



# 220 Third-Party Liability Insurance for Motor Vehicles

## INSURANCE TERMS

### **A COMPULSORY 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 consent. Should the vehicle be sold, the new owner is insured for 14 days after the change of ownership, unless he has taken out another insurance for the vehicle.
- 1.2 If the policyholder is different from the registered owner of the vehicle, or if the policyholder does not have permanent control over it, then he shall inform the company of the registered owner or the person with permanent control over the vehicle.

### **SCOPE OF THE INSURANCE**

#### **2. Scope**

- 2.1 The policy covers each and every claim for compensation against which the insured, as the registered owner of the insured vehicle, is obliged to take out insurance, under currently valid Icelandic traffic laws, against damage which may result from use of the vehicle.

#### **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. Nevertheless, the insurance policy will compensate for damage to the policyholder's or the insured's own motor cars that are caused by the insured motor vehicle.

#### **4. Compensation obligation**

- 4.1 TM's maximum compensation for each insurance event is limited to the insurance amount set out in the insurance policy or the legally prescribed insurance sum, whichever is the higher.

#### **5. Driving abroad**

- 5.1 The insurance is valid for use of the vehicle in Iceland and in other countries of the European Economic Area (EEA). The insurance is also valid in Switzerland. The policyholder shall acquire an international insurance card for motor vehicles ("green card") for driving abroad in other countries than those already listed, provided that the country in question is party to agreements on the use of such insurance cards.

### **DEMAND FOR REIMBURSEMENT**

#### **6 Demand for reimbursement due to ebriety, lack of license, negligence, intention, change of ownership or payment in arrears**

- 6.1 Tryggingamiðstöðin can demand reimbursement from the policyholder and/or the driver, in the event that provisions in traffic laws or regulations have led Tryggingamiðstöðin to pay compensation for a loss against which the insured is not rightfully covered, when
  - a) the insured has not acquired a license to drive the vehicle in question, or has lost his license to do so.
  - b) the damage has been caused intentionally or by gross negligence, such as the insured, due to previous intake of alcohol, stimulating or tranquilizing drugs, is considered unable to control the vehicle safely or is unfit to do so, cf. traffic law provisions.
  - c) 14 days have elapsed from the date of change of ownership, cf. Article 23.11 in the present terms.
  - d) the policy has lapsed (expired due to non-payment of the premium), or been cancelled.

#### **7. Hiring out of vehicle without a driver**

- 7.1 Tryggingamiðstöðin has a right to demand reimbursement from the insured on account of damage incurred when the vehicle has been hired out without a driver, in breach of provisions in the act on car rentals no. 64/2000. If the insured succeeds in proving that the cause of the damage or its extent cannot be traced to an infringement of these regulations, Tryggingamiðstöðin is not entitled to demand reimbursement.



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### 8. Other driving than stated above

- 8.1 Tryggingamiðstöðin is entitled to demand reimbursement from the insured party if the vehicle has been used for other driving than that specified in the insurance policy.

### 9. Reference to traffic laws and laws on insurance contracts

- 9.1 The provisions of these insurance terms shall not in any way reduce the right to demand reimbursement to which Tryggingamiðstöðin is entitled, or might acquire the right to, under general rules of law, the Traffic Act, No. 50/1987, or the Insurance Contracts Act, No. 30/2004.

## OBLIGATIONS OF THE INSURED IN THE EVENT OF DAMAGE

### 10. Obligations of the insured in connection with damage

- 10.1 As soon as the insured learns of or suspects that a claim for damages will be made and the insurance is expected to cover this claim, he is obliged to notify the company thereof in writing.
- 10.2 The insured may not accept liability for damages or conclude agreements in relation to a claim for damages without the company's approval, unless the insured has acted only in accordance with his legal obligation when he paid the claim or accepted its validity. When the insurance event has occurred or there is a direct risk of it taking place, the insured must try to the best of his ability to prevent the damages or minimise them.
- 10.3 Negligence by the insured according to paragraphs 1 and 2 can lead to a reduction or loss of insurance coverage according to the Act on Insurance Contracts.

## CLAIMS SETTLEMENT, THE RIGHT TO PAY COMPENSATION TO AN INJURED PARTY

### 11. Claims settlement and related cost

- 11.1 When a compensation claim is lodged under the policy, Tryggingamiðstöðin shall have the right to handle the settlement and defence before a court of law, should the case arise. Tryggingamiðstöðin will pay the resulting costs, not exceeding, however, the proportion of the insurance sum of the principal of the compensation.

