



# 220 Mandatory Vehicle Insurance

## Third-Party Liability Insurance, Accident Insurance of the Driver and Owner, Windshield Insurance

This is a translation of the authoritative Icelandic text. Should there be any discrepancy between the translation of these terms and the Icelandic version, the original Icelandic terms apply.

### INSURANCE TERMS AND CONDITIONS

Mandatory vehicle insurance consists of three insurances. In all cases it includes third-party liability insurance which is mandated by law and which covers compensation claims for damages caused by the use of a motor vehicle pursuant to the Icelandic Motor Insurance Act No. 30/2019. Regarding motor vehicles other than off-road vehicles, it includes accident insurance of the driver and owner. The third and optional element included in the insurance is windshield insurance.

#### A. MANDATORY THIRD-PARTY LIABILITY INSURANCE FOR MOTOR VEHICLES.

##### 1. The Insured Parties.

1.1 The Policyholder is insured, as well as whoever uses or drives the vehicle with his or her consent. Should the vehicle be sold, the new owner is insured for 14 days after the change of ownership, unless he or she has taken out another insurance for the vehicle.

##### 2. Scope of Insurance.

2.1 The Insurance covers each and every claim for compensation against which the Policyholder is, pursuant to currently valid Icelandic laws on motor vehicle insurance, obliged to take out insurance, regarding damage which may result from the use of the vehicle.

2.2 The Insurance does not apply when the vehicle takes part in driving competitions in a controlled area which has been authorized pursuant to traffic regulations.

##### 3. Damage to Own Vehicle.

3.1 The Insurance does not cover damage to the motor vehicle itself or other property of the Policyholder or the Insured. The Insurance will nevertheless compensate for damage to other cars owned by the Policyholder or the Insured that are caused by the insured motor vehicle.

##### 4. Compensation Obligation of the Company.

4.1 The Company's maximum compensation for each insurance event is limited to the sum insured specified in the insurance certificate or the legally-mandated sum insured, whichever is higher.

##### 5. Geographical Scope of the Insurance and Driving Abroad.

5.1 The Insurance is valid for the use of the motor vehicle in Iceland and in other member states of the European Economic Area (EEA), member states of the European Free Trade Association (EFTA), and the Faroe Islands.

5.2 The Policyholder shall acquire an international insurance card for motor vehicles ("green card") for driving abroad, provided that the country in question is a party to agreements on the use of such insurance card.

##### 6. Precautionary Principles.

6.1 The Insured is obligated to ensure that the condition of the vehicle complies with legal provisions. In particular, he or she shall ensure that its safety equipment, such as tires and brakes, is in order.

6.2 The driver shall have the ability to safely operate the motor vehicle and have the appropriate driving permit to do so.

6.3 Violation of the precautionary principles may result in the Company reclaiming, in whole or in part, from the Insured the compensation that has been paid for a damage or loss, cf. Article 19 of the Icelandic Motor Insurance Act.

##### 7. Change of Domicile, Changes to Vehicle, and Increased Risk.

7.1 The Policyholder shall immediately notify the Company if he or she changes domicile.



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7.2 The Insured shall notify the Company of any modifications to the vehicle or to its use that may result in increased risk of loss or damage, such as the use of specialized tools or equipment. If the Insured neglects to provide such notification, the Company is released from liability pursuant to the provisions of the Act on Insurance Contracts No. 30/2004.

### 8. Limitation to Liability Regarding Changes to the Use of the Vehicle.

8.1 The premium for the Insurance takes into account, among other things, the use of the insured vehicle according to what is registered in the insurance certificate. If the vehicle is then with the Insured's consent used in another way than is specified in the insurance certificate and an insurance event that can be traced to the changed use brings about the payment of compensation from the Insurance, the Company's liability toward the Insured is reduced proportional to the difference between the agreed upon premium and the premium that the Company would legitimately have the right to due to the change in use. The reduction in the Company's liability according to this provision does not reduce the Claimant's right to compensation from the Insurance, but the Company, on the other hand, has the right of recourse toward the Insured that amounts to the reduction.

### 9. Renting out a Vehicle without a Driver.

9.1 The Company has a right of recourse toward the Insured pursuant to the provisions of Article 8 here above regarding damage that occurs when the vehicle is rented out without a driver, contrary to provisions of the Act on Car Rentals No. 65/2015.

