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Act on Insurance Contracts, No 30/2004

Act on Insurance Contracts

PART I

Non-life insurance

CHAPTER I

Introduction

Article 1

Scope of Part I of the Act

This Part of the Act applies to contracts for non-life insurance.

Non-life insurance shall mean insurance against damage to or loss of property, rights or other benefits, insurance against liability for compensation or costs, and other insurance which is not personal insurance (life insurance, accident insurance and sickness insurance).

The provisions of Part I of the Act shall not apply to reinsurance.

Article 2

Definitions

For the purposes of this Part of the Act, the following terms shall have these meanings:

- a. *the company*: anyone undertaking by contract the obligation to provide insurance;
- b. *the policyholder*: whoever concludes an insurance contract with the company on an individual or group basis;
- c. *the insured*: whoever is entitled, pursuant to an insurance contract, to demand compensation. Liability insurance covers the insured against liability for compensation resulting from his actions;
- d. *group insurance*: insurance where the rights and obligations of the group covered by the insurance are determined by a contract concluded by the policyholder on behalf of or for the benefit of members of the group;
- e. *precautionary rules*: instructions in an insurance contract that
 1. the insured or others must take certain measures intended to prevent or limit loss, or see to it that these measures are taken,
 2. the insured or others must, when using, storing or maintaining the object insured, fulfil certain requirements concerning ability or have specified qualifications,
 3. the insured or others must, when using storing or maintaining the object insured, do so in a prescribed manner;
- a. *the insurance event*: an event which, in accordance with an insurance contract, results in the possible payment of compensation;
- b. *insurance risk*:
 1. those interests covered under an insurance contract if an insurance event occurs, and
 2. those factors or circumstances which can lead to the occurrence of an insurance event;
- a. *insurance amount*: the amount specified in the insurance contract as the maximum amount for which the interests are insured;
- b. *insurance value*: the value of insured objects or other interests when an insurance event occurs;
- c. *fixed insurance value*: the amount agreed as satisfactory compensation for an insured object, regardless of its actual value;
- d. *insurance certificate*: the confirmation of an insurance company that an insurance contract has been concluded, providing information including the type of insurance concerned, the policyholder and the insured, and the information listed in Article 10.

Article 3

Mandatory rules

Unless otherwise stated, the provisions of Part I of this Act may not be contracted out to the detriment of any party acquiring a claim on the company under an insurance contract.

Notwithstanding the provision of the first paragraph, provisions of this Part may be contracted out in insurance other than liability insurance when insurance is taken out for business operations if:

- a. the scope of the operator upon conclusion of the insurance contract, or upon its renewal, is equivalent to more than five man-years,
- b. the activities take place primarily abroad,
- c. the insurance is taken for a registered aircraft,
- d. the insurance relates to goods in international transit.

CHAPTER II

Company's obligation to provide information

Article 4

Information upon taking out insurance

When insurance is taken out, the company, or its representative, shall provide the information necessary for the policyholder to evaluate its proposed insurance cover. It must, in particular, account for any significant limitations on the scope of the insurance cover.

The company shall also inform the policyholder as to which parties look after handling of complaints or disputes connected with insurance contracts, as well as the policyholder's right to take legal action.

Article 5

Language of insurance terms of cover

The terms of cover offered for an insurance risk in Iceland, shall be in Icelandic or another language which the policyholder agrees to and which enables him to understand the provisions of the terms of cover of importance for their contents, the protection provided, and the terms offered, before the contract is concluded.

Article 6

Obligation to provide information as to legislation applicable

If legislation other than Icelandic law applies to an insurance contract, the company or party concluding the contract on its behalf shall inform the policyholder of the substance of the legislation which is to apply to the contract.

Selection of the legislation which shall apply to an insurance contract, together with confirmation that the policyholder has been informed, as provided for in the first paragraph, shall be indicated in the contract itself or its accompanying documents.

Article 7

Information on the company itself

The policyholder shall always be informed of the name and location of the company offering the insurance and responsible for the insurance risk before he becomes obliged by the insurance contract. This information shall always appear on letters and other notifications to the policyholder, together with the location of the company's head office in the case of a branch.

All binding offers, insurance contracts and their equivalents must include information on the name and location of the company which bears the insurance risk and its head office. In the case of third-party liability insurance for motor vehicles, where service is provided without an establishment, the name and address of the company's representative handling settlement of claims shall also be provided.

Article 8

Identification

Everyone involved in the sale of insurance on behalf of an insurance company must provide satisfactory identification, issued by the company or companies for which they work.

Article 9

Obligation of company upon selling insurance and when loss occurs

Insurance companies must see to it that activities by parties as provided for in Article 8 are carried out so as to safeguard the interests of the policy holder, the insured and others with special interest at stake in acquiring insurance.

Insurance companies shall see to it that injured parties receive adequate information on their rights to compensation and a breakdown of how such compensation is determined.

Article 10

Insurance certificates

As soon as the contract has been concluded and the terms of cover which shall apply to the insurance have been determined, the company shall give to the policyholder a written insurance certificate establishing that the contract has been concluded, with a reference to the terms of cover. The company shall provide the policy holder with the terms of cover in addition to the insurance certificate.

The insurance certificate must state:

- a. the name of the insurance,
- b. the period of validity of the insurance contract,
- c. the parties to the insurance contract,
- d. the insurance premium and due date for its payment,
- e. a reminder to the policy holder that he acquaint himself with the provisions of the insurance terms concerning reservations on payment of premiums, limitations on liability and precautionary rules which apply to the insurance, as well as the time limit for reporting an insurance event,
- f. provisions of the insurance contract which are not included in the insurance terms of cover,
- g. what the time limit is for reporting an insurance event which has occurred, cf. the first paragraph of Article 51.

Article 11

Information upon renewing insurance

Upon renewal of the insurance the company shall provide information on new alternatives in such insurance or supplementary forms of cover which it can provide and have been introduced since the insurance was taken out or most recently renewed.

Article 12

Surveillance by the Financial Supervisory Authority. Regulation authorisation

The Financial Supervisory Authority shall see to it that the information obligations provided for in this Part of the Act are complied with.

The Minister of Commerce may issue a regulation containing detailed rules on information obligations.

CHAPTER III

The insurance contract, etc.

Article 13

Period of liability

Unless otherwise provided for by law or contract, the company's liability shall commence when the policyholder or the company has accepted the terms proposed by the other party

If the company has sent written acceptance to the policyholder, the liability of the company commences at 00:00 hours on the day when acceptance was sent, provided the request for cover was received by the company not later than the previous day.

If the policyholder has sent a written request for specific insurance and it is clear that the company would have approved the request, it shall be liable from the time of receipt of the request.

If the liability of the company is to commence on a specific date, with no indication of the hour, liability commences at 00:00 hours on that date. When insurance is effective until a specific date, with no indication of the hour, liability shall be deemed to cease at 24:00 hours on that date.

Article 14

Right of the policyholder to terminate an insurance contract

If the policyholder wants to terminate the insurance which is scheduled to be renewed, he must give notice thereof to the company not later than one month from the day the company sent an ordinary invoice for the premium for the new period. He is not required, however, to notify the company of termination until only two weeks remain of the period of validity.

The policyholder may, during the period of cover, terminate an existing insurance contract which would be renewed automatically if he no longer needs coverage or there are other special reasons which justify termination.

In the case of group insurance, the provision of the second paragraph may be contracted out of the insurance contract.

Article 15

Right of the company to cancel the insurance during the period of cover

The company may terminate an insurance contract as provided for in the rules of Article 21 and the third paragraph of Article 47. In other instances, a company may only terminate an insurance contract when warranted by particular circumstances, as stated explicitly in the terms of cover, and such termination can be deemed reasonable.

The termination must be effected without undue delay after the company became aware of the circumstance providing its justification for termination. Notice of termination must be given in writing and grounds provided. Unless a shorter period is prescribed in this Act, the period of notice for termination shall be at least two months.

In its notice of termination the company shall state the possibilities for submitting a dispute concerning such to the Insurance Complaints Committee for resolution, as provided for in Article 141.

The provisions on termination in the second sentence of the first paragraph shall also apply to the reservation that the insurance shall be cancelled should specific events occur.

Article 16

Changes to the terms of cover during the period of the insurance

A company may not reserve the right to alter the terms of cover during the period of the insurance.

Article 17

Settlement when an insurance contract is cancelled during the period of cover

When an insurance contract is cancelled during the period of cover, the policyholder shall be refunded the premium which he had paid for the period for which the insurance is no longer valid. This shall apply even if the company is fully or partially absolved of liability. The terms of cover shall include rules on the calculation of the premium in such instances or make reference to such rules.

Article 18

Renewal and changes to terms of cover in connection with renewal

When insurance is to be valid for a specified period of time of one year or more, and the company does not wish to prolong the insurance beyond that time, it must then give notice to the policyholder to this effect not later than two months prior to expiry of the period of cover. Should it fail to do so, the period of cover shall be extended by one year.

The company may only refuse to renew insurance as referred to in the first paragraph when there are particular reasons which make termination reasonable. When renewal is refused, the provisions of the second sentence of the second paragraph of Article 15 and the third paragraph of the same Article shall apply. The provisions of this paragraph shall not apply if it is clear from the insurance contract that the insurance shall become invalid once the period of cover expires.

Should the company wish to change the terms of cover in connection with a renewal, it must send the new terms to the policyholder, together with its invoice for the premium for the ensuing period of cover, explaining the changes made from the previous terms. If new precautionary rules are set, the company must send the policyholder a copy of the new rules, explaining the changes made from the previous rules. They may refer to the precautionary rules if it is reasonable to expect the policyholder to be aware of their contents. In such a case, it must be stated that the company will send to the policyholder upon request a copy of the precautionary rules referred to. The company may not invoke changes to the terms of cover if the rules of this paragraph have not been followed.

CHAPTER IV

General conditions for the company's liability

Article 19

Obligation of policyholder to provide information on the risk

When writing up or renewing an insurance contract, the company may request information on circumstances which may be of significance to their evaluation of the risk. Such information shall be obtained directly from the policyholder or the insured, as the case may be, who must provide correct and complete answers to the company's questions. The same shall apply when the policyholder provides information on behalf of the insured. If information is obtained from a party other than the policyholder or the insured, the prior written, signed consent of the person on whom information is to be obtained must be available. The policyholder or, as the case may be, the insured shall also on his own initiative provide information on special circumstances which he is aware may be of major significance for the company's assessment of the risk.

Should a policyholder become aware of having provided incorrect or incomplete information as to the risk, he shall without undue delay report this to the company.

Article 20

Limits to a company's liability due to non-fulfilment of the obligation to provide information

If a policyholder has fraudulently failed to provide information as provided for in Article 19 and an insurance event has occurred, the company shall be without liability towards the policyholder.

If a policyholder has otherwise failed to fulfil his obligation to provide information to an extent which is not deemed insignificant, the company's liability may be cancelled in full or in part.

In evaluating the company's liability as provided for in the second paragraph, regard shall be had for the significance of the policyholder's omission for the company's evaluation of the risk, how great was his fault, how the insurance event occurred, and the circumstances in general.

