free advice and assistance to consumers in insurance matters.

14. Other regulations

14.1. Nuclear Risks Exclusion Clause

This policy does not cover any loss or damage arising directly or indirectly from ionizing radiation or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel or radioactive toxic explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof.

* NEVERTHELESS if Fire is an insured peril and a Fire arises directly or indirectly from nuclear reaction nuclear radiation or radioactive contamination any loss or damage arising directly from that Fire shall (subject to the provisions of this policy) be covered EXCLUDING however all loss or damage caused by nuclear reaction nuclear radiation or radioactive contamination arising directly or indirectly from that Fire.

NOTE. - If Fire is not an insured peril under this policy the words "NEVERTHELESS" to the end of the clause do not apply and should be disregarded.

14.2. War and Civil War Exclusion Clause

Notwithstanding anything to the contrary contained herein this Policy does not cover;

- a) Loss or Damage directly or indirectly occasioned by, happening through or in consequence of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation or nationalization or requisition or destruction of or damage to property by or under the order of any government or public or local authority.
- b) Any act of **Terrorism**; or
- c) Any act of war or **Terrorism** involving the use of, or release of, a threat to use any nuclear weapon or device or chemical or biological agent.

14.3. Sanction Limitation and Exclusion Clause

No (re)insurer shall be deemed to provide cover and no (re)insurer shall be liable to pay any claim or provide any benefit hereunder to the extent that the provision of such cover, payment of such claim or provision of such benefit would expose that (re)insurer to any sanction, prohibition or restriction under United Nations resolutions or the trade or economic sanctions, laws or regulations of the European Union, United Kingdom or United States of America.

14.4. Euro Contract Continuity Clause

- a) The occurrence of an event associated with economic and monetary union in the European Union shall not have the effect of:
 - i) terminating; or
 - ii) altering or invalidating any term of, or discharging or excusing performance under; or
 - iii) giving either party a unilateral right to alter or terminate; this contract.
- b) For the purposes of this contract an "event associated with economic and monetary union in the European Union" includes without limitation each (and any combination) of the following events:
 - i) the withdrawal from legal tender of the Euro;
 - ii) the withdrawal from the European Union and/or from the Euro by one or more members of the European Union (Member State(s));
 - iii) the replacement of the Euro by any alternative single or unified currency by two or more Member States (whether or not they remain members of the European Union) or the introduction of a new currency by a Member State (whether or not it remains a member of the European Union).

15. Recourse

In the event of paying insurance compensation, the **Insurer** assumes the **Insured's** potential right to compensation against someone that, due to a contract or otherwise, is liable for the fault, damage or major damage.

The **Insured** may not, to the disadvantage of the **Insurer**, renounce the right to compensation entitled to him through a contract or general tort law.