



Business liability insurance

Insurance Terms No. AA20

The insurance contract is governed by:

- The insurance policy including endorsements and special terms.
- These present Insurance Terms No. AA20.
- VÍS general terms and conditions No. YY10.
- The Insurance Contracts Act No. 30/2004.

Provisions of the insurance policy or of the renewal receipt take precedence over the provisions of the insurance contract terms. Provisions of the insurance policy, of the renewal receipt and of the insurance contract terms take precedence over derogable legal provisions.

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INTRODUCTION

According to Icelandic law, a person is liable for tort damages with respect to any harm which he/she causes others in a culpable and unlawful manner. This principle is called the *culpa* rule, and it is a basic principle of Icelandic law. If the person who is subject to a litigation claim for tort damages is not

culpable, that person will generally speaking not be liable in tort.

The purpose of liability insurance is to pay indemnity for the insured person in the event that he/she has incurred tort liability, to the extent that the injured party will not have to cover his/her own loss or damage on account of shared culpability or shared accountability, and its purpose is also to pay the cost incurred by the insured party in case a tort claim is made against him/her. Because liability in tort is frequently a complex legal issue, the insured person has a duty to consult VÍS with respect to his/her legal position if he/she is presented with a claim for tort damages regarding injury for which he/she is believed to be culpable. At the same time, it is recommended that the insured person read the insurance contract terms with this in mind.

An admission of liability in tort by the insured person is only binding upon him-/herself, and not upon VÍS. By such an admission, the insured person, therefore, may incur a risk of personally having to pay tort damages for loss or damage that the business liability insurance policy does not cover.

1. The insured

The policyholder is insured.

2. Applicability of the insurance contract

The insurance contract covers loss or damage that occurs in Iceland.

3. Term of insurance

3.1 The insurance contract covers an insurance event that occurs during the period of insurance.

3.2 In the event that the consequences of an occurrence that resulted in loss or damage and for which the occurrence did occur during the period of insurance do not materialise until the insurance contract has expired, the Company will nevertheless pay indemnity.

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3.3 The Company does not compensate for loss or damage resulting from an event that occurred prior to the start of the period of insurance even when the loss or damage does not materialise until during the period of insurance.

4. Scope of indemnity

The insurance contract will compensate:

4.1 Any direct personal injury or property damage of any third party based on the tort liability of the insured that accrues to the insured person under Icelandic law:

4.1.1 For such activities as those listed in the insurance policy or the renewal receipt.

4.1.2 As owner or user of a building or real estate property used for a specified business activity.

For the purposes of this insurance, contract "property" means real estate and personal property, including animals. The insurance contract will compensate loss or damage to the extent that the injured party will not have to carry his/her own loss or damage on account of shared culpability or shared accountability.

The insurance contract will not compensate:

4.2 Contractual damage, i.e. loss or damage that the insured person is liable for on account of non-performance of contract.

4.3 Loss or damage caused by property damage or the loss of property that:

4.3.1 the insured person owns alone or jointly with others;

4.3.2 the insured person has on loan, on lease, for storage, for sale, for transport, or that for other reasons is in his/her custody including items that the insured person has acquired without permission;

4.3.3 the insured person undertakes to repair, clean, install, or work on in other ways, if the loss or damage incurred is attributable to the work or occurs during the work;

4.3.4 is caused by fire;

4.4 Loss or damage that can be attributed to asbestos or materials that contain asbestos in limited volume;

4.5 Loss or damage that issues from the tort liability that accrues to the insured person as owner or user of a vehicle, aircraft,

vessel, boat, or other vehicle subject to mandatory registration;

4.6 Loss or damage due to construction work in real estate owned or used by the insured person;

4.7 Loss or damage arising from the insured person performing blasting work, excavations, ground drilling, or other work in the ground such as pile pushing, or lifting posts, steel sheet piling and the like, demolition of structures, landfills or other transformation of land, transforming groundwater, the flow of water, or other work projects regarding groundwater, lakes or water flows;

4.8 Loss or damage that derives from product liability accruing to the insured person;

4.9 Loss or damage that can be attributed to pollution of the air, the ground, vegetation, water or the sea. VÍS will, however, pay compensation for such loss or damage if it can be attributed to a single sudden event.