Article 21

Right of the company to terminate the insurance if incorrect information has been provided

Should the company become aware that information which it has obtained on the risk is incorrect or incomplete to a significant extent, it may then terminate the insurance on 14 days' notice. The rule of the second paragraph of Article 15 shall apply to such termination. If the policyholder has acted fraudulently the company may terminate this and any other insurance contracts it may have with the policyholder without prior notice.

Article 22

Limitations to the right of the company to contend incomplete information

The company may not contend that it was given incorrect or incomplete information if it knew or should have known this was the case upon receiving the information. The same applies if the circumstances to which the information pertains were of no consequence to the company or subsequently have ceased to be of consequence. In the case of fraud by the policyholder, the above-mentioned limitation in the first sentence shall only apply if the company knew that the information it received was incorrect or incomplete.

Article 23

Limitation of liability due to circumstances which are unclear and cannot be disclosed

If for special reasons the company is precluded from obtaining details on particular circumstances, it may make a reservation with regard to its exemption from liability or limitation of liability associated with such circumstances. If the information can be obtained after a certain time, the reservation shall only apply to the intervening period.

Article 24

Limitation of liability due to changes in the insurance risk

The company may make reservations to the effect that it shall be absolved of liability, in full or in part, if certain circumstances, which are of major significance for the insurance risk, change. Such reservations may not be set

however, if the insured neither knew nor should have known that circumstances changed, or if the insurance event occurs as a result of circumstances other than those which changed.

Article 25

Reservation on reduced compensation due to changes in the insurance risk

The company may make a reservation that its liability for an insurance event shall be reduced proportionally if the premium calculation was expressly made conditional upon the way the object insured is used and upon compliance with certain precautionary measures.

A reservation as referred to in the first paragraph may not be applied if changes in the insurance risk are not the cause of the insurance event. The reservation may also not be applied if such changes are neither caused by the insured nor made with his consent, and the insured has taken such measures as can be regarded as reasonable to inform the company thereof without undue delay once he knew of them.

Article 26

Violations of precautionary rules

The company may make reservations to the effect that it shall be absolved of liability, in full or in part, if precautionary rules are not complied with. Such a reservation may not, however, be invoked by the company if the non-fulfilment is not the fault of the insured, or his fault is inconsequential, or the occurrence of the insurance event cannot be attributed to his violation. Although the company may contend under this provision that a precautionary rule has not been complied with, partial liability may nevertheless still be imposed on it, having regard for the nature of the precautionary rule which was not complied with, the fault of the insured, how the insurance event occurred and circumstances in general.

Article 27

The insured causes an insurance event

If the insured has intentionally caused the insurance event, the company shall not be liable.

If, under an insurance other than liability insurance, an insured has caused the insurance event through actions which must be considered gross negligence, the company shall be partially or fully absolved of liability. In deciding the company's liability, regard shall be had for the insured's fault, how the insurance event occurred, whether the insured was under the influence of alcohol or narcotics which he had consumed voluntarily, and the circumstances in general.

The company may not contend that the insured has caused the insurance event through actions which are not considered intentional or gross negligence.

The company may not invoke the provisions of this Article if the insured, or anyone who according to Article 29 is considered his equivalent, could not due to age or mental condition realise the consequences of his actions.

Article 28

Obligations of the insured to prevent and report insurance events

If there is an imminent danger of an insurance event occurring, or once an insurance event has occurred, the insured shall take any action which may reasonably be expected of him to prevent or limit any loss.

If the insured ought to be aware that the company might claim recourse against a third party, the insured must take any action which is necessary and can be reasonably expected of him to secure such claim until the company itself is in a position to protect its interests.

Once an insurance event has occurred, the insured must report this to the company without undue delay.

If loss has resulted from an insured, intentionally or through gross negligence, failing to fulfil his obligations as provided for in the first to third paragraphs, the company's liability may be fully or partially cancelled. In deciding this, regard shall be had for the insured's fault, how the insurance event occurred and the circumstances in general.

Article 29

Actions of the insured's family, assistants or others with similar connections to him

Insurance which is not connected with commercial activities may not include provisions providing for an insured to lose the right to compensation as a result of actions of his relatives, assistants or persons with whom the insured has similar connections.

Notwithstanding the provisions of the first paragraph, provision may be made:

- a. in motor vehicle, marine, aircraft or other vehicles, and domestic animal insurance, that the company may invoke actions by a person who, with the consent of the insured, is responsible for the objects insured;
 - b. in insurance of residential property, vacation residences and furnishings, that the company may invoke actions by the insured's co-habiting spouse or a person who lives with the insured in a permanent relationship.
- Insurance connected with commercial activities may, within the limitations which follow from the first paragraph of Article 41, include provisions for the insured to lose his right to compensation, in part or in full, due to actions of specific persons or groups.

Article 30

Measures taken to avoid personal injury or property damage

The company may not invoke the provisions of Articles 26-29 if the actions concerned were intended to prevent personal injury or property damage and can be regarded as justifiable under the circumstances.

Article 31

Obligation of the company intending to invoke its entitlement to limited liability

Should a company intend to claim that, in accordance with the provisions of this Chapter, it is wholly or partly absolved of liability or is entitled to terminate the insurance, it must notify the policyholder or the insured in writing of such intention. The notification shall be sent without undue delay once the company becomes aware of circumstance which could absolve it of liability. In this connection, the company shall also provide information on possibilities of referring cases of dispute to the Insurance Complaints Committee, as provided for in Article 141.

If the company fails to comply with its obligations pursuant to the first paragraph, it shall lose its right to invoke limitations on liability.

CHAPTER V

The premium

Article 32

Due date, first claim for premium

Unless payment of a premium is a condition for the liability of the company to commence, the premium shall fall due when claimed in accordance with the insurance contract. The due date for payment shall be at least one month after the date the company sent a claim for payment to the policyholder. If the company's liability has commenced, it shall continue even if payment is not made within the time limit specified.

If the insurance has been taken out by means of a unilateral declaration by the policyholder, however, the due date for payment may be at least seven days from the date of the claim for payment. If the premium has not been paid within this time limit, the insurance company may, notwithstanding the provision of the first paragraph, cancel the insurance, provided it has informed the policyholder when claiming payment that it would avail itself of its right to cancel.

Article 33

Premium in default, subsequent claims for payment

If the premium has not been paid upon the expiry of the time limit for payment provided for in the first paragraph of Article 32, and the company's liability continues, to absolve itself of liability it may send an additional claim, demanding payment within 14 days. The claim shall indicate clearly that the insurance will cease unless the premium is paid within the time limit stipulated.

If it is demonstrated that the policyholder has not been able to make payment within the time limit provided for in the first paragraph due to unforeseen obstacles for which he cannot be held responsible, the company's liability shall continue for an additional period of three months following the time limit.

If payment is made after the time limit provided for in the first paragraph, such payment shall be regarded as a request for new insurance. The rule of the third paragraph of Article 13 shall then apply in the same manner, but the company's liability shall not commence until the day after the premium is paid.

Article 34

When payment is deemed to have been made

Although the company may not have received payment, payment shall be deemed to have been made if:

- a. cash, a cheque or similar payment order has been sent to the company by mail or by cable,
- b. the amount has been paid to a post office, commercial bank or savings bank, or
- c. instructions to make payment have been sent to a commercial bank or savings bank or sent by other irrevocable means.

CHAPTER VI

General rules concerning the company's liability

Article 35

Calculation of compensation. Insurance value

Unless otherwise stated in the insurance contract, the insured shall be entitled to full compensation for financial loss.

If compensation is to be calculated according to the repair or repurchase cost the insured may claim compensation for that cost even when no repair or repurchase has been made. This shall only apply, however, unless otherwise provided for in the terms of cover or by law.

The insured may request to have the compensation paid out in cash unless otherwise provided for in the terms of cover or by law.

Article 36

Fixed insurance value

An agreement stating that a specific loss is to be compensated by a certain sum may be set aside at the company's request if the policyholder has provided incorrect or unsatisfactory information on circumstances of consequence for the valuation. The provisions of Articles 19-23 and 31 shall apply as appropriate.

Article 37

Double Insurance

If a loss is covered by more than one insurance, the insured may choose the insurances which he wishes to use, until the insured has received the compensation to which he is entitled.

If more than one insurance company is liable for a loss as referred to in the first paragraph, they shall, unless otherwise agreed, pay the insurance in proportion to their relative liability for the loss.

Article 38

Liability of a company for salvage expenses

The company shall be liable for loss and expenses incurred by the insured in circumstances as referred to in Article 28 when the intention of the measures was to prevent or limit a loss covered by the insurance, and such measures can be deemed specific to the case and justifiable. The same shall apply to loss and expenses which a person who, in accordance with Article 29, was obliged to undertake salvage measures, incurs.

Should the insured be obliged to cover a loss suffered by a third party due to measures as referred to in the first paragraph, the provisions of Article 44 shall apply to such loss.

CHAPTER VII

Third-party rights under an insurance contract

Article 39

Beneficiaries of insurance

When an insurance is not associated with commercial activities, the beneficiaries of the insurance shall be the policyholder, his spouse and other member of his household.

Insurance of real property shall be to the benefit of the policyholder and any holder of a publicly registered title to ownership, mortgage right or any other publicly registered security right.

With respect to insurance of chattels, which can be registered separately in a register of chattels, vessels or vehicles, cf. Points 2-4 of the first paragraph of Article 8 of the Act on Public Registration of Title 39/1978, of plant and machinery, cf. the second paragraph of Article 24 of the Act on Contractual Liens, No. 75/1997, and inventories, cf. Point 2 of Article 33 of the same Act, the provisions of the second paragraph shall also apply provided the right has been publicly registered or recorded in the register concerned.

The provisions of the first to third paragraphs may be contracted out by agreement.

Article 40

Change of ownership

If the insured property changes owner, the insurance shall also be to the benefit of the new owner, unless otherwise agreed. For insurance as referred to in the second and third paragraphs of Article 39 this shall also apply even if the rights of the new owner have not been publicly registered or recorded. If it has been agreed that the insurance shall cease upon change of ownership, the company is nevertheless liable for insurance events occurring within fourteen days after the change of ownership.

The rule of the first paragraph shall not apply if the new owner has taken out insurance, nor to livestock insurance.

Article 41

Protection of a co-insured from objections by the company

Anyone who has insured interest, as provided for in Articles 39 and 40, cannot be subject to claims by the company that it is not liable because of actions by the policy holder or another insured as referred to in the rules of Chapter IV or Article 47.

The company may, however, invoke a reservation as referred to in the second paragraph of Article 29 towards the insured's spouse or other household member, cf. the first paragraph of Article 39.

As regards a holder of rights in chattels, who is co-insured pursuant to the third paragraph of Article 39, cf. Article 40, the provisions of this Article may be contracted out by agreement.

Article 42

Position of the co-insured in other respects

If an insurance contract is altered, terminated or cancelled, this shall not have legal effect with regard to a co-insured, as referred to in the second and third paragraphs of Article 39, if the company has not notified him thereof specifically with one month's notice.

If the right of a mortgagee is affected, the company may not, with binding effect on a co-insured in accordance with the second and third paragraphs of Article 39, conclude an agreement with the policyholder on the insurance settlement nor pay compensation to the policyholder. Co-insured parties may not object to the entire insurance amount being paid out to the policyholder when damage has been repaired or satisfactory security posted guaranteeing that the compensation will be spent on repairing the damage. Nor may co-insured parties object to the compensation being deposited in a bank account which may only be jointly accessed by the policyholder and the co-insured.