### 12. The right to pay compensation to an injured party

- 12.1 Tryggingamiðstöðin has the right to pay compensation direct to a third party (the injured party). If a compensation claim is presented, Tryggingamiðstöðin may, at any stage of the case in question, meet its obligations and liberate itself from further payments by paying the insurance sum with interest and costs corresponding to the insurance sum.

### 13. Change of domicile, modifications to motor vehicle, increased risks

- 13.1 The policyholder shall notify Tryggingamiðstöðin immediately in the event of a change of domicile. The same shall apply to any person registered as the owner of the vehicle or the person with permanent control over it when he is not the insured. The insured shall notify all modifications to the vehicle or its use that may entail increased risk of damage, such as the use of special appliances or equipment or participation in motor racing. Should the insured party neglect to provide such notification, Tryggingamiðstöðin is thereby exempted from liability according to the provisions of the Insurance Contract Act No. 30/2004.

### 14. Motor racing

- 14.1 Tryggingamiðstöðin may demand a supplementary premium for motor racing or practice for such races.

## CAUTIONARY RULE – PERSONAL LIABILITY

### 15. Cautionary rule regarding condition of vehicle

- 15.1 The insured shall ensure that the condition of the vehicle complies with legal prescriptions. In particular, he shall ensure that its safety equipment is in order. Negligence in this matter may result in the reduction, or forfeiture, of the insurance coverage according to the Insurance Contracts Act. no. 30/2004.



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### 16. Personal liability

- 16.1 Out of each damage, the insured is liable for a fixed sum, provided this is set out in the (insurance) policy or receipt for premium paid. Tryggingamiðstöðin can demand payment of the policyholder's deductible as soon as the company has delivered preliminary or full payment on account of the damage.

### COVER PERIOD, PREMIUMS ETC.

### 17. Cover period of the insurance

- 17.1 The insurance shall enter into force on the day specified in the insurance policy according to the insurance application. If an insurance policy has not been issued, the insurance enters into force when Tryggingamiðstöðin or its agent is in receipt of the insurance application unless otherwise agreed. Unless otherwise agreed, the insurance is valid until the next due date (of the premium) at 00.00 hours.

### 18. Renewal of the insurance

- 18.1 The insurance is extended for a period of one year at a time unless the policyholder has terminated it in writing within a month from the time the company sent a notice of the due date for the new period according to Article 21, paragraph 1. However, he is not obliged to provide notice of termination to the company until two weeks remain until the end of the term. Termination will take effect only if an insurance contract with another company has entered into force no later than prior to that due date.
- 18.2 If the policyholder is a financial undertaking and the insurance is taken in relation to an agreement to finance the purchase of the insured vehicle, the company may, notwithstanding the provisions of paragraph 1, conclude an insurance contract that is in effect for a period equalling the financing agreement. However, the premium shall be determined and collected for a period of one year at a time. The policyholder may terminate the insurance in writing with at least a one-month notice counting from the end of the insurance contract. The provisions of the final sentence of paragraph 1 otherwise apply to the termination.

### 19. Modifications of the insurance terms

- 19.1 If the company makes amendments to the terms of the insurance and/or the premium base other than those falling under Article 25, paragraph 1 of these terms, the company shall notify the policyholder specifically of these amendments in accordance with the provision of the Act on Insurance Contracts.

### 20. Termination of insurance contract - Due date

- 20.1 The termination of the insurance contract is in other respects governed by articles 22.1, 24.1 and 26.1 in the present terms.

### 21. Demand for payment of premium

- 21.1 The first premium becomes due when the company's liability commences, cf. Article 17, paragraph 1. Subsequent premiums become due on the first day of each renewal period. The company sends the insurance policy a notification of the payment of the premium. The grace period shall be stated in the notification, and it shall be a minimum of one month from the date on which the notification is sent.
- 21.2 If the premium remains unpaid at the end of the grace period according to paragraph 1, the company may send a special warning wherein payment is demanded or else the policy expires if the premium remains unpaid when three months have passed from the due date.
- 21.3 If the insurance was taken with a unilateral statement by the policyholder, the company may demand that the policyholder pay the premium or 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 demand, the company may terminate the insurance immediately.
- 21.4 If the policyholder has not negotiated with the company specifically regarding the payment of the premium before the time limit according to paragraph 2 or paragraph 3, it is deemed to be unpaid, if it is not paid in full when the time limit expires.
- 21.5 Notifications according to paragraphs 2 and 3 shall state that the insurance expires if it is not paid within the requisite time limit, as well as the legal effects if the insurance expires, cf. Article 22, paragraph 1.



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- 21.6 A demand for payment of the premium shall be sent to the address of the policyholder as specified in the National Registry unless he has specifically specified another address. The company shall be notified immediately to amendments sent to the specified address.
- 21.7 If insurance expires according to paragraph 2 or 3, the policyholder shall nevertheless pay the premium for the period when the insurance was in force. The premium shall then be calculated as if it was a short-term insurance.
- 21.8 Premiums are subject to levy according to authorisation in the Traffic Act.