### 10. Insurance Period.

10.1 The Insurance comes into effect on the day specified in the insurance certificate according to the insurance application. If an insurance certificate has not been issued, the insurance comes into effect when the Company or its agent has received the insurance application unless otherwise agreed. Unless otherwise agreed, the Insurance is valid until the next due date at 00:00 (midnight).

### 11. Renewal of the Insurance.

11.1 The Insurance is extended for one year at a time unless the Policyholder has cancelled it within one month from the date the Company sent a notification regarding the due date of the new insurance period in accordance with Article 12.1. There is, however, no obligation to notify the Company of the cancellation until two weeks before the end of the insurance period. If however the Insurance is purchased for business operations, and the scope of the operations corresponds to more than five man-years, or if the operation is carried out for the most part abroad, the Company shall always receive the cancellation at least one month before the end of the period. The cancellation only applies, however, if an insurance contract has been registered at another insurance company before that due date at the latest.

11.2 When the Insurance is purchased for a business operation pursuant to the business provisions specified in Item 3 of Paragraph 1, the Policyholder cannot cancel the Insurance during the insurance period to transfer the Insurance to another company.

### 12. Payment of Premiums and Termination of Insurance Due to Non-Payment.

12.1 The first premium is due when the Company's liability begins, cf. Article 10.1. Subsequent premiums are due on the first day of each renewal period. The Company sends notifications of the premium payments to the Policyholder. The notification shall specifically state the grace period, which shall be at least one month from the date the notification is sent.

12.2 If the premium is not paid by the end of the grace period pursuant to Paragraph 1, the Company is authorized to send a special warning wherein payment is demanded within 14 days, after which the Insurance is terminated if the premium is still unpaid.



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- 12.3 If the Insurance was taken out with a unilateral statement by the Policyholder, the Company is authorized to call upon the Policyholder to pay the premium or to negotiate the payment thereof immediately and at the latest within a week from the receipt of such a notification. If the Policyholder does not comply with the request, the Company is authorized to immediately terminate the Insurance.
- 12.4 If the Policyholder has not specifically negotiated the payment of the premium before the expiration of the grace period pursuant to Paragraph 2 or 3, it is considered to be unpaid, if it is not paid in full when the grace period expires.
- 12.5 Notifications, pursuant to Paragraphs 2 and 3, shall state that the Insurance lapses if it is not paid within the required time limit, as well as the legal consequences of the Insurance lapsing, cf. Article 13.1.
- 12.6 A claim for the payment of the premium is sent to the address of the Policyholder as registered in the National Registry (Þjóðskrá) unless he or she has specifically designated another address. The Company shall be immediately notified of any changes to the designated address.
- 12.7 If the Insurance lapses pursuant to Paragraph 2 or 3, the settlement of premium proceeds pursuant to Article 14 of these terms and conditions.
- 12.8 The premium for third-party liability insurance together with interest and costs rests as statutory lien with the vehicle and is not discharged upon change of owner. The Company may demand a distress sale of the vehicle without a previous court decision, conciliation, or a writ of execution, on the basis of the statutory lien.
- 12.9 When collecting the premium, the Company is authorized to collect a special fee, which is further specified in the premium tariffs, in order to cover the collection costs of the premium. It shall also be specifically noted in the premium payment notification.

### 13. The Consequences of the Insurance Lapsing Due to Non-Payment.

- 13.1 If the Insurance lapses pursuant to Article 12.2 or 12.3, the Company reports it to the Icelandic Transport Authority (Samgöngustofa) pursuant to Article 13 of the Icelandic Motor Insurance Act. The Chief of Police must then see to it that the vehicle's license plates are immediately removed.

### 14. Settlement of Premium When the Insurance Lapses during the Insurance Period.

- 14.1 If the Insurance lapses during the insurance period, the Policyholder shall pay the premium for the period in which the Insurance was in effect, proportionally to the time left in the insurance period. The Company reimburses the premium according to the same proportional principle for the time that has been paid and the Insurance was not in effect. This principle does not apply in cases in which the premium is determined according to seasonal risk and when it is specified in the insurance certificate that the premium is seasonal, and Article 14.2 thus applies.
- 14.2 If the Insurance lapses during the insurance period regarding a vehicle for which the premium is determined according to seasonal risk, conditional upon the premium being identified as seasonal in the insurance certificate, the Policyholder shall pay a premium based on the aggregate proportion of the yearly premium, which is specified in the table here below, for the time period in which the Insurance was in effect, the category of vehicles that the vehicle belongs to is specified in the insurance certificate. The Company reimburses the premium according to the same principle for the time that has been paid and the Insurance was not in effect.