The provisions of the second paragraph shall apply towards a co-insured as referred to in the first paragraphs of Articles 39 and 40 if he has notified the company of his right.

Article 43

Agreement on position of co-insured

If the insurance is also to the benefit of others than the policyholder, the provisions of the first paragraphs of Articles 41 and 42 shall apply as appropriate, unless agreed otherwise.

Article 44

Position of the injured party under liability insurance

If an insurance covers the liability of the insured to make compensation, the injured party may claim compensation directly from the company. The company and the insured must inform the injured party if liability insurance exists.

If a claim for compensation is advanced against the company, it shall notify the insured without undue delay and provide the insured with information concerning further handling of the claim. Any admissions by the company concerning liability shall not be binding on the insured.

Should an injured party give notice to the company that he intends to bring legal action against it, the company may demand that such legal action also include the insured. The company must notify the injured party of this demand without undue delay and in a verifiable manner. Legal action brought against the company by the injured party after the latter has received such notification shall be dismissed by the court if the company so demands. If legal action is brought against the company without a previous notification thereof, the company may make such demand, provided it is set forth no later than in its statement of the case. Should the injured party in such case not expand the action [to include the insured] within one month of the advancement of the company's claim, the action shall be dismissed by the court at the demand of the company.

The company may raise those same objections against the claim of the injured party which the insured has raised. The company may also raise other objections against the injured party, unless the objections are related to the insured's actions after the insurance event occurred.

A legal action against the company must be brought in Iceland, unless anything else follows from Iceland's obligations under international law.

The provisions of this Article shall not prevent a business operator from waiving its right to claim compensation directly from the company. Such an agreement will nevertheless not have legal effect in the event of the insured's bankruptcy.

Article 45

Position of the injured party with regard to mandatory liability insurance

If the policyholder has taken out liability insurance to comply with legal obligations, the provisions of Article 44 shall apply insofar as the position of the injured party is not specifically regulated.

The company nevertheless may not raise objections which it might have been able to raise against the policyholder or the insured, if it knew or ought to have known that mandatory liability coverage was involved.

If mandatory liability coverage is terminated, or has otherwise ceased to apply, this will take effect towards the injured party one month after the relevant authority has received the company's notification of its cessation, unless specific rules apply thereto.

Article 46

Position of the injured party with regard to liability insurance taken out in connection with substantial commercial activities

If insurance, as provided for in the second paragraph of Article 3 of this Act, covers the insured's liability for compensation, the company shall be responsible towards the injured party in the same manner as provided for in Article 44. The insured's claim against the company cannot be made the subject of legal action to enforce claims other than the claim for compensation.

Should the estate of the insured be subject to bankruptcy proceedings, the provisions of Articles 44 and 45 shall apply, cf. the second and third paragraphs of Article 49.

The provisions of this Article cannot be contracted out, if this is to the detriment of the injured party.

CHAPTER VIII

Settlement of compensation, limitation, etc.

Article 47

Obligation of the insured to provide information in settlement of claims

In a claim settlement, the insured must furnish the company with the information and documents available to the insured which are required by the company to calculate its liability and pay compensation.

If the insured intentionally gives incorrect or incomplete details, which he knows or ought to know will result in the insured being paid compensation to which he is not entitled, the insured forfeits any and all claims for compensation under this and any other insurance agreement in connection with the specific insurance event. If the insured's actions are not serious, or concern only a small part of the claim, or if there are special reasons for so doing, he may receive partial compensation. The provisions of Article 31 shall apply as appropriate.

In those instances referred to in the second paragraph, the company may terminate any and all its insurance contracts with the insured with one week's notice. The provisions of the first and second sentences of the second paragraph of Article 15 shall apply as appropriate.

Article 48

Payment of compensation

Compensation may be demanded 14 days after the company has had the opportunity of gathering the information required to evaluate the insurance event and determine the amount of compensation. If it becomes evident, prior to the final settlement of a claim, that the company will have to pay at least some part, the company shall pay out a corresponding advance.

Article 49

Company's authorisation to set-off payment

If a policy holder has become entitled to compensation, the company may only set-off a premium owed on the insurance concerned or other insurance held by the insured with the company against the compensation it is liable to pay.

In the case of compensation due to a co-insured third party, or an injured party under a liability insurance, the company may only set-off the premium owed for the same insurance contract. Such a set-off may only be made for amounts which cannot be obtained as provided for in the first paragraph. When more than one co-insured or injured party is entitled to compensation, the amount set-off shall be proportionate to the amounts paid out in each case.

In the case of mandatory liability insurance, the rule of the second paragraph of Article 45 shall apply similarly to the right of the company to set-off compensation to the injured party.

Article 50

Interest

The insured is entitled to standard interest on outstanding claims owed once two months have elapsed since the report of the insurance event was sent to the company.

When the company is to reimburse cost incurred by the insured, the liability for interest shall not commence until two months after the amount was paid. Cost as referred to in the preceding sentence shall also include compensation for reconstruction under fire insurance. To that part of the compensation which is to be paid out irrespective of reconstruction, the rule of the first paragraph shall apply.

When the company is to reimburse damage due to suspension of operations or loss of use, the liability for interest shall commence one month after the end of the period for which the company is to pay compensation.

If the insured fails to provide the company with information or documents as referred to in the first paragraph of Article 47, he shall be unable to claim interest for any time lost as a result. The same shall apply if the insured illegitimately rejects a settlement in full or in part. The obligation to pay interest shall also be cancelled if the company deposits the compensation in a bank account, in accordance with the final provision of the second paragraph of Article 42.

If a claim for compensation is based on price levels after the occurrence of an insurance event, the claim shall bear interest as referred to above based on that point in time.

Standard interest as referred to in this Article shall be the same as is to be paid on compensation for damages as provided for in the Act on Interest and Inflation Indexing, No. 38/2001. The rules of Chapter III of that Act shall apply concerning penalty interest.

Interest must be paid even if the insurance amount is thereby exceeded. The terms of cover shall point out the right to interest pursuant to this Article.

Article 51

Time limits for reporting an insurance event and taking legal action

The insured forfeits the right to compensation if the claim has not been filed with the company within one year after the insured became aware of the event upon which it is based.

If the company rejects the insured's claim in full or in part, the insured forfeits the right to compensation unless legal action is brought, or a request made that the Insurance Complaints Committee take up the case, as provided for in Article 141, within one year of receiving written notification that the claim had been rejected. Such

notification must make mention of the above time limit, how it may be interrupted, and the consequences of failure to act within it.

Article 52

Limitations

A claim for compensation will be statute barred by limitation after four years. The term commences at the end of the calendar year in which the insured acquired the necessary knowledge of the events upon which the claim is based. The claim will nevertheless be statute barred at the latest 10 years after the end of the calendar year when the insurance event occurred. If the company has sent notification to the insured, as referred to in the second paragraph of Article 51, limitation occurs at the earliest upon expiry of the term stipulated.

For liability insurance, the company's liability shall be subject the same limitation rules as apply to the liability for compensation.

The provisions of Act No. 14/1905, on Limitations on Debts and other Claims, shall apply in other respects. The time limit provided for in the third sentence of the first paragraph shall not, however, be extended in accordance with Article 15 of the last-mentioned Act.

CHAPTER IX

Special Rules on Group Insurance

Article 53

Relationship to other provisions of the Act

Unless otherwise indicated by the provisions of this Chapter, the other rules of this Part of the Act shall apply to group insurance to the extent that they are appropriate.

Article 54

Contents of group insurance

A contract for group insurance must contain the terms of insurance coverage, or rules on how to determine the terms of cover.

In addition a contract on group insurance must also make provision for:

- a. who is or can become a member of the group covered by the insurance,
- b. whether it is possible to set reservations concerning membership,
- c. how members continue to be part of the group, make reservations concerning participation and cease to be members of the group,
- d. whether a register is to be kept of members and if so, whether the register should be maintained by the policyholder or the company,
- e. whether the premium is to be paid to the company by the policyholder or by each individual member,
- f. the policyholder's obligations concerning notifications to and from the members, and
- g. the requirements which must be met in order for the insurance to take effect or be maintained.

Article 55

Information on the insurance

The company and policyholder shall, in a satisfactory manner, ensure that those who are or may become members of the group are informed about such matters as referred to in Article 54 and about supplementary coverage which it might be advisable for members to take out. Such information shall be provided when the group insurance has been established and later when there is cause for so doing. If the terms of cover are not stated in the insurance contract, members shall also be given information about them. Restrictions on use, precautionary rules, and time limits for reporting an insurance event, cf.. Article 10, shall be mentioned especially.

Article 56

The insurance certificate

If a register of members covered by group insurance is kept, whoever maintains the register shall without undue delay ensure that everybody who becomes a member is given an insurance certificate or a certified copy of the same and the terms of cover applicable to the insurance.

Once a person has been given an insurance certificate or certified copy of the same, as referred to in the first paragraph, it cannot be claimed that he fails to meet the requirements to be a member of the group covered by the insurance or that he is not entitled to the benefits indicated in the certificate. This shall not apply, however, if it is clearly evident from the certificate that the person does not fulfil the conditions or is not entitled to claim benefits. Nor shall this apply if the company is wholly or partially freed of liability pursuant to rules in Article 20, or when notice has been given of termination or of change to the terms of cover as provided for in Articles 58 and 59.

Article 57

Commencement of the company's liability

Unless otherwise agreed, or following from the circumstances, the company's liability shall commence upon conclusion of the contract.

For members who subsequently join the group, the company's liability shall be deemed to commence when a notice is sent of his membership as provided for in the contract, or his premium paid or, if no notification is required, when he has fulfilled the requirements for membership.

The provisions of the fourth paragraph of Article 13 shall apply to the commencement of liability pursuant to this Article.

Article 58

Cessation of the insurance

If a member of a group insurance, for which a register of members is maintained, withdraws from the group, the insurance for the member concerned shall cease at the earliest 14 days after the company or the policyholder has sent the insured written notification. If a member of a group insurance, for which no register of members is maintained, withdraws or if no written notification is sent, the insurance shall cease at the earliest two months after the member's withdrawal. The provisions of the first and second sentences shall not apply if the member has taken out other insurance or joined another similar group insurance scheme.

If the policyholder or the company terminates or does not renew the insurance, or if the company's liability is cancelled due to the policyholder's failure to pay the premium, written notification shall be sent to those members who are on a register, if such register is maintained, or they shall be notified in an otherwise satisfactory manner. Each individual participant's insurance coverage shall not cease for at least one month after notification has been sent as provided for above, or the participant has learned of the circumstances by other means. The provisions of the third sentence of the first paragraph shall apply as provided for in this paragraph as appropriate.

The provisions of this Article shall not apply to insurance which, by its substance, is valid only for a limited time.

Article 59

Changes to the terms of coverage

If the terms of cover for group insurance are changed to the participants' disadvantage, the provisions of the second paragraph of Article 58 shall apply as appropriate.

Article 60

Notifications to or from members of a group insurance

If a notification concerning the insurance has been sent to the policyholder, it is not possible to invoke that it has not been received by the company. This shall not apply, however, if the member had reason to expect that the notice had not reached the company and had the opportunity to give the company notice of this.

