

Defence costs coverage in Italy

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< Previous

[State-backed cyber attacks – Lloyd's announces new requirements](#)

Next >

[A new approach to PI insurance for Germany lawyers](#)

The Supreme Court in Italy has reversed a previous ruling in relation to cover for defence costs in Italian liability policies. Previously, it was lawful for policies to refuse to provide cover where the policyholder refused to appoint the lawyers or other representatives chosen by insurers.

However, the Supreme Court has now ruled that such clauses are unenforceable, being a violation of article 1917 of Italy's Civil Code. Article 1917 states that:

"legal costs incurred by the insured to defend against the claim of the injured party shall be borne by the insurer to the extent of one-quarter of the sum insured".

The only exceptions are where the change is more favourable to the insured, or where the insurer can prove that litigation costs were recklessly incurred.

Underwriters of Italian liability risks should be aware of these new requirements and ensure their policies and claims handling practices comply.

Contents

[The Word, August 2022](#)



[State-backed cyber attacks – Lloyd's announces new requirements](#)



[Defence costs coverage in Italy](#)



[A new approach to PI insurance for Germany lawyers](#)



[New credit risk insurance policy model published by Loan Market Association](#)



[New surety rules in Brazil](#)



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