Month	Category 1 (e.g. snowmobiles)	Category 2 (e.g. motorcycles)	Category 3 (e.g. ATVs)	Category 4 (e.g. antique cars)	Category 5 (e.g. RVs and motorhomes)
January	14%	2%	2%	4%	3%
February	23%	2%	4%	4%	3%
March	23%	3%	4%	5%	5%
April	15%	6%	4%	10%	7%



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May	8%	14%	4%	12%	12%
June	2%	16%	13%	14%	20%
July	2%	16%	17%	14%	20%
August	2%	16%	17%	12%	12%
September	2%	14%	22%	12%	7%
October	2%	6%	9%	5%	5%
November	2%	3%	2%	4%	3%
December	5%	2%	2%	4%	3%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### 15. Sale of the Vehicle and Deregistration.

- 15.1 The Policyholder must inform the Company without delay if the vehicle is deregistered or sold, as the Insurance only applies to the new owner for 14 days after the change of ownership, cf. Article 1.1.
- 15.2 The Insurance lapses when the vehicle is deregistered at the Icelandic Transport Authority, and the premium is then settled pursuant to Article 14 of these terms and conditions.
- 15.3 If the vehicle is sold, the premium is settled pursuant to Article 14 of these terms and conditions, provided that a new insurance has been purchased for the vehicle at the time of the change of ownership.
- 15.4 If the Company pays out compensation after more than 14 days have passed since the change of ownership, the Company may request reimbursement from the individual who has caused the damage on the basis of Article 19 of the Icelandic Motor Insurance Act.

#### 16. Depositing of Licence Plates.

- 16.1 If the licence plates of the vehicle have been deposited at the Icelandic Transport Authority or another authorized party, the termination of the insurance contract is implied therein and the third-party liability insurance lapses at that point in time.
- 16.2 If the Insurance is terminated in the manner which is provided for in Paragraph 1, the premium is settled pursuant to Article 14 of these terms and conditions.

#### 17. The Company's Right of Termination.

- 17.1 The Company is authorized to terminate the insurance contract if the Policyholder and/or the Insured, has repeatedly and grossly neglected his or her duties towards the Company. If the Company terminates the insurance contract under this provision, the notice period shall be two months, unless the Act on Insurance Contracts authorizes a shorter period. The Company shall, in a verifiable manner, notify the Policyholder regarding the termination and explain the reasons for and the consequences of the termination.
- 17.2 When the notice period pursuant to Paragraph 1 has passed, the Company shall notify the Icelandic Transport Authority that the Insurance has lapsed. The Company continues, however, to be responsible for all damages to third parties until four weeks pass from when the Icelandic Transport Authority has received the notification, unless another sufficient insurance has been purchased.
- 17.3 If the Insurance is terminated in the manner which is provided for in Paragraphs 1 and 2, the premium is settled pursuant to Article 14 of these terms and conditions.

#### 18. Obligations of the Insured in the Event of Damage.

- 18.1 As soon as the Insured learns of or suspects that a claim for damages will be made, and it may be expected that the Insurance will cover this claim, he or she must notify the Company without delay in a verifiable manner.
- 18.2 The Insured may not accept liability for damages or enter into agreements regarding compensation claims without the Company's consent, unless the Insured has acted only in accordance with his or her legal obligation when he or she paid the claim or recognized its validity. When the insurance event has occurred



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or there is a direct risk of it taking place, the Insured must try to the best of his or her ability to prevent or minimize the damage.

18.3 Neglecting the obligations of the Insured pursuant to Paragraphs 1 and 2 can lead to a reduction or loss of insurance coverage pursuant to Article 28 of the Act on Insurance Contracts.

#### 19. Settlement of Claims and Related Costs.

19.1 When a compensation claim is filed under the Insurance, the Company has the right to handle the settlement and defence in court, if necessary. The Company will pay the resulting costs, not exceeding, however, the proportion of the sum insured of the principal of the compensation.