If the policyholder was obliged, pursuant to this Act or a contract, to send notification to the group members and fails to do so, this omission will have the same legal effect as regards the members as if it had been that of the company. This does not, however, apply if the member otherwise knew of the substance of the notification and can be reasonably considered to have had the opportunity to comply with it.

PART II

Personal insurance

CHAPTER X

Introduction

Article 61

Scope of Part II of the Act

This part of the Act shall apply to contracts for personal insurance.

For the purpose of this Act, personal insurance shall mean life insurance, accident insurance and sickness insurance. The insurance may be taken out on the life and health of the policyholder or other persons.

References to life insurance in this Part of the Act shall also apply to health insurance without the right terminate, unless expressly stated otherwise.

The provisions of this Part of the Act shall not apply to re-insurance, nor to guarantees of pension funds, in accordance with the law applicable to them, nor to insurance pursuant to the Social Security Act.

Article 62

Definitions

For the purposes of this Part of the Act the following definitions shall apply:

- a. the company: anyone providing insurance coverage under a contract;
- b. the *policyholder*: anyone who concludes an individual or a group insurance contract with the company. Anyone who acquires ownership of the insurance is also deemed to be a policy holder;
- c. the *insured*: the person whose life or health is covered by the insurance;
- d. *capital insurance*: insurance under which the company must pay a specific amount, which may, however, be divided up into instalments;
- e. *annuity insurance*: insurance under which the company has to pay out periodic instalments for as long as a certain person lives or until the person attains a certain age;
- f. *group insurance*: insurance which covers persons within a specifically defined group and, as the case may be, their spouses, children etc.
- g. an *insurance event*: an event which, in accordance with an insurance contract, results in the possible payment of compensation;
- h. k. an *insurance certificate*: the company's confirmation that an insurance contract has been concluded, providing information including the type of insurance concerned, the policyholder and the insured, and the information listed in Article 70;
- i. the *beneficiary*: the person named by the policyholder in an insurance contract who is entitled to receive the insurance amount following the occurrence of an insurance event.

Article 63

Mandatory rules

Unless otherwise stated, the provisions of this Part of the Act may not be contracted out to the detriment of any party acquiring a claim on the company under the insurance contract.

CHAPTER XI

Company's obligation to provide information

Article 64

Information upon taking out insurance

When insurance covered by this Part of the Act is taken out, the company, or its representative, shall provide the information necessary for the policyholder to evaluate how his needs are met by its proposed insurance cover.

The company must provide the policyholder with information on important aspects of this type of insurance which can satisfy his needs for insurance coverage. The company shall, for instance, provide details of the duration of the insurance contract, the terms of cover, premiums, profit where applicable and limitations on the scope of the insurance in consideration of the policyholder's normal expectations of such insurance coverage.

If parties may not select the country whose legislation is to govern the agreement, the company shall inform them of the applicable law.

The company shall also provide information as to which parties look after handling of complaints or disputes connected with insurance contracts, as well as the right of parties concerned to refer the issue to a court.

Article 65

Special information disclosure

Prior to the conclusion of an insurance contract in classes of life insurance and other insurances for which licence is granted in accordance with Article 23 of the Act on Insurance Activities, No. 60/1994, and during the period of

validity of the contract, the policyholder must, once liability has commenced in Iceland as provided for in Article 8 of the last-mentioned Act, be informed in Icelandic of the following aspects:

- a. all types of compensation provided under the contract and the right to change them during its period of validity,
- b. the period of validity of the life insurance,
- c. how the contract may be terminated,
- d. how premiums are to be paid, for how long and how they may be altered during the contract's period of validity,
- e. how profits are calculated and how and where they will be paid,
- f. rules on surrender value and waiver of premium, and to what extent the right to such is guaranteed,
- g. a breakdown of the premiums for each class of life insurance (type of compensation) and for supplementary coverage if this is included,
- h. in the case of life insurance connected with investments, definition of those components linked to compensation,
- i. in the case of life insurance connected with investments, the nature of the assets behind those components,
- j. what rights the policy holder has to cancel the life insurance,
- k. taxes which must be paid on the life insurance.

In addition to the terms of life insurance cover, both general terms and specific terms, which are to be provided, the policyholder must, during the period of validity of the contract be informed of the following:

- a. any changes concerning aspects such as the name of the company, its legal form, domicile of its head office and, as appropriate, of the branch with which the contract was concluded;
- b. any changes concerning the terms of cover or changes to legislation affecting sub-paragraphs a to h of the first paragraph;
- c. each year, the situation of entitlement to bonuses.

Information as referred to in the first and second paragraphs may be provided in a language other than that indicated in the first paragraph upon the request of the policyholder or if the policyholder may choose the legislation applicable to the contract.

If a contract for individual life insurance has been established for at least six months, the company must notify the policy holder of the entry into force of the contract. The policyholder shall have a time limit of 30 days from the time he received the notice to terminate the contract. A written notice of termination shall relieve the parties of all obligations following from the contract.

The legislation applicable to the contract shall otherwise apply to the legal effect and conditions for termination.

The public shall have access to information on the methodology by which life insurance liability and profits are determined.

Article 66

Language of insurance terms of cover

The terms of cover of insurance, offered for an insurance in Iceland and covered by this Part of the Act, shall be in Icelandic or other language which the policyholder agrees to and which enables him to understand the provisions of the terms of cover of importance for their contents, the protection provided, and the terms offered, before the contract is concluded.

Article 67

Information on the company itself

The policyholder shall always be informed of the name and location of the company offering the insurance and responsible for the risk before he becomes obliged by the insurance contract. When appropriate, the policyholder shall be informed of the location of the branch with which the contract was concluded. This information shall always appear on letters and other notifications to the policyholder, together with the location of the company's head office in the case of a branch.

All binding offers, insurance contracts and their equivalents must include information on the name and location of the company which bears the insurance risk and its head office.

Article 68

Identification

Everyone involved in the sale of insurance on behalf of an insurance company must provide satisfactory identification with respect to their work, issued by the company or companies for which they work.

Article 69

Obligation of company upon selling insurance and when loss occurs

Insurance companies must see to it that activities by parties as provided for in Article 68 in acquiring insurance are carried out so as to safeguard the interests of the policy holder, the insured and others with special interests at stake.

Insurance companies must ensure that injured parties receive satisfactory information on their right to compensation and a breakdown of how such compensation is determined.

Article 70

The insurance certificate

Once the contract for personal insurance has been concluded and the terms of cover which shall apply to the insurance have been determined, the company shall give to the policyholder an insurance certificate establishing that the contract has been concluded, with a reference to the terms of cover. The company shall provide the policy holder with the terms of cover in addition to the insurance certificate.

The insurance certificate must state:

- a. the name of the insurance,
 - b. the period of validity of the insurance contract,
 - c. the parties to the insurance contract,
 - d. the insurance premium and due date for its payment,
 - e. a reminder to the policy holder that he acquaint himself with the provision of the terms of cover concerning reservations on payment of premiums, limitations on liability and precautionary rules which apply to the insurance, as well as the time limits for reporting an insurance event,
 - f. provisions of the insurance contract which are not stated in the insurance terms of cover,
 - g. what the time limit is for reporting an insurance event which has occurred, cf. the first paragraph of Article 124.
- If a beneficiary is specified upon taking out the insurance, he shall be named on the insurance certificate.

Article 71

Information during the period of cover

During the period of cover, the company shall keep the policyholder satisfactorily informed of those aspects of the insurance contract which it is important for the policyholder to be aware of, including payment of premium, the insurance amount, profit if applicable and payment thereof, surrender value and dispositions relating to the insurance. If there are special limitations on the coverage, cf. Article 87, or precautionary rules, cf. Article 90, the company shall also point this out. The company shall also provide information on other possible alternatives in such insurance or new, supplementary forms of cover which have been introduced since the insurance was taken out or most recently renewed.

If the insurance is to be valid for one year or longer, the information referred to in the first paragraph shall be provided when it is renewed.

Article 72

Surveillance by the Financial Supervisory Authority. Regulation authorisation

The Financial Supervisory Authority shall see to it that the information obligations provided for in this Part of the Act are complied with.

The Minister of Commerce may issue a regulation containing more detailed rules on information obligations.

CHAPTER XII

The insurance contract, etc.

Article 73

Basis for the company's assessment

When assessing whether or not to provide insurance and assessing risk, the company shall base its assessment on the health of the insured at the time when the policyholder submitted a complete application for the insurance concerned. The company may also take into consideration any deterioration in the insured's health which occurred after the application was submitted if this is connected to circumstances which existed upon its submission and are reported in its investigation.

Article 74

Period of liability

Unless otherwise provided for by law or contract, the company's liability shall commence when the policyholder or the company has accepted the terms stipulated by the other party

If the company has sent written acceptance to the policyholder, the liability of the company commences at 00:00 hours on the day when acceptance was sent, provided the proposal for cover was received by the company not later than the previous day.

If the policyholder has sent a written request for specific insurance and it is clear that the company would have immediately approved the request, it shall be liable from the time of receipt of the request. This shall not apply, however, if it appears evident that the company would have rejected the insurance. Nor is the company liable for the consequences of circumstances which prevailed at the time the application was submitted if these circumstances would have been uncovered by the company's investigation and resulted in a rejection.

If the liability of the company is to commence on a specific date, with no indication of the hour, liability commences at 00:00 hours on that date. When insurance is effective until a specific date, with no indication of the hour, liability ceases at 24:00 hours on that date.

Article 75

Right of the policyholder to terminate an insurance contract

In the case of a life insurance, the policyholder may at any time cancel an insurance contract.

If the policyholder wishes to terminate accident or sickness insurance upon the conclusion of the period of cover, he must give notice thereof to the company not later than one month from the day the company sent an ordinary invoice for the premium for the new period. He is not required, however, to notify the company of termination until only two weeks remain of the period of validity.

The policyholder may, during the period of cover, terminate an existing accident or sickness insurance contract if he no longer needs coverage or there are other special reasons which justify termination.

In the case of group insurance, the provisions of the first and third paragraph may be contracted out of the insurance contract.

Article 76

Right of the company to cancel an insurance contract during the period of cover

In the case of life insurance, the company may not cancel the insurance contract except in instances as stipulated in Article 84.

In the case of life insurance, the company may not cancel the insurance contract except in instances as stipulated in Article 84 and the third paragraph of Article 120. In other instances, a company may only terminate an insurance contract when warranted by particular circumstances, as stated explicitly in the terms of cover, and such termination is deemed reasonable. The company may not, however, reserve the right to terminate because the health of the insured has deteriorated after the insurance was taken out.

The termination must be effected without undue delay after the company became aware of the circumstance providing its justification for termination. Notice of termination must be given in writing and grounds provided. Unless a shorter time limit is provided for in this Act, at least two month's notice of termination must be given.

In its notice of termination the company shall explain possibilities of submitting a dispute concerning such to the Insurance Complaints Committee for resolution, as provided for in Article 141.

The provisions on termination in the second sentence, cf. the third sentence, of the second paragraph shall also apply to a reservation to the effect that the insurance shall be cancelled if certain events occur.