### **22. Arrears of premium**

- 22.1 If the insurance is terminated according to Article 21, paragraph 2 or Article 21, paragraph 3, the company shall notify the Road Traffic Directorate according to the provisions of Regulation no 424/2008, On Mandatory Motor Vehicle Insurance. According to the Regulation, the Chief of Police must see that the vehicle's license plates are immediately removed.

### **23. Sale of vehicle - deletion from register**

- 23.1 The policyholder shall inform Tryggingamiðstöðin without delay if the vehicle is struck off the register of motor vehicles or sold, as the policy only retains its validity towards the new owner for 14 days after the change of ownership, cf. Article 1.1.
- 23.2 If the vehicle is sold or struck off the register of motor vehicles, Tryggingamiðstöðin will refund the proportion of the premium corresponding to the remaining part of the cover period, provided that a new policy has been acquired for the vehicle when it changed hands. In the event of a demand for reimbursement following a change of ownership according to Article 6.1 d in the terms of insurance, cf. the paragraph of the present article, Tryggingamiðstöðin will repay the seller the relevant proportion of the premium from the day the damage occurred.

### **24. Lay-up period of registration plates**

- 24.1 If the vehicle has not been in use and the license plates were in the possession of the Road Traffic Directorate or its agent for a period of at least 30 consecutive days, the company will refund the premium pro rata for the period of possession. This does not, however, apply to insurance for tractors, artic all-terrain vehicles, off-road vehicles (snowmobiles and all-terrain vehicles), recreational vehicles and antique cars, provided that this was taken into consideration in determining the premium.

### **25. Determination of premium – Premium surcharge**

- 25.1 The premium for this insurance (policy) is calculated in accordance with the premium rates of Tryggingamiðstöðin. Tryggingamiðstöðin reserves the right to determine a renewal premium in accordance with a new tariff with regard to general modifications of the risks involved, price changes and other due to a traffic accident suffered by the driver when conducting the vehicle, cf. Article 92 of the Traffic Law No. 50/1987.
- 25.2 Should Tryggingamiðstöðin pay compensation for the vehicle covered by the insurance contract, a special in accordance with a new tariff with regard to general modifications of the risks involved, price changes and other causes which disrupt the compensation base. Such changes shall not constitute an authorization for either the policyholder or Tryggingamiðstöðin to terminate the insurance contract.
- 25.3 Should Tryggingamiðstöðin have a very bad damage experience of the insured vehicle, the company may determine the premium on an individual basis according to the premium rates.

### **26. Authorization to terminate contract during the insurance period**

- 26.1 Tryggingamiðstöðin is authorized to terminate the insurance contract if the policyholder and/or the insured, has/have repeatedly and grossly neglected his duties towards Tryggingamiðstöðin. If Tryggingamiðstöðin terminates the insurance contract under this provision it shall notify the policyholder accordingly, in a verifiable manner, making him aware of the implications of such a termination. Furthermore, Tryggingamiðstöðin shall inform the Chief of police of this decision, its third-party liability for any loss incurred continuing until four weeks have passed from the time the Chief of police received the notice, unless another sufficient insurance has been taken out. Should the insurance be terminated in this manner, Tryggingamiðstöðin will refund the premium proportionally for the remainder of the cover period.



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### 27. Disputes

- 27.1 Should a dispute arise as to the present insurance, an Icelandic court of law shall resolve the matter according to Icelandic law.
- 27.2 A dispute on liability may be appealed to the insurance companies' Loss Commission. A decision of the commission may be appealed to the Decision Commission on Losses. Information on these commissions and the rules governing their work may be obtained from Tryggingamiðstöðin.

### 28. Domicile and venue

- 28.1 The domicile and venue of Tryggingamiðstöðin are in Reykjavík. Cases which may arise out of the present insurance policy or insurance terms shall be processed before the Reykjavík District Court.

These terms are in effect as of 1 December, 2006.

## B ACCIDENT INSURANCE FOR THE DRIVER AND FOR THE OWNER AS PASSENGER

### 1. General terms

- 1.1 The insurance is governed by Law No. 30/2004 on insurance contracts unless otherwise disposed by the present terms or other provisions of the insurance contract.

### SCOPE OF THE INSURANCE

#### 2. Cover - Maximum compensation

- 2.1 Tryggingamiðstöðin pays compensation for damage due to a traffic accident suffered by the driver when conducting the vehicle, cf. Article 92 of the Traffic Law No. 50/1987.
- 2.2 The insurance sum is governed by traffic laws and amended annually as decided by the Minister of Justice.