4.10 Recourse claim from the social insurance administration.

4.11 Fines or other penal sanctions.

4.12 Loss or damage that directly or indirectly occurs on account of terrorism due to any kind of biological or chemical effects and/or toxic contamination, including bacterial and viral, or when the consequences of an accident are increased because of the above points.

4.13 Loss or damage that is the result, directly or indirectly, totally or in part, of:

The impact of time registration on the functionality of equipment, systems or a combination of both of these.

Supervision of or consulting on the impact of time registration on the functionality of equipment, systems or a combination of both.

Supervision, approval, decision, confirmation or acknowledgement regarding conditions where the impact of time registration on the functionality of equipment, systems or a combination thereof is a factor (including, without being limited to, the performance of the executive manager, board members and auditors in their allotted tasks).

This exemption is relevant to all time registrations.

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"Time registration" means the specification of a time period that is based on a calendar system when such specification functions as information, a code, a mark, or in any other manner within the equipment, the system or within a combination of both.

"Equipment" means any kind of machine, instrument, goods and other tangible items or a collection of items, whether real estate or personal property, including, without however being limited to, computer hardware, software, or an integrated electronic system (including microchips and silicon chips).

"System" means any kind of data, directions or a collection of those and any kind of medium for data and directions in computer readable format, on paper or in the form of rays, waves, physical effects, chemical processes or in other intangible or tangible form.

5. Special limitations on liability to pay compensation

The insurance contract does not compensate loss or damage that directly or indirectly is the result of or is caused by:

- 5.1 earthquakes, volcanic eruptions, landslides, snow avalanches or other natural disasters.
- 5.2 war, invasion, military actions, civil unrest, rebellion, riots, strike or similar activities.
- 5.3 nuclear reaction, ionising radiation, pollution from radioactive substances, nuclear fuel or nuclear waste.

6. Precaution rules

- 6.1 The insured and his employees are required to take care that heavy machinery and other equipment is not operated by other than those employees who have the knowledge how to operate such equipment and who have the mandatory licences when these are required.
- 6.2 Before starting any excavation work, drilling or cutting walls inside buildings or on their exterior, the insured and his/her employees should find out the location of pipes, cables and other installations where construction work is planned.
- 6.3 The insured shall comply with the legal and regulatory provisions pertaining to pollution control.

7. Breach of precaution rules

It is mandatory to comply with the precaution rules stated herein. In the event that precaution rules are not complied with, the liability of VÍS may be cancelled in whole or in part, cf. Article 26 of the Insurance Contracts Act No. 30/2004.

8. Change in risk

The insured shall send a notification to VÍS concerning any changes to the scope and nature of the business operation that might entail an increase in risk of loss or damage. Neglecting this notification requirement may result in the liability of VÍS being cancelled in whole or in part, cf. Article 24 of the Insurance Contracts Act No. 30/2004.

9. Calculation of the premium

The insurance premium has as a reference point the turnover, the payroll, the number of employees, their field of work, machines and equipment. The premium for a property owner's liability insurance is based on the property's fire insurance assessment. If it is not feasible to determine a definitive premium at the outset of the period of insurance, the premium will be estimated and a definitive premium will be calculated at the closing of the period of insurance. No later than two months before end of the period of insurance, the policyholder is required to provide VÍS with all the information which VÍS considers necessary to be able to make a final determination regarding the premium. If this information is not received on time, VÍS may then determine a definitive premium as it finds appropriate.

10. Payment of the premium

- 10.1 The insurance premium becomes due upon demand of payment.
- 10.2 Non-payment of the premium may result in the policyholder forfeiting his/her rights and the cancellation of the insurance contract, cf. Article 33 of the Insurance Contracts Act No. 30/2004.

11. Return of premium

In the event that an insurance contract is cancelled before the period of insurance has expired, VÍS will return the premium in proportion to the period paid by the insured relative to the period when the insurance

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contract has not been in effect. This, however, does not apply if an insurance contract has expired because VÍS has fulfilled its obligations by paying the agreed amount of insurance coverage.

