

## **ACT 55/1992**

### **on Iceland Catastrophe Insurance**

**Entered into force on 1 January 1993.** Subsequently amended by [Act 10/1995](#) (entered into force on 1 March 1995), [Act 35/1995](#) (entered into force on 9 March 1995), [Act 36/1995](#) (entered into force on 9 March 1995), [Act 84/1998](#) (entered into force on 1 January 1999), [Act 44/2003](#) (entered into force on 3 April 2003), [Act 129/2004](#) (entered into force on 31 December 2005), [Temporary Act 62/2008](#) (entered into force on 11 June 2008) and [Act 119/2008](#) (entered into force on 1 October 2008).

[Amendments are noted [in brackets] below with reference to the amending act]

#### ***Purpose and board of directors***

##### *Article 1*

The purpose of Iceland Catastrophe Insurance is to insure against loss caused by the natural disasters listed in Article 4 of this act.

Its domicile is in Reykjavík.

##### *Article 2*

The board of directors of the agency shall be comprised of five persons. Three directors shall be elected by the Parliament of Iceland, one shall be nominated by those insurance companies which collect premiums, cf. Article [10]<sup>1</sup>(3), and one, the chairman, shall be nominated by the [minister]<sup>2</sup>. Alternate directors shall be appointed in the same manner. Directors shall be appointed for a term of four years.

1) Act 35/1995, Article 1.

2) Act 10/1995, Article 2.

#### ***The investment of assets and annual accounts***

##### *Article 3*

The board of directors shall keep and invest the funds or the books of the agency or enter into an agreement with a party in the field of insurance for the keeping and investing of the agency's funds and/or books. When investing, the board of directors shall seek to maintain the real value of the funds and to maintain a diverse risk portfolio at each time.

The annual accounts shall be audited by two auditors. One of those shall be nominated by the minister, while the other one is chosen by the agency's board of directors. The latter shall be a legally certified accountant. The agency's fiscal year shall be the calendar year and its accounts shall be published each year in the Legal Gazette.

#### ***Insured risk***

##### *Article 4*

Iceland Catastrophe Insurance shall insure against direct losses incurred on account of the

following natural disasters: volcanic eruptions, earthquakes, rock slides, avalanches and floods. A regulation shall further outline what shall be considered to fall within the purview of the previous sentence.

## ***Mandatory insurance***

### *Article 5*

It is mandatory to insure all real estate and all movables at an insurance undertaking which is licensed to operate in Iceland. It is also mandatory to insure any movables covered by general comprehensive policies which include fire insurance, as such insurance is considered to fall within the category of property insurance, cf. [Article 22 of Act 60/1994 on Insurance Activities]<sup>1)</sup>. Should fire insurance be included in an all risk insurance policy or a special insurance policy, e.g. fish farming insurance, the movables shall not be covered by natural disaster insurance, unless specifically approved by the board of directors of the agency.

It is further mandatory to insure the following against natural disasters, regardless of whether they are covered by fire insurance:

1. Geothermal heating systems, waterworks and sewage systems owned by municipalities or the government of Iceland.
2. Harbour installations owned by municipalities or the government of Iceland.
3. Bridges which are 50 m or longer.
4. Electric installations, including distributions systems, dams and transformer facilities which are publicly owned.
5. Telephone and communication installations which are publicly owned.

[6. Ski lifts.]<sup>2)</sup>

The properties listed in paragraph 2 above may be insured elsewhere than at the Iceland Catastrophe Insurance.

The minister shall issue a regulation further outlining what falls under mandatory insurance according to paragraph 2 above, including further specifying what categories of valuables are considered integral parts of the structure in question.

1) Act 84/1998, Article 6.

2) Act 35/1995, Article 2.

## ***Optional insurance***

### *Article 6*

[...] <sup>1)</sup>

1) Act 35/1995, Article 3.

#### *Article 7*

Upon an insurance undertaking receiving a request for a fire insurance policy for a building or movables which customarily are not subject to fire insurance or risk of fire damage is insignificant, the insurance undertaking shall seek approval from the agency prior to calculating a natural disaster insurance premium from the insurance. Should the provisions of the article not be adhered to, the insured item shall not be considered insured against natural disasters.

#### *Article 8*

Regardless of whether it is covered by fire insurance, it is prohibited to insure structures which are erected in violation of a ban set by public authorities or contrary to law in such a way that it is likely that the building is therefore more susceptible to incurring damage from natural disasters than it otherwise would be.

### ***Amount insured***

#### *Article 9*

The amounts insured shall be determined as follows:

1. All valuables covered by a fire insurance policy shall be insured against natural disasters for the same amount covered by the fire insurance policy at each time.
2. After having received recommendations from the board of directors of the agency, the minister shall publish rules on the determination of insurance amounts for other valuables; cf. Article 5(2)....<sup>1)</sup>

1) Act 35/1995, Article 4.

### ***[Own risk of the insured]<sup>1)</sup>***

Act 119/2008, Article 1

#### *Article 10*

[The own risk of the insured shall be 5% of each loss, although never of a lower amount than as follows:

1. On account of movables, in accordance with under Article 5(1), ISK 20.000,-.
2. On account of buildings, in accordance with under Article 5(1), ISK 85.000,-.
3. On account of structures, in accordance with under Article 5(2), ISK 850.000,-.]<sup>1)</sup>

1) Act 119/2008, Article 1. The provisions apply to losses incurred from 25 May 2008, cf. Article 2 of the same act.