#### 3. Passenger in own motor vehicle

- 3.1 Tryggingamiðstöðin also pays compensation for damage due to a traffic accident suffered by the policyholder as a passenger in his own vehicle. The insurance sum at any given time is the same as set out in Art. 2.2.

#### 4. Determination of compensation

- 4.1 Determination of compensation is based on the general rules of the Law on torts.

#### 5. Subtraction of indemnity payments

- 5.1 Compensation out of the present accident insurance shall be deducted from any compensation that the injured party may be entitled to on account of the accident in question, according to traffic laws or other rules of the Law of torts.

#### 6. Driving abroad

- 6.1 The insurance is valid for use of the vehicle in Iceland and in other countries of the European Economic Area (EEA). The insurance is also valid in Switzerland.

### EXEMPTED RISKS

#### 7. Exempted risks

- 7.1 Tryggingamiðstöðin does not compensate for loss or damage resulting from war, riots, civil disturbances, 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.



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### DUTIES OF THE INSURED TOWARDS TRYGGINGAMIÐSTÖÐIN

#### 8. Forfeiture of right to compensation

- 8.1 The right to insurance damages may terminate according to the Act on Insurance Contracts if the policyholder or the insured neglects his obligations vis-à-vis the company, for example, if he causes damages by driving without a driver's license or causes damages intentionally or by gross negligence, such as if he drives under the influence of alcohol or narcotic substances.

#### 9. Sale of vehicle - deletion from register

- 9.1 The policyholder shall notify Tryggingamiðstöðin without delay if the vehicle is struck off the register of vehicles or sold, the insurance (cover) only being valid for the new owner for 14 days after the change of ownership provided that another insurance (cover) has not been acquired for the vehicle.

### GENERAL POINTS

#### 10. Determination of premium – Premium surcharge

- 10.1 Should Tryggingamiðstöðin pay compensation for the vehicle covered by the insurance contract, a special premium surcharge becomes payable according to the premium rates and which is detailed in the policy or receipt for premium paid. The premium surcharge is due as soon as Tryggingamiðstöðin has paid compensation for damages equal to a minimum amount set out in the (insurance) policy or receipt for premium paid.
- 10.2 Should Tryggingamiðstöðin have a very bad damage experience of the insured vehicle, the company may determine the premium on an individual basis according to the premium rates.

#### 11. Reference to terms

- 11.1 As to other aspects, reference is made to the terms of Tryggingamiðstöðin for legally prescribed third-party liability insurance for motor vehicles, as applicable.

These terms are in effect as of 1 December 2006.

## C WINDSCREEN/WINDSHIELD INSURANCE

### 1. General terms

- 1.1 The insurance is governed by Law No. 30/2004 on insurance contracts unless otherwise disposed by the present terms or other provisions of the insurance contract.

### SCOPE OF THE INSURANCE

#### 2. Scope

- 2.1 The insurance compensates for a broken windscreen/windshield and installation costs for a replacement, unless the insured party caused the loss wilfully or through gross neglect. 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 for the windshield/window insurance will never amount to more than the equivalent of 35% of the value of the motor car.

#### 3. Specially equipped windscreens /windshields

- 3.1 The insurance covers a usual car windscreen/windshield. In the case of an unusual windscreen, i.e. one with set-in aerial, heating or other specialized equipment, which makes it much more expensive than a normal windscreen in a comparable vehicle, compensation is only paid to the extent of the value of an ordinary windscreen unless a special insurance has been requested and a premium for this paid.



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### 4. Reporting damages – arrangements for damages

- 4.1 When damages have occurred, the insured shall immediately notify the company thereof in writing and a claim shall be notified no later than within a year from the date 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 according to the Act on Insurance Contracts.

### 5. Personal liability

- 5.1 If the insurance compensates damages to a windshield/windscreen with a new windshield/windscreen, the insured is liable for a fixed sum, as set out in the (insurance) policy or receipt for premium paid. If the damaged windshield/windscreen can be fixed, the insurance will pay for its repair without personal liability of the policyholder.

### 6. Removal – Installation – Loss of use

- 6.1 Compensation is not paid for a windscreen/windshield broken on removal or during installation. Neither is payment made for loss of use of the vehicle if a windscreen breaks.

### GENERAL POINTS

### 7. Repayment

- 7.1 Premium paid for this insurance will not be reimbursed, even in the case of temporary removal from the register or lay-up of registration plates.

8. **As to other aspects, reference is made to the terms of Tryggingamiðstöðin for legally prescribed third-party liability insurance, as applicable.**

These terms are in effect as of 1 December, 2006.