#### 20. Right to Pay Compensation to an Injured Party.

20.1 The Company has the right to pay compensation directly to a third party (the injured party). If a claim for damages is filed, the Company may, at any stage of the case, meet its obligations and free itself from further payments by paying the sum insured sum with accrued interest and costs which correspond to the sum insured.

20.2 The person entitled to compensation under the Insurance also has the legal right to the interest on the compensation.

#### 21. Determination of Premium and Premium Surcharge.

21.1 The premium for this Insurance is calculated in accordance with the Company's premium tariffs. The Company reserves the right to determine a renewal premium in accordance with a new tariff with regard to general changes in risk, price changes, and other causes that change the base of the premium.

21.2 If the Company pays compensation in relation to the vehicle covered by the insurance contract, a special premium surcharge in accordance with the premium tariff that is further specified in the insurance certificate or renewal receipt shall be paid. The premium surcharge is due when the Company has paid out compensation due to loss or damage that amounts to the minimum amount further specified in the insurance certificate or renewal receipt.

21.3 If the Company has had a particularly bad damage experience with the insured vehicle, the Company may determine the premium on an individual basis as is further specified in the premium tariffs.

#### 22. Deductible.

22.1 In each event of loss or damage, the Policyholder pays a deductible, if it is stipulated in the insurance certificate or renewal receipt. The Company's claim for the payment of the deductible is due as soon as the Company has delivered preliminary or full payment regarding the damage.

#### 23. Act on Insurance Contracts, Dispute Resolution, etc.

23.1 Unless otherwise provided for in these terms and conditions, the insurance certificate or other documentation on which the insurance contract is based, the provisions of Act No. 30/2004 on Insurance Contracts shall apply.

23.2 Disputes related to this insurance contract and the Company's liability in other respects may be appealed to the Insurance Complaints Committee. Information on the Committee and the rules governing its work may be obtained from the Company.

23.3 Despite the provisions of Paragraph 2, the parties are entitled to bring the dispute before the courts. Such disputes, as well as other disputes arising from this insurance, shall be brought before the District Court of Reykjavík. The Company may, however, also initiate proceedings arising from the insurance in the jurisdiction of the Policyholder.

23.4 The Company's domicile and venue are in Reykjavík.



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#### B. ACCIDENT INSURANCE OF THE DRIVER AND OF THE OWNER AS PASSENGER.

##### 1. The Basis of Accident Insurance.

- 1.1 This Insurance is subject to the Act No. 30/2004 on Insurance Contracts and the Icelandic Motor Insurance Act No. 30/2019 unless otherwise provided for in these terms and conditions or other provisions of this insurance contract. In other respects, the Insurance refers to the mandatory third-party liability insurance, as applicable.
- 1.2 Accident insurance of the driver and of the owner as passenger does not apply if the vehicle is an off-road vehicle, cf. Paragraph 2, Article 11 of the Icelandic Motor Insurance Act.

##### 2. Scope of Insurance and Maximum Compensation.

- 2.1 The Company pays compensation for physical damage due to a traffic accident suffered by the driver when conducting the vehicle covered by the Insurance, provided that the accident is traced to its use, cf. Article 9 of the Icelandic Motor Insurance Act. The Company also pays compensation for physical damage due to a traffic accident suffered by the Policyholder as a passenger in the vehicle, provided that the damage is traced to the use of the vehicle.
- 2.2 The sum insured is subject to the Icelandic Motor Insurance Act and is amended annually as decided by a Minister.

##### 3. Geographical Scope and Driving Abroad.

- 3.1 The Insurance is valid for use of the vehicle in Iceland and in other member states of the European Economic Area (EEA), member states of the European Free Trade Association (EFTA), and the Faroe Islands.

##### 4. Exempted Risks.

- 4.1 The Company does not compensate for loss or damage resulting from war, riots, uprisings, strike actions, or other similar incidents. The same applies to damage resulting from nuclear power, radiation or radioactive materials, as well as to damage resulting from volcanic eruptions, earthquakes, landslides, avalanches, or other natural disasters.

##### 5. Loss of Right to Compensation.

- 5.1 The right to compensation from the Insurance can be terminated in whole or in part according to the Act on Insurance Contracts if the Policyholder or the Insured neglects his or her obligations towards the Company, for example, if he or she causes damage by driving without a driving permit or causes damage intentionally or by gross negligence, such as if he or she drives under the influence of alcohol or narcotics.