Article 77

Settlement when an insurance contract is cancelled during the period of cover

When an insurance contract is cancelled during the period of cover, the policyholder shall be credited with the value of the insurance, including the premium which he had paid for the period for which the insurance is no longer valid. This shall apply even if the company is fully or partially absolved of liability.

The terms of cover shall include rules on the calculation of the value of the insurance and the premium in such instances or make reference to such rules.

Article 78

Notice of cessation of life insurance

When the contract provides for life insurance of a duration of three years or more, the company must give notice to the policyholder at the latest 3 months before the expiry of the period of cover that the coverage will cease, and inform the policyholder of any entitlement to extend the coverage. If the insurance has been renewed, this three-year period shall be calculated from the date the insurance was first taken out.

Article 79

Renewal of accident or sickness insurance and changes to the terms of cover

When accident or sickness insurance is to be valid for a specified period of time of one year or more, and the company does not wish to prolong the insurance beyond that time, it must then give notice to the policyholder to this effect not later than two months prior to the expiry of the period of cover. Should it fail to do so, the period of cover shall be extended by one year.

The company may only refuse to renew the insurance as referred to in the first paragraph if there are special reasons for so doing. When renewal is refused, the provisions of the second sentence of the third paragraph of Article 76 and the fourth paragraph of the same Article shall apply. The provisions of this paragraph shall not apply if it is clear from the insurance contract that the insurance shall become invalid once the period of cover expires.

Should the company wish to obtain new information on the risk in connection with renewal, it must send a written request to the policyholder. Failing this, the insurance contract shall be renewed on the basis existing when the policyholder most recently provided information on the risk.

Should the company wish to change the terms of cover in connection with a renewal, it must send the new terms to the policyholder, together with its invoice for the premium for the ensuing period of cover, explaining the changes made from the previous terms. Changes not explained in this manner cannot be invoked by the company.

A company may not reserve the right to alter the terms of cover of accident or sickness insurance during the period of the insurance.

Article 80

Right to continue a life insurance after the surrender value has been paid out

If the surrender value of an individual life insurance has been paid out to the policyholder or to a creditor, cf. Articles 107 and 111, the policyholder may, without providing new details of health, request that the insurance continue for the remainder of the period of cover originally agreed, as a pure risk insurance after deduction of the surrender value.

The company shall inform the policyholder, not later than upon payment of the surrender value, of his right to continued coverage. A request for such coverage must be made no later than four months from when the notice was sent.

Article 81

Temporary life insurance coverage

If the company has made the reservation in a life insurance that its liability shall not commence until the initial premium has been paid, the company must offer the policyholder temporary cover for death which is not related to the state of health of the insured at the time temporary coverage enters into force.

Unless otherwise agreed by the parties, or following from the fourth paragraph, the temporary cover shall take effect upon payment of the premium for it. The coverage shall cease unless a complete application for a specific insurance has been sent to the company not later than one month after the temporary coverage commenced. If such an application is sent, the temporary coverage shall cease once the insurance applied for is approved or rejected, but not later than one month after the policyholder has received a request for payment of the premium for the insurance applied for. If the company has sent an offer of insurance with different terms of cover, protection shall cease once the time limit for accepting the offer has expired.

The temporary coverage shall be the same as the protection provided by the insurance applied for, unless a lower amount is specified in its terms of cover.

If the company has not, at the latest upon receipt of the application for a specific insurance, pointed out to the policyholder the possibility of obtaining temporary coverage, the company shall bear the same liability as if such coverage had been agreed upon.

CHAPTER XIII

General conditions for the company's liability

Article 82

Obligation of the policyholder and insured to provide information on the risk Restrictions on information provision

Until the company has agreed to grant the insurance, it may request information of significance for its assessment of the risk. Such information shall be obtained directly from the policyholder or the insured, as the case may be, who must provide correct and complete answers to the company's questions. The same shall apply when a policyholder provides information on behalf of an insured. If information is obtained from a party other than the policyholder or the insured, the prior written, signed consent of the person on whom information is to be obtained must be available. The policyholder or, as the case may be, the insured shall also on his own initiative provide information on special circumstances which he is aware may be of major significance for the company's assessment of the risk.

Notwithstanding the provisions of the first paragraph, the company may not, prior or to or after concluding a personal insurance contract, request, acquire through other means, accept or utilise information on a person's genetic characteristics and the risk that such person develop or contract diseases. Nor may the company request examinations which may be regarded as necessary in order to be able to obtain such information. The above prohibition shall not, however, apply to the current or former health of the person or other individuals.

If the company refuses to grant personal insurance it must give grounds for the refusal upon request.

Article 83

Company's liability if the information obligation is neglected

If a policyholder or insured has fraudulently failed to provide information as provided for in the first paragraph of Article 82 and an insurance event has occurred, the company shall not be liable.

If the policyholder or insured has otherwise neglected his information obligation to an extent not considered insignificant, the company's liability may be wholly or partially cancelled.

In assessing the company's liability as provided for in the second paragraph, regard shall be had for the significance of the insured's omission on the company's evaluation of the risk, how great his fault was, how the insurance event occurred, and the circumstances in general.

Article 84

Right of the company to terminate the insurance coverage if the obligation to provide information is neglected

If the company becomes aware during the period of cover that the obligation to provide information has not been fulfilled and such omission on the part of the policyholder or company is not considered insignificant, it may terminate the insurance with 14 days notice. The provisions of the third paragraph of Article 76 shall apply in similar fashion. If the policyholder has acted fraudulently, the company may, however, terminate the insurance coverage, as well as any other insurance contracts it may have with the policyholder, with immediate effect.

If the company can be expected to have granted the insurance, even if it had possessed the correct information, for a higher premium or on different terms, the policyholder may, within the notice period, demand that the insurance be maintained on such terms. Unless new terms of cover are agreed upon, the original insurance shall apply with the restrictions following from the second and third paragraphs of Article 83, but no longer than three months from the date of termination. The right to maintain the insurance as provided for in this paragraph shall not apply in the case of fraud.

In the notice of termination, the company shall explain to the policyholder his possibility of continued insurance and on what terms. If the policyholder requests continued coverage, the company may request any new information which it requires for evaluation.

Article 85

Restrictions on the right of the company to invoke insufficient information

The company may not contend that it was given incorrect or incomplete information if it knew or should have known this was the case upon receiving the information. The same applies if the circumstances to which the information pertains were of no consequence to the company or subsequently have ceased to be of

consequence. In the case of fraud by the policyholder or the insured, the restriction in the first paragraph shall only apply if the company knew that the information it received was incorrect or incomplete.

In the case of life insurance, the company may only contend that the obligation to provide information has not been fulfilled if an insurance event has occurred or the company gave notice as provided for in Article 94 within two years after its liability commenced. This restriction shall not apply, however, if fraud has been committed.

Article 86

Limits to liability due to the health of the insured

When coverage is provided under the insurance for the consequences of an illness or affliction, the company may not reserve the right to be absolved of liability in the event that the illness or affliction already existed when its liability commenced. Such a reservation, however, shall be valid if:

- a. it is based on information which the company obtained legitimately concerning the insured;
- b. the company has, for special reasons other than those referred to in the second paragraph of Article 82, been unable to obtain information from the insured; in such instances the company shall nonetheless be liable for an illness or affliction which the insured had no knowledge of when its liability commenced, or
- c. it was agreed that the company would not obtain information on the insured's health when he took out the insurance; in such instances the company may make the reservation that it shall be absolved of liability for an illness or affliction which the insured knew of or should have known of.

In the case of sickness insurance, the company may make a reservation in the terms of cover that it shall only be liable for an illness if the symptoms appeared after a certain period of time. The same shall apply to disability coverage in connection with life insurance.

If insurance for a specific period has been renewed, such reservation can only apply to an illness or affliction from which the insured suffered already when the insurance was first taken out.

Article 87

Limited liability because of hazardous activities

If the company has made its liability conditional upon the insured not undertaking certain activities or not being exposed to a specific hazard, it shall still be liable for insurance events provided the insurance event was not a result of these causes.

Article 88

Reservation to adapt the premium to the insured's circumstances

If the company has made the size of the premium conditional upon the circumstances of the insured, such as occupation etc., it may require the policyholder to notify any changes in these circumstances. If such notification is not given at the latest upon payment of the first premium after the change occurred, and as a result of failure to do so the premium is not increased, the company may claim that its liability for any insurance event be proportionally reduced. In evaluating liability, the premium to be used as the basis is the one which the company would have demanded if it had been aware of changes in the insured's circumstances. The company must, in its claim for payment of the premium, remind the policyholder of this requirement

Article 89

Insurance event caused intentionally

Should an insured intentionally cause an insurance event to happen, the company shall not be liable. The company shall, however, be liable if the insured, due to age or psychological condition did not realise the consequences of his actions. In the case of accident insurance, the company may reserve the right to be absolved of liability for suicide or attempted suicide which can be attributed to a mental illness.

If the insured has taken his own life, or attempted to do so, the company shall be liable in the case of life insurance, if more than one year has elapsed since its liability commenced or if it is deemed proven that the insurance had been taken without suicide being a consideration. If short-term life insurance, covering only the risk of death, has been renewed, the one year period shall be calculated from the time the insurance was first taken out.

Article 90

Insurance event caused by negligence

If, in the case of insurance other than life insurance, the insured has brought about the insurance event or increased the extent of its consequences through gross negligence, the liability of the company may be reduced or cancelled. The same shall apply if the insured has, through gross negligence caused the insurance event to

occur by failing to comply with precautionary rules. In deciding this, consideration shall be given to the insured's fault, how the insurance event occurred, whether the insured was voluntarily under the influence of alcohol or narcotics, and the circumstances in general.

In instances other than those mentioned in the first paragraph, the company cannot contend that the insured has caused the insurance event by negligence.

The company may not invoke the rules of the first paragraph if the insured was unable, due to age or psychological condition, to realise the consequences of his actions.

Article 91

Measures to prevent personal injury or property damage

The company may not invoke the rules of Articles 87, 89 or 90 if the action concerned was taken in an effort to prevent personal injury or property damage, and under the circumstances, can be considered to be justifiable.

Article 92

Notification of an insurance event

If an insurance event has occurred, anyone who considers that he has a claim against the company shall report it without undue delay.

If the company cannot investigate the circumstances behind the insurance event which are of significance for its liability, or if it cannot take measures which would have limited the loss, because a party mentioned in the first paragraph has deliberately or through gross negligence failed to fulfil his obligation to give notification, its liability towards such person may be reduced or cancelled.

Article 93

Measures to limit damage

The company may give instruction to the insured to take measures which are clearly intended to limit the extent of its liability; it must accept responsibility for costs incurred through such measures. The insured shall not be obliged to comply with such instructions if they involve an unreasonable limitation on his personal freedom.

Should the insured, intentionally or through gross negligence, fail to comply with instructions which he was obliged to comply with, pursuant to the first paragraph, the liability of the company may be reduced or cancelled.

Article 94

Obligation of the company to give notice should it intend to invoke its right to limited liability

Should the company claim to be fully or partially absolved of liability pursuant to the provisions of this Chapter, or entitled to terminate the insurance, it must notify the policyholder, or the party entitled to compensation, in writing of its position. The notice shall be sent without undue delay after the company learned of the circumstances which entitle it to exercise this right pursuant to the provisions. In this connection, the company shall also provide information on the right to refer a case to the Insurance Complaints Committee provided for in Article 141.