12. Amount of insurance coverage

- 12.1 VÍS' liability for each singular insurance event is limited to an amount of insurance coverage which is specified in the insurance policy or in the renewal receipt. In case of more than one insurance event resulting from the same cause, they will be considered to have been caused by a single insurance event.
- 12.2 VÍS' total payment for all insurance events occurring within the span of the same period of insurance can never exceed that stated in the insurance policy or in the renewal receipt.
- 12.3 Expenses incurred with the approval of VÍS for the purpose of determining the policyholder's liability for compensation and the interest on the indemnification amount is paid even when the payment made by VÍS would then exceed the amount of insurance coverage.
- 12.4 If the amount of insurance coverage is less than the indemnification amount principal, VÍS will only pay that part of the expenses and interest that corresponds to the indemnification amount which VÍS is required to pay.

13. Deductible

- 13.1 For every case of loss or damage, the policyholder will be subject to a deductible which is specified in the insurance policy or in the renewal receipt.
- 13.2 If the indemnification claim principal does not amount to the deductible, then VÍS will also not pay the cost even when the combined amount of the claim and the cost would be more than the deductible.

14. Determining compensation for personal injury

- 14.1 Compensation for personal injury is determined according to the Tort Damages Act No. 50/1993.
- 14.2 The compensation to be paid under the insured's agreed occupational indemnity insurance will be fully deducted from compensation payments under this business liability insurance. The same applies even if

there is no agreed occupational accident insurance. The pay that the insured is required to pay according to law or collective wage agreements to a person who has been injured in an accident will be fully deducted from compensation payments under this business liability insurance.

15. Determining compensation for property damage

- 15.1 Compensation shall be based on value on the date of loss or damage.
- 15.2 VÍS may either pay the estimated cost of repair or have the damaged item repaired and then pay the repair cost if the item can be restored to its pre-damaged condition and it is worth to do so in the opinion of VÍS.
- 15.3 VÍS may pay compensation in cash, or may procure a similar item to the one lost or damaged, if the damaged item cannot be repaired or is not worth it in the view of VÍS. In the event that VÍS has paid compensation under this section, VÍS then reserves the right to retrieve the item that was damaged.
- 15.4 VÍS has the right to pay the difference between the value of the item that was damaged as the value was prior to the insurance event and the value after the insurance event.
- 15.5 The insured shall not profit from the insurance event. The insurance contract shall only compensate the actual loss or damage of the insured.

16. The status of the injured party when loss or damage occurs

- 16.1 If the insurance contract covers the loss or damage of the insured due to his/her liability in tort, the injured party may demand that the VÍS pay compensation directly to the injured party. It is mandatory for VÍS and the insured to inform the injured party of any existing liability insurance contract.
- 16.2 If a compensation claim is lodged against VÍS, the insured person must be informed without unreasonable delay and must be provided with information regarding the handling of the claim. The acknowledgement by VÍS of certain facts that concern liability does not constitute a binding commitment on the part of the insured person.

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- 16.3 In the event that the injured party notifies VÍS that he/she intends to bring legal action against VÍS, then VÍS may demand that the injured party direct the litigation against the insured person. VÍS shall notify the injured party of its demand without any unnecessary delay and in a verifiable manner.
- 16.4 With respect to the position of the injured person in other respects, we refer to Article 44 of the Insurance Contracts Act No. 30/2004.

17. The handling of compensation claims

- 17.1 The insured may not admit his/her liability for compensation or enter into agreements concerning compensation without the approval of VÍS.
- 17.2 VÍS will be representing the insured persons and be in control of the processing and handling of the case and will lead the procedure before a court of law in the event of legal action. The same applies regarding salvage fees or assistance.

18. Expiry

The liability of VÍS expires according to the principles concerning the expiration of liability in tort, cf. the second paragraph of Article 52 of the Insurance Contracts Act No. 30/2004.

These present Insurance Contract Terms are valid from 24 November 2008.

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