##### 6. Sale of the Vehicle and Deregistration.

- 6.1 The Policyholder must inform the Company without delay if the vehicle is deregistered or sold, as the Insurance only applies to the new owner for 14 days after the change of ownership, provided that a new insurance has not been purchased for the vehicle.

##### 7. Determination of Premium and Premium Surcharge.

- 7.1 If the Company pays compensation for the vehicle covered by the insurance contract, a special premium surcharge in accordance with the premium tariff that is further specified in the insurance certificate or renewal receipt shall be paid. The premium surcharge is due when the Company has paid out compensation due to damage that amounts to the minimum amount further specified in the insurance certificate or renewal receipt.



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7.2 If the Company has had a particularly bad damage experience with the insured vehicle, the Company may determine the premium on an individual basis as is further specified in the premium tariffs.

#### C. WINDSHIELD INSURANCE.

##### 1. General Provisions.

1.1 The Insurance is subject to Act No. 30/2004 on Insurance Contracts unless otherwise provided for in these terms and conditions or other provisions of this insurance contract.

##### 2. Scope of Insurance.

2.1 The Insurance compensates for a broken window or windshield along with installation costs, unless the Insured caused the loss or damage intentionally or by gross negligence. Minor chipping or scratching of the windscreen does not constitute a break. The Insurance will only pay compensation for windshields, side windows, and rear windows.

2.2 Compensation from the windshield insurance will never amount to more than the equivalent of 35% of the value of the car.

##### 3. Specially-Equipped Windshields.

3.1 The Insurance covers a standard car windshield. Compensation corresponds to a comparable windshield with the same characteristics as the one that was in the car before the damage. In the case of an unusual windshield, e.g. one with specialized equipment that makes it much more expensive than a standard windshield in a comparable car, compensation is only paid to the extent of the value of a standard windshield.

##### 4. Reporting Damage and Measures Regarding Damage.

4.1 When an event of damage has occurred, the Insured shall immediately notify the Company in a verifiable manner, and a claim shall be reported no later than within a year from the date when the Insured knew or could have known that an insurance event had occurred. The Insured's negligence of these obligations can lead to a reduction or loss of insurance coverage in accordance with the Act on Insurance Contracts.

##### 5. Deductible.

5.1 If the Insurance compensates damages to a windscreen with a new windscreen, the Policyholder pays a deductible, which is specified in the insurance certificate or premium receipt. If it is possible to repair the damaged windshield, the Insurance covers its repair without a deductible from the Policyholder.

##### 6. Motor Vehicles Owned by Business Operators.

6.1 If a motor vehicle is owned by a business operator, which can use the value added tax paid for the vehicle as input VAT in its business, the Company does not compensate the part of the damage that corresponds to the value added tax, irrespective of whether the compensation is to cover a total loss or repair costs.

##### 7. Removal, Installation, and Loss of Use.

7.1 Compensation is not paid for a window or windshield broken during removal or installation. Damage resulting from loss of use of the vehicle if a windscreen breaks is not compensated.

##### 8. Reference to Terms and Conditions.

8.1 In other respects, reference is made to the Company's terms and conditions for mandatory third-party liability insurance, as applicable.



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#### **Registration in the Claims Database Creditinfo Lánstraust hf.**

Claims submitted to insurance companies are registered in a specialized claims database which is run by Creditinfo Lánstraust hf. according to an agreement with Finance Iceland (Samtök fjármálafyrirtækja, SFF), of which the Company is a member, and according to the authorization of the Icelandic Data Protection Authority (Persónuvernd). The Company is the party responsible as defined by Act No. 90/2018 on Data Protection and the Processing of Personal Data regarding the registration of data in the database and the searches carried out therein. The objective of the registration in the claims database is to counter insurance fraud and overpayment of insurance benefits. Registered is the information about the Claimant's ID number (kennitala), the insurance claim number, the kind of loss or damage and of the insurance, the date of the insurance event and of the registration, the location of the insurance event and, where applicable, the unique number of the insured item, such as a car's registration number. When registering a claim, the Company receives a summary of all claims that the Claimant has filed, regardless of with which insurance company, and that have been registered in the claims database. Only those employees of the Company who register damages and work on damage settlements have access to the database. The data shall be deleted from the database when it is no longer needed for the purpose of the processing, at the latest when 10 years have passed since the registration of the data.

These terms and conditions are valid from 20 March, 2020.