## **Insurance premiums**

### *Article 11*

Annual insurance premiums shall be calculated as follows:

1. For valuables insured in accordance with Article 5(1), 0,025%

[2. For valuables insured in accordance with Article 5(2), items 1-5, 0,02%]<sup>1)</sup>

[3. For valuables insured in accordance with Article 5(2), item 6, the premium shall be calculated in accordance with rules published by the board of directors of the agency.]<sup>1)</sup>

Should the net surplus assets go below 0,1% of estimated amounts insured at the end of the calendar year, the board of directors of the agency may collect premiums in accordance with Article 5(1) and (2) at with a 50% surcharge until the 0,2% requirement is reached.

Insurance undertakings which provide fire insurance for valuables insured at the agency, cf. Article 5(1) shall collect premiums for the agency in addition to premiums for the fire insurance, with both premiums falling due at the same time. A regulation shall provide for the bookkeeping and the collection of premiums from insurance undertakings. The agency's access to data held by insurance undertakings shall be governed by Article 24.

Insurance premiums from other valuables, cf. Article 5(2), shall be calculated and collected by the agency.

Assets may be attached on account of claim for insurance premiums. The insurance premiums are also secured by a lien mandatorily preferred by law on the insured property. In order to enforce payment of an unpaid insurance premium a distress sale of the property may be requested without a prior judgment, settlement or attachment.

1) Act 35/1995, Article 6.

## **Notification of loss**

### *Article 12*

Upon the occurrence of an insurance event, the insured shall immediately notify the agency or the insurance undertaking from which it had purchased the insurance.

Upon receiving such a notification, the relevant insurance undertaking shall immediately notify the agency of the insurance event. As soon as possible, after receiving information about a loss which would likely be subject to natural disaster insurance, the agency shall make arrangements to determine whether the loss shall be compensated and, if applicable, have the loss appraised.

## ***Arrangements to avert loss***

### *Article 13*

Upon the occurrence of an insurance event, the agency shall determine whether specific arrangements are necessary to secure insured property to avert further loss. Such arrangements shall, insofar as possible, be made in cooperation with the Icelandic Civil Protection Department.

## ***Insurance location***

### *Article 14*

Should an insured property be located elsewhere than specified when the insurance was taken out upon the occurrence of an insurance event, right to compensation shall be determined in accordance with Article 83 of Act 20/1954 on Insurance Contracts as applicable. The provisions of Article 83 regarding the maximum amount compensated being ISK 10.000,- shall however not be applied.

The provisions of paragraph 1 shall apply regardless of provisions in a fire insurance contract regarding compensation for damage to property located elsewhere than at the insured location.

## ***Obligation to pay and processing of claims***

### *Article 15*

The board of directors of the agency shall issue rules on the handling of claims and payment of compensation. The board of directors is permitted to entrust the settlement of claims to insurance undertakings.

Provisions regarding appraisers and general principles in determining insurances compensation shall be prescribed for in a regulation.

### *Article 16*

It shall be permitted to lower compensation amount or reject a claim:

1. When a building or other structure which is damaged is erected a location known to be dangerous with regard to natural disasters, e.g. if a structure in the same location has more than once incurred the same kind of damage. The same shall apply to movables stored in a building or another structure in such a location.

2. When the type or maintenance of a building or other insured property is questionable or

contrary to law or regulations and it is clear that this has resulted in loss or more extensive loss than it otherwise would have been.

#### *Article 17*

Insurance compensation shall be paid as soon as possible, cf. Article 24(1) and (2) of Act 20/1954 on Insurance Contracts.

#### *Article 18*

The aggregate obligation of Icelandic Catastrophe Insurance to make payments on account of a single insurance event shall be limited to 0,75% of the total amount of insured amounts covered at the occurrence of the insurance event. From 1 January 1994, the aggregate obligation to pay shall be limited to 1% of the total insured amounts.

Should compensation on account of the same insurance event exceed the aforementioned amount the share received by each insured which suffered loss shall be reduced proportionally.

#### *Article 19*

The agency shall as soon as possible make a determination on a dispute regarding its obligation to pay and the amount of the compensation. The agency's board of directors shall rule on disputes and should the insured party not wish to accept the agency's ruling, it may, within 30 days from having received a notification from the board of directors, refer the dispute to an appeal board. The appeal board shall be appointed by the minister. The appeal board shall be comprised of four persons. One shall be appointed by the nomination of the Supreme Court of Iceland and that person shall be chairman of the appeal board. The second person shall be appointed by the nomination of the Icelandic Meteorological Office, the third by the University of Iceland and the fourth without nomination. Alternates shall be appointed in the same manner. The appeal board may seek the assistance of specialists if deemed necessary.

### ***Reinsurance and authorisation to borrow***

#### *Article 20*

The agency shall be permitted to reinsure its risk both domestically and abroad.

Should the agency's assets and amounts received from reinsurers not suffice to pay compensation as prescribed for by this act, the agency's board of directors may, with the consent of the minister, borrow funds in order to be able to discharge its obligations. Such loans are guaranteed by the government of Iceland.

## ***Various provisions***

### *Article 21*

The board of directors of the agency shall be permitted to