If the company neglects to send such notification, it loses the right to invoke these circumstances.

In the case of life insurance, the company must at the same time as it sends the notification provided for in the first sentence of the first paragraph record in the Life Insurances Register that it has invoked the circumstances.

CHAPTER XIV

The premium

Article 95

Due date, initial claim for premium

Unless payment of a premium is a condition for the company's liability to commence, the premium shall be due when claimed in accordance with the insurance contract. The due date shall be at least one month from the date the company sent a claim for the premium to the policyholder. If the company's liability has commenced it shall continue even if payment is not made within the specified time limit.

Article 96

Premium in default, subsequent claims for premium

If a premium has not been paid upon the expiration of the deadline for payment, as referred to in Article 95, and the company is liable, it can absolve itself of liability by sending an additional notification, giving a time limit of 14 days for payment to be made. The notice shall clearly indicate that the insurance will be cancelled if the premium is not paid within the specified time limit.

If it is demonstrated that the policyholder could not pay prior to the expiry of the deadline referred to in the first paragraph due to unforeseen obstacles for which he is not responsible, the company's liability shall remain for an additional three months following the end of the time limit.

If the premium for accident or sickness insurance is paid after the end of the time limit of the first paragraph, payment should be regarded as a request for new insurance. The provisions of the third paragraph of Article 74 shall then apply in the same manner, but the company's liability shall not commence until the day after the premium is paid.

Article 97

Right to reinstate life insurance without providing new health information

If the liability of the company under a life insurance contract has been cancelled after the premium has been paid for at least one year, the insurance may be reinstated as risk life insurance solely without requiring new health information provided the premium due is paid within three months after the time limit provided for in the first paragraph of Article 96, expires. If the surrender value of the insurance has been paid out, the surrender value may also be repaid to the company within that same period of time, cf. however, the first paragraph of Article 80. The company may demand payment of penalty interest on the amounts concerned. If the insurance is reinstated, the company's liability shall commence the day after the amount is paid.

Article 98

Special obligation to give notice concerning a life insurance premium

In the case of life insurance, the company must also send a notification as provided for in the first paragraph of Article 96 to whomever according to the Life Insurance Register holds a mortgage on the insurance. The spouse of the policyholder, the insured and whoever is considered the final beneficiary under the life insurance may also request such notification. Failure by the company to send the notifications referred to here will mean that it may not contend non-payment of the premium towards those who received no notification.

Article 99

When payment shall be deemed to have been made

Although the company may not have received payment, payment shall be deemed to have been made when:

- a. money, a cheque or other similar payment order has been sent to them by mail or telegram;
- b. the amount has been paid to a post office, commercial bank or savings bank; or
- c. instructions for payment have been sent to a commercial bank, savings bank or by other irrevocable means.

CHAPTER XV

Dispositions connected with insurance Entitlement to benefits from the company

Article 100

Right to benefits when the policyholder

has made no dispositions involving the insurance

If the policyholder has not made dispositions as provided for by in the provisions of this chapter, the rules of the second to sixth paragraphs shall apply.

The insurance amount which becomes payable upon the death of the policyholder shall accrue to his spouse. This shall not apply, however, when prior to the death a court judgement had been handed down or a licence issued for separation or divorce, or a judgment pronounced to this effect or the marriage annulled, even when the decision is not final or has acquired legal effect. The insurance amount, or part thereof, which accrues to the spouse shall not be included in the assets to be divided equally under Article 93, cf. Article 103 of the Marriage Act, No. 31/1993, if the surviving spouse does not retain undivided possession of the estate in accordance with Chapter II of the Inheritance Act, No. 8/1962.

The insurance amount, or part thereof, which does not accrue to the spouse in accordance with the second paragraph, shall devolve on their natural or testamentary heirs. If the policyholder retained an undivided estate under Chapter II of the Inheritance Act, the insurance amount shall be included in the assets to be divided equally among the heirs of the first deceased and the surviving spouse, cf. the first sentence of the first paragraph of Article 11 of the Inheritance Act.

When payment of the insurance amount is fully or partly dependent upon the condition that certain persons are still alive, the sum shall devolve on them.

If several persons have taken out insurance jointly and the insurance amount becomes payable upon the death of the first one of them, the sum insured passes to the surviving policyholder/s. If there is more than one survivor, the sum insured shall be divided equally among them unless otherwise agreed.

An insurance amount which becomes payable upon an event other than the death of the policyholder, shall accrue to the policyholder.

Article 101

Appointment of a beneficiary

A policyholder may designate one or more beneficiaries to receive the insurance amount with any profit, or part of the sum insured, when it becomes payable. If a policyholder is married, his spouse shall be notified of the appointment of the beneficiary, cf. Article 105.

The appointment of a beneficiary may be revoked unless the policyholder has declared to him that this is irrevocable.

Article 102

Method of designating a beneficiary

The appointment of a beneficiary and its revocation must be notified to the company in writing. Upon taking out insurance, the company may, however, be informed of the appointment by other means.

When a disposition connected with insurance is made in a testament, such disposition shall be deemed to be an appointment or revocation of a beneficiary.

An appointment or revocation of a beneficiary which is not made as provided for in the first and second paragraphs shall be invalid.

Article 103

Rules on interpretation

The following shall apply, unless decided otherwise or unless such follows from the circumstances:

- a. The appointment of a beneficiary shall only apply to the insurance amount which becomes payable upon death.
- b. If the policyholder has appointed more than one beneficiary, Article 53 of the Inheritance Act shall apply.
- c. If the beneficiary dies before the insured, the insurance amount shall devolve to the beneficiary's natural heirs.
- d. If the spouse of an insured is appointed as beneficiary, the provisions of the second paragraph of Article 100 of this Act shall apply.
- e. If the heirs of the insured are appointed, this shall also include any testamentary heirs.
- f. If the insurance is mortgaged when the policyholder dies, the mortgagee shall have precedence over the beneficiary.

Article 104

Rights under the insurance contract when a beneficiary has been appointed

Appointment of a beneficiary does not entail any limitation of the policyholder's right to dispose of the insurance or right under the insurance contract in general. If the insurance is mortgaged, the right of the beneficiary shall cede to that of the mortgagee unless otherwise agreed.

If the appointment of beneficiary is irrevocable, the policyholder shall not be entitled to dispose of rights under the contract to the detriment of the beneficiary.

As long as the insurance event has not occurred, the beneficiary may not dispose of his rights under the insurance contract. If the policyholder is deceased and the insurance amount is to be paid later, all rights under the insurance contract shall be transferred to the beneficiary unless circumstances indicate otherwise.

Article 105

*Appointment of beneficiary overturned at the request
of the policyholder's dependents*

If it clearly unfair to the spouse or other heirs of the body, who were dependent upon the policyholder or for whom he was obligated to provide and who would otherwise have been entitled to the insurance amount, pursuant to Article 100, that the beneficiary should receive the insurance amount, the person who was or should have been provided for may request that the sum insured be paid wholly or in part to him. In deciding this matter, emphasis shall be given to the motive for the appointment, the needs of the person who was or should have been provided for, the needs of the beneficiary, and whether the person provided for received notice of the appointment within a reasonable time prior to the death.

The rules of the first paragraph shall also apply to heirs of the body when the spouse is entitled to the insurance amount, pursuant to the second paragraph of Article 100.

The claims as provided for in the first and second paragraphs must be lodged in a legal action against the beneficiary or spouse within one year of the death.

If the beneficiary or spouse has received the insurance amount, he shall not be obliged to repay more of this than the amount remaining when the person concerned was informed of the claim.

Article 106

Assignment of the insurance

If insurance is assigned, the rights under the insurance contract are transferred to the assignee, unless otherwise agreed. Upon assignment, earlier appointments of beneficiaries shall be cancelled unless otherwise agreed or this follows from the circumstances.

Article 107

Mortgaging of the insurance

A capital insurance may be mortgaged. The mortgage right entitles authorisation to be paid the insurance amount when it becomes payable, and the right to the surrender value of the insurance. Any profit in addition to the benefits originally provided shall not be included under the mortgage unless otherwise agreed.

Without the consent of the mortgagee, the company cannot pay out any benefits payable under the contract, cf. the second paragraph of Article 6 of the Act on Contractual Liens.

If the mortgage claim has become payable, the mortgagee may request that the surrender value be paid to him to the extent necessary to realise the claim. The mortgagee must, however, allow the mortgagor a two-month time limit within which to pay the mortgaged amount or an amount equal to the surrender value. The mortgagee is not entitled to realise the mortgage claim in any other manner.

If the insurance is mortgaged when the insured dies, and the mortgaged amount is covered by the deceased's estate, the estate may claim reimbursement of the insurance amount unless circumstances indicate otherwise.

Article 108

Loss of the right to claim insurance benefits

The provisions of Article 23 of the Inheritance Act shall apply to anyone entitled to insurance benefits under this Chapter. The same shall apply to insurance benefits paid for disability which is a consequence of actions covered by the provisions of the Inheritance Act referred to. When an insurance covers the life of an unrelated party, any benefits which do not accrue to the policyholder shall devolve on the insured or his heirs, if the insured is deceased, as provided for in the provisions of the second and third paragraphs of Article 100.

Article 109

Annuity insurance

The rules of this Chapter shall apply to annuity insurance unless otherwise prescribed by law or the terms of cover.

CHAPTER XVI

Legal relationship to creditors

Article 110

General rules concerning creditors' entitlement

Unless the insurance has been assigned to someone other than the policyholder's spouse or the insured, rights under an insurance contract may not be the object of enforcement by creditors until after an insurance event has occurred. If the creditors of the assignee seek to realise their claims in rights under the insurance, the provisions of the third paragraph of Article 107 shall apply.

An insurance amount to be paid upon death may not be the object of enforcement by creditors of the deceased unless otherwise determined upon the appointment of the beneficiary. The provisions of the fourth paragraph of Article 107 shall apply to such instances.

If the insurance amount becomes payable through reasons other than the death of the insured, the insured's creditors may not seek recovery in his claim against the company until one year after it became payable. The same shall apply to the creditors of the insured's spouse when the insured's spouse is entitled to the amount when it becomes payable.

In an annuity insurance the creditors of the annuitant may seek recovery in the annuity payments, subject to the restrictions following from Article 47 of Act No. 90/1989, on Execution.

Article 111

Recall of premium payments upon bankruptcy, etc.

The executor of a policyholder's bankrupt estate of debtor in a liquidation process or insolvency may claim reimbursement from the company for premiums paid in the last three years prior to the cut-off date, in accordance with Article 2 of the Act on Bankruptcy, etc., No. 21/1991, to the extent that, when it took place, the payment was obviously unreasonable in view of the financial position of the policyholder and the circumstances in general. The reimbursement shall amount to the increase in the value of the insurance resulting from the obviously unreasonable payment of premium. Payment of premium in an annuity insurance, to the extent that the premium was or could be deductible in determining the policyholder's income tax basis, shall not be considered unreasonable as referred to in the rules of this paragraph.

If the executor of a bankrupt estate or debtor in a liquidation process or insolvency intend to advance a claim for reimbursement against the company, notice of such claim must also be given to the policyholder and anyone with a claim against the insurance amount when it becomes payable.

