



Mandatory Professional Liability Insurance for lawyers

Insurance terms no. AP21

The following shall apply to the insurance:

- The insurance policy, together with certifications and specific conditions.
- These insurance terms, no. AP21.
- The company's General Terms, no. YY10.
- Act on Insurance Contracts, no. 30/2004.

The provisions of the insurance policy or renewal certificate shall supersede the provisions in these terms. The provisions in the insurance policy, the renewal certificate, and the terms supersede statutory provisions that may be derogated.

This insurance is in accordance with Article 25, Paragraph 2 of the Act on Professional Lawyers, no. 77/1998, and the Regulation on Lawyers' Professional Indemnity, no. 200/1999.

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1. The insured

The insured is the lawyer named in the insurance policy or renewal certificate.

2. Geographical validity

The insurance is valid within the European Economic Area (EEA).

3. Liability period

- 3.1. The insurance covers claims demanding compensation from the insured that are established during the insurance period,

irrespective of the date of the event generating the claim.

- 3.2 A claim for compensation is considered to have been established when the earlier of the following has occurred:

- 3.2.1 The claimant presents a written demand for compensation by the insured or the company.

- 3.2.2 The insured first becomes aware that his customer has sustained financial loss that could be covered by this insurance and could be attributable to negligence by the insured, or there is the direct risk that such loss could occur.

- 3.3 A claim for compensation according to Article 3.2, which arises from a loss that occurs either suddenly or gradually, will not be compensated by the company if it is revealed that the loss occurred, either wholly or in part, before the insurance period began.

4. Scope of compensation

The insurance compensates losses due to:

- 4.1 General financial loss sustained by a customer of the insured and stemming either from the insured's negligence in his or her work as a lawyer or that of a person hired to work for the insured.

The insurance does not compensate losses due to:

- 4.2 Loss that the insured takes on if the liability is more extensive than the insured's general compensation liability as a lawyer.
- 4.3 Fines and other penalties levied against the insured.
- 4.4 Personal injury or property damage.

5. Specific limitations on liability

The insurance does not compensate for expenses, or increased expenses, that can be traced, directly or indirectly, to the following

- 5.1 Earthquakes, volcanic eruptions, landslides, snow avalanches, or other natural disasters.
- 5.2 War, invasion, military action, civil commotion, uprisings, riots, strikes, or similar incidents.

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- 5.3 Nuclear reactions, ionic radiation, pollution stemming from radioactive materials, nuclear fuel, or nuclear waste.

6. Payment of premiums

- 6.1 The insurance premium is due and payable upon demand.
- 6.2 Non-payment of premiums can result in loss of rights or cancellation of the policy; cf. Article 33 of the Act on Insurance Contracts, no. 30/2004.

7. Reimbursement of premiums

If the insurance contract expires before the insurance period is concluded, the company shall reimburse the proportion of the premium corresponding to the overpayment. This does not apply, however, if the insurance contract has expired because the company has satisfied its obligation by remitting the agreed insurance amount.

8. Insurance amount

- 8.1 The company's liability due to each single insurable event is limited to the insurance amount specified in the insurance policy or renewal certificate. The company's total payment for all insurable events during the same insurance period may never exceed the amount on the insurance policy or renewal certificate.
- 8.2 The company shall pay expenses that it is appropriate that the insured should incur as a result of a decision on compensation liability or compensation amount, even though the company's payment is taken from the insurance amount. The same applies to interest that the insured must pay on a claim covered by the insurance.
- 8.3 If the insurance amount is lower than the compensation, the company is only required to pay the portion of interest and expenses that corresponds to the compensation amount that it is required to pay.

9. Deductible

- 9.1 The policyholder shall bear the cost of each loss up to the amount of the deductible, as is specified in the insurance policy or the renewal certificate.
- 9.2 The policyholder's deductible shall have no effect on the injured party's legal position.

10. Index

The insurance amount shall be updated annually to accord with changes in the Consumer Price Index. The premium and deductible shall be updated in the same manner.

11. Recourse

The company has the right of recourse against the insured if it has remitted compensation payments according to Article 14.2 after the insurance has expired.

12. Position of the claimant upon sustaining a loss

- 12.1 If the insurance covers a loss incurred by the insured due to liability for compensation borne by the insured, the claimant may file a claim for compensation directly from the company. The company and the insured are obliged to inform the claimant of the liability insurance if it exists.
- 12.2 If a claim is filed with the company, the insured shall be notified without undue delay and shall be kept informed of the progress of the claim handling. The company's acknowledgement of points related to liability is not binding for the insured.
- 12.3 Should the claimant notify the company that he intends to initiate legal proceedings against it, the company may demand that the said legal proceedings be initiated against the insured as well. The company shall notify the claimant of this demand without undue delay and in a verifiable manner.
- 12.4 In other respects, the position of the claimant shall be as is provided for in Article 44 of the Act on Insurance Contracts, no. 30/2004.

13. Handling of claims

- 13.1 The insured may not admit liability or conclude a compensation agreement without the approval of the company.
- 13.2 The company shall represent the insured and shall determine case handling in its entirety, and shall handle the case before the courts if necessary.

14. Termination of insurance

- 14.1 The insurance shall expire automatically if the insured no longer meets the statutory requirements for a licence to practice law.
- 14.2 Even though the insurance has expired, the company is liable to the injured party for any loss that can be attributed to a loss incident

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occurring within one month after the company notified the insured and the Board of the Icelandic Bar Association that the insurance had expired, unless other satisfactory insurance has been provided prior to that deadline.

15. Expiry of claims

The company's liability shall expire in accordance with the rules concerning the expiry of liability for compensation; cf. Article 52, Paragraph 2 of the Act on Insurance Contracts, no. 30/2004.

These insurance terms shall take effect on 1 January 2006.

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