If the insurance amount has been paid, the estate may claim the amount referred to in the first paragraph from anyone who has received payment of the insured sum. The provision of the fourth paragraph of Article 105 shall apply *mutatis mutandis* to such payments.

If the insurance has been mortgaged and the mortgage registered no later than the day prior to the cut-off date provided for in Article 2 of the Act on Bankruptcy, etc., the claim for reimbursement pursuant to this Article may not be invoked contrary to the interests of the mortgagee. If the policyholder has assigned the insurance or made an irrevocable appointment of a beneficiary, the same shall apply to the extent the assignee or the beneficiary has paid a consideration for the right.

If the beneficiary or other person whose interests are protected as provided for in the first paragraph of Article 110, has paid the premium, the provisions of the first to fourth paragraphs shall similarly apply to their relationship to creditors.

CHAPTER XVII

Registration of Life insurances

Article 112

Life Insurance Register

A life insurance company must keep a register of life insurance contracts it concludes. The register must include the following details of each individual contract:

- a. the terms of cover which apply to the contract,
- b. the rights to future benefits provided for,
- c. the premiums, and
- d. the name of the policyholder and of the insured.

If anyone has acquired a right to the insurance, the company shall, upon request, register the acquisition. If the right to the insurance derives from a voluntary disposition, it is a condition for the registration that the disposition was made by whoever is the policyholder according to the register. The company must inform the policyholder, the insured and the owner of the rights.

If another beneficiary has previously been registered, a request may be made for the deletion of this registration if proof is submitted that the right has been cancelled or if the owner of the rights agrees to this.

The revocable appointment of a beneficiary may be registered or deleted only upon the request of the person registered as policyholder in the Life Insurance Register. A notification from the policyholder, as provided for in the first paragraph of Article 102, shall be considered a request for registration or deletion.

If the policyholder's estate has been made the subject of probate by a public executor, cf. Article 54 of the Act on Probate, etc., No. 20/1991. If authorisation has been granted to seek debt compensation, or if the policyholder's estate has been subject to bankruptcy proceedings, the estate shall be registered at the request of the co-ordinator or executor, cf. Articles 43 and 87 of the Act on Bankruptcy, etc. The same shall apply if the policyholder is deprived of legal competence, cf. Articles 58 and 67 of the Act on Legal Competence, No. 71/1997.

A request for registration shall be entered in a journal on the date received by the company and recorded in the register as soon as possible.

Article 113

Transcripts

Transcripts of the Life Insurance Register may be requested by the policyholder, his spouse, the insured, a beneficiary irrevocably appointed, a lien creditor upon the insurance or a person to whom such security rights have been assigned or pledged, an executor or co-ordinator of composition with creditors.

Transcripts as referred to in the first paragraph shall only contain information of significance to the party making the request. In other respects the company is bound by obligations of confidentiality concerning the contents of the Life Insurance Register.

The Minister of Commerce shall set detailed rules on the contents of transcripts pursuant to this Article.

Article 114

Irreconcilable rights

In the event of conflicting rights, a registered right to the insurance shall take precedence over a right to the insurance which was not entered in the journal on the same date at the latest. Rights registered in a journal on the same day shall have equal entitlement.

Notwithstanding the provisions of the first paragraph, a prior right shall take precedence over a subsequent one when the subsequent one was created by a voluntary disposition and the assignee knew or should have known of the prior right when its right was registered in the journal.

Article 115

Position of a holder of rights in good faith towards the company

If anyone has, in good faith, had rights based on a contract recorded in a register the company may not raise against such party any objections other than those based on information provided in the notification to the beneficiary as provided for in the second paragraph of Article 112. The company may, however, raise objections based on:

- a. events listed in Chapter XIII which the company only learned of after a notification as provided for in the second paragraph of Article 112 was sent;
- b. non-payment of premium after a notification as provided for in the second paragraph of Article 112 was sent, cf. however, Article 98; or
- c. that the company had paid the payable instalment of an annuity or other payment pursuant to the contract, which should under the contract be paid for a prescribed number of years, even if payment was made before a notification as provided for in the second paragraph of Article 112 was sent.

Article 116

Payment of the insurance amount to the party considered the beneficiary

If the company has, in good faith, paid the insurance amount or surrender value to a party registered as the beneficiary in the Life Insurance Register, or entitled to the insured sum as provided for in Article 100, it is not possible to contend towards the company that another party than the recipient has a better right.

Article 117

Preclusion of objections by a holder of due title

If anyone has, in good faith, registered a right pursuant to a contract with the person who according to the Life Insurance Register is the policyholder, it cannot be contended that his right is founded on an invalid assignment. This shall not apply, however, if the reason for invalidation is forgery, legal incompetence, mental illness or major

duress, as provided for in Article 28 of the Act on Conclusion of Contracts, Power of Attorney and Invalid Legal Instruments, No. 7/1936.

Article 118

Dispositions of the policyholder

The provisions of this Chapter concerning dispositions of the policyholder shall also apply to dispositions made by anyone holding limited rights to the insurance.

Article 119

Regulation authorisation

The Minister of Commerce may issue a regulation containing detailed rules on the Life Insurance Register.

CHAPTER XVIII

Settlement of compensation, limitations, etc.

Article 120

Disclosure obligations upon settlement

Anyone intending to advance a claim against the company must furnish the company with any information and documentation available to him and required by the company to evaluate its liability and pay the insurance amount.

Anyone who, when a claim is settled, gives incorrect or incomplete details which he knows or ought to know could result in payment of compensation to which he is not entitled, shall forfeit any and all claims for compensation against the company under this and any other insurance policy in connection with the same event. If his action is not serious or concerns only a small portion of the claim, or if special circumstances so warrant, he may, however, receive partial compensation. Article 93 shall apply as appropriate.

In the instances referred to in the second paragraph, the company may terminate any and all insurance contracts it has with the person concerned with one week's notice. The provisions of the third paragraph of Article 76 shall apply as appropriate.

Article 121

Payment of compensation or the insurance amount

A claim for compensation or the insurance amount shall fall due 14 days after the company has had the opportunity to gather the necessary details to determine its liability and calculate the final amount of compensation. If the company is liable for disability coverage, further provision may be made in the terms of cover as to evaluation of the disability.

If, prior to the final settlement, it becomes clear that the company will have to pay at least part of the amount claimed, the company shall pay out a corresponding advance.

Article 122

Set-offs by the company

In paying compensation or the insurance amount, the company is only entitled to make a set-off of the premium owing from the same or other insurance contracts which the policyholder has with the company.

When the compensation or insurance amount is due to anyone other than the policyholder, the company may only be entitled to make a set-off of the premium for the same insurance contract. When more than one party is to be paid, the set-off shall be distributed proportionally amongst them.

Article 123

Interest

The company shall pay standard interest on the compensation or insurance amount when two months have elapsed since the report of the insurance event was sent to the company.

If the company is to reimburse expenses incurred, the obligation to pay standard interest shall not arise until two months after such expenses were paid. If the company is to pay per diem or similar benefits, interest shall be paid when one month has elapsed from the expiry of the period for which the company is liable to pay per diem. If the company is to pay a certain amount on a pre-determined due date, interest shall be paid from the due date.

Failure by the beneficiary entitled to compensation or to the insurance amount to give details or furnish documentation, as stated in the first paragraph of Article 120, shall mean he may not claim interest for the period which elapses as a result. This also applies if the owner of rights against the company illegitimately rejects a full or partial settlement.

If a claim for benefits is based on price levels after the insurance event occurred, the claim shall bear interest in accordance with the above based on that point in time.

Standard interest as provided for in this Article shall be the same as is to be paid on damages in accordance with the Act on Interest and Price Indexation, No. 38/2001. The rules of Chapter III of that Act shall apply to penalty interest.

Interest must be paid even if the insurance amount is thereby exceeded. The terms of cover shall point out the right to interest under this Article.

Article 124

Time limit for reporting an insurance event for accident, sickness or health insurance and for taking legal action

Anyone entitled to compensation under an accident, sickness or health insurance, with or without the right of termination, will forfeit such entitlement unless the claim has been filed with the company within one year after the entitled party became aware of the circumstances on which it is founded.

If the company rejects wholly or in part a claim for compensation, the party entitled to compensation forfeits such unless legal action is brought, or the case referred to the Insurance Complaints Committee provided for in Article 141, within one year of the date he received a written notice of the rejection. The company's notification shall state the length of the time limit, how it may be interrupted, and the consequences of failure to comply with it. The Act on Limitations to Debts and other Claim Rights, No. 14/1905, shall apply as appropriate to interruptions to time limits.

Article 125

Time limits for claims

A claim for the insurance amount in a capital insurance will be statute barred by limitation after 10 years, and other claims for benefits after four years. The time limit shall be calculated from the end of the calendar year in which the claimant acquired the necessary knowledge of the circumstances upon which the claim is founded. The claim will nevertheless be statute barred at the latest 20 years, and other claims after 10 years, respectively, after the end of the calendar year when the insurance event occurred. If the company has sent notification as mentioned in the second paragraph of Article 124, concerning insurance listed in the first paragraph of the same Article, the claim may not be barred by limitation until the expiry of the term stipulated there.

A claim under an annuity insurance will be statute barred when 10 years have elapsed from the date the last instalment was paid out. If no instalments have been paid out, the term commences on the date the person entitled could have claimed the first instalment. Claims for instalments which have fallen due will be statute barred four years after the due date.

In other respects, the rules of the Act on Limitations to Debts and other Claim Rights, No. 14/1905, shall apply. The time limit specified in the third sentence of the first paragraph cannot be extended pursuant to Article 15 of that Act.

CHAPTER XIX

Special rules on group insurance

Article 126

Relationship to other provisions of the Act

Unless otherwise indicated by the rules in this chapter, other rules of this Part of the Act shall also apply *mutatis mutandis* to group insurance.

Article 127

Contents of a group insurance

A contract for group insurance must include the following:

- a. the company's payments pursuant to the contract;

- b. whether reservation can be made against becoming a member;
 - c. who are or can become members of the group;
 - d. how to proceed to become a member, make a reservation against becoming a member, or withdraw from the group;
 - e. whether a register is to be kept of members and, if so, whether the register should be maintained by the policyholder or the company;
 - f. whether the premium is to be paid to the company by the policy holder or by each individual member;
 - g. the policyholder's obligations concerning notifications to and from the members;
 - h. who shall be entitled to the insurance amount if derogation is made from the rules of Article 100;
 - i. the requirements which must be met in order for the insurance to take effect or be maintained; and
 - j. members' authorisation to dispose of their rights under the insurance contract, cf. Articles 137 and 138.
- A contract for a group annuity insurance must stipulate whether the surplus from the insurance is to be credited to the policyholder or to the members.

Article 128

Information on the insurance

The company and policyholder shall, in a satisfactory manner, ensure that those who are or may become members of the group are informed about such matters as referred to in Article 127 and about supplementary coverage which it might be advisable for members to take out. Such information shall be provided when the group insurance has been established and later when there is cause for so doing. If the terms of cover are not stated in the insurance contract, members shall also be given information about them.

Article 129

The insurance certificate

If a register of group members is kept, as provided for in sub-paragraph e of the first paragraph of Article 127, whoever maintains the register shall without undue delay ensure that everybody who becomes a member is given an insurance certificate or a certified copy of the same and the terms of cover applicable to the insurance.

Once a person has been given an insurance certificate or certified copy of the same, it cannot be invoked against such person that he fails to meet the requirements to be a member of the group covered by the insurance or that he is not entitled to the benefits indicated in the certificate. This shall not apply, however, if it is clearly evident from the insurance certificate that the person does not fulfil the conditions or is not entitled to benefits. Nor shall this apply when the company can claim to be wholly or partly without liability pursuant to rules in Article 83, or if it has given notice of termination or of change to the terms of cover as provided for in Articles 131 and 133.

Article 130

Commencement of the company's liability

Unless otherwise agreed, or following from the circumstances, the company's liability shall commence upon conclusion of the contract.

For anyone who subsequently joins the group, the company's liability shall be deemed to commence when a notice is sent of his membership pursuant to the contract, or his premium paid or, if no notification is required, when he has fulfilled the requirements for membership.

The provisions of the fourth paragraph of Article 74 shall apply as appropriate.

Article 131

Cessation of the insurance

If a member of a group insurance, for which a register of members is maintained, withdraws from the group, the insurance for the member concerned shall cease at the earliest 14 days after the company or the policyholder has sent the insured written notification. If a member of a group insurance, for which no register of members is maintained or no written notification is sent, withdraws the insurance shall not cease until at least two months have elapsed since the member's withdrawal. If insurance events occur, for which the company is liable under the first and second sentences, the company may make a deduction from the compensation to the extent that the member concerned has been included under a similar insurance and will receive compensation accordingly.

If the policyholder or the company terminates or refrains from renewing the insurance, or if the liability of the company is cancelled due to failure by the policyholder to pay the premium, written notification shall be sent to the members, or they shall be notified in an otherwise satisfactory manner. In such instances, each individual member's insurance coverage shall cease at the earliest one month after notification has been sent, or the member has learned of the circumstances by other means. The provision of the third sentence of the first paragraph shall apply as appropriate.

The provisions of this Article shall not apply to insurance which, by its nature, is valid only for a limited time.

Article 132

Member's right to continue a life insurance

When a group life insurance ceases, each of its members are entitled to continue the insurance contract with individual calculation of the premium without providing new details of health. This right also applies for a member who has for any reason other than age withdrawn from the group included under the insurance. The member must be informed either by written notification or some other satisfactory manner of the right to continue the coverage. If the member wishes to take advantage of this right, he must do so within three months after the liability of the company has ceased.

Article 133

Changes to the terms of cover

The company may reserve the right to change the terms of cover and the premium during the insurance period.

If the terms of insurance cover are changed, to the participants' disadvantage, the provisions of the second paragraph of Article 131 shall apply.

Article 134

Notifications to or from members

If a notification pursuant to the insurance contract has been sent to the policyholder, it is not possible to invoke that it has not been received by the company. This shall not apply, however, if the member had reason to expect that the notice had not reached the company and had the opportunity to give notice of this.

If the policyholder was obliged, pursuant to this Act or a contract, to send notification to the group members and fails to do so, this omission will have the same legal effect as regards the members as if it had been that of the company. This does not, however, apply if the member otherwise knew of the substance of the notification and can be reasonably considered to have had the opportunity to comply with it.

Article 135

Life insurance without details of the risk

In a group life insurance it is possible, notwithstanding the provisions of Article 86, to agree that the company shall not be liable for disability to work occurring within two years after the company's liability commenced and can be attributed to an illness or affliction suffered by the member at that time and which the member can be assumed to have been aware of. The same applies to a risk associated with a co-insured who has not provided a health certificate. The first sentence shall also apply to particular benefits which devolve on survivors as a result of the member's death; provision may not be made, however, for a period without liability longer than one year from the time when the company's liability commenced.

Article 136

Entitlement to an insurance amount payable upon a member's death

In a group insurance which is not intended to provide for someone, it may be agreed that the policyholder shall be entitled to the insurance amount.

If group insurance has been taken for employees' life insurance, the employer and the employee or his union may decide on what provisions concerning entitlement to the insurance amount upon a member's death shall be included in the insurance contract. The same shall apply when a union or association has taken out group life insurance for its members.

Unless specifically agreed upon, as provided for in the first and second paragraphs, and if a group member has not appointed a beneficiary, cf. Article 137, the rules of the second to fourth paragraph of Article 100 shall apply in the same manner to his heirs.

Article 137

Appointment of a beneficiary

In a group insurance where the members themselves contact the company with a request for insurance, each member may appoint a beneficiary.

The same shall apply to other group insurances unless otherwise provided for in the insurance contract.

When the rules of Articles 101-105 are applied, any provisions directed at the policyholder shall apply similarly to the members of group insurance.

Article 138

Assignment and mortgaging

For as long as a claim by the member against the company has not become payable, the member is not entitled to assign his right. Rights under a group life insurance (capital insurance) may be mortgaged unless otherwise provided in the contract.

Article 139

Recall of premium payment

When the rules of the first paragraph of Article 111 are applied, the payment of premium under a annuity insurance shall not be deemed to be unreasonable to the extent that the premium reduced or might have reduced the policyholder's taxable income.

Article 140

Registration of insurance

Under a group insurance the company is not obliged to register the members of the group in the Life Insurances Register unless otherwise agreed.

A transcript of the Register may be requested by anyone demonstrating membership of an insured group where the members are not registered.

The Minister of Commerce may, in a Regulation, decide that the provisions of Articles 113-115 shall be applied to a register of members of a group insurance which is kept by the policyholder.

PART III

General provisions

CHAPTER XX

Disputes, etc.

Article 141

Insurance Complaints Committee

Where it is stated in this Act that a dispute may be referred to the Insurance Complaints Committee, this shall mean the Insurance Complaints Committee which operates pursuant to an agreement between the Minister of Commerce, the Consumers' Union and the Association of Icelandic Companies', as well as its own Articles of Association. The Chairman of the Committee must fulfil the requirements to be a judge, as provided for in the second paragraph of Article 12 of the Act on the Judiciary, No. 15/1998.

The Insurance Complaints Committee shall issue grounded rulings, which may not be referred to public authorities, while parties to the case may bring their disputes before a court in the normal manner.

The Minister of Commerce shall see to the publication of the Articles of Association for the Insurance Complaints Committee on Insurance Issues in the B section of the Official Journal of Iceland (*Stjórnartíðindi*).

The Insurance Complaints Committee on Insurance Issues shall be situated at the Financial Supervisory Authority.

Article 142

Calculation of time limits

When time limits are calculated in days, the day when the term commenced shall not be included. However, the day on which the action to which the time limits relates, may be taken at the earliest or should be taken at the latest shall be included.

Time limits calculated as weeks, months or years, shall expire on the day of the last week or the last month which by its name or number corresponds to the day when the term commenced. When the month concerned does not have a day with that number, the term shall expire on the last day of the month.

When a time limit for taking action expires on a weekend or statutory holiday, the term shall be extended to the next working day.

CHAPTER XXI

Selection of legislation

Article 143

General provisions on selection of legislation on insurance contracts

Where this Act or the Act on Insurance Activities states that the legislation of a specified state shall apply, this shall mean that the rules of law of that state shall apply, with the exception of rules on the selection of legislation for insurance contracts.

Where a state consists of more than one territorial unit, each of which has its own rules of law on contractual obligations, each territorial unit shall be considered a separate state for the purposes of determining what legislation shall apply.

Rules of law which are mandatory in Iceland shall apply even where the legislation of another state in other respects serves as the basis of an insurance contract.

In the case of compulsory insurance, the mandatory rules of law of the state which imposed the insurance obligation shall apply.

Customary international rules on the choice of legislation, which apply to contractual obligations, shall be applied only insofar as they are compatible with the provisions of this Act.

Article 144

Choice of legislation in life insurance contracts

The law of the state where the commitment was effected shall apply to a contract on life insurance. The insurance company, or the party concluding the contract on its behalf, and the policyholder may, however, reach agreement that the legislation of the home state of the insurance company shall apply to the obligation, provided the legislation of this state authorises such agreements, cf. however the third and fourth paragraphs of Article 143.

Where a life insurance policyholder is a natural person who is not a national of the state of his habitual residence, the parties may choose to be bound by the law of the state of which he is a national.

Where a life insurance policyholder is a legal entity and the obligation was effected in Iceland, although the insured has his habitual residence in another state or is a national of that state, the parties may also select the legislation of this state.

When the obligation was effected outside of Iceland and the law of that state allow for more extensive contractual rights than are provided for in the first and second paragraphs, the parties may choose legislation to the extent allowed by the law of that state.

Article 145

Choice of legislation in other life insurance contracts

In direct insurance other than life insurance, the legislation of the state where the risk is situated shall apply to the insurance contract where this is also the state where the policyholder has his habitual residence. The insurance company, or the party concluding the contract on its behalf, and the policyholder may, however reach agreement that the legislation of the home state of the insurance company shall apply to the obligation, provided the legislation of this state authorises such agreements, cf. however the third and fourth paragraphs of Article 143.

Where the insurance risk is in a state other than that of the policyholder's habitual residence, the parties may choose whether the legislation of the state in which the risk is situated or of the state where the policyholder has his habitual residence shall apply.

Where the policyholder pursues a commercial or industrial activity, the insurance risk connected to it is situated in more than one state, and the insurance contract covers more than one type of risk, the parties may choose either the legislation of these states or the law of the state where the policyholder has his habitual residence.

Where the insurance risk is situated in a state other than Iceland and the legislation of that state allows for more extensive contractual rights than are provided for in the second and third paragraphs, the parties may choose legislation to the extent allowed by the law of that state.

When the risk which the contract covers is limited to damage events which take place in a state other than the one in which the insurance risk is situated, the parties may always choose the legislation of the state in which the damage events take place.

When the insurance risk is a large risk, cf. Article 8 of the Act on Insurance Activities, the parties may always choose the legislation which shall apply to the insurance contract, cf. however, the third and fourth paragraphs of Article 143.

If the parties to an insurance contract other than a life insurance contract have not agreed to choose the legislation in a valid manner, and that choice does not derive from the provisions of this Act, the rules of law of the state considered most relevant to the contract, according to this Article, shall apply. Where not otherwise specified, it shall be presumed that the [legislation of the] state in which the insurance risk is situated, is most relevant to the contract.

Where a choice has been made as provided for in the seventh paragraph, but [the legislation of] another state which could have been selected is felt to be more relevant to part of the contract, the legislation of that state may be chosen for that part of the contract where special circumstances so warrant.

PART IV

CHAPTER XXII

Miscellaneous provisions

Article 146

Entry into force

This Act shall enter into force on 1 January 2006. The Act shall apply to all new insurance contracts concluded as of that date, all insurance contracts renewed or extended as of that date, and all other insurance contracts in force on that date.

Upon the entry into force of this Act, the Act on Insurance Contracts, No. 20/1954, shall be repealed.

Article 147

Amendments to other Acts

The following Articles and paragraphs of the Act on Insurance Activities, No. 60/1994, shall be repealed upon the entry into force of this Act: Article 56, the first and second paragraphs of Article 57, the second and third paragraphs of Article 58 and Articles 59 to 63.

Adopted by Althingi on 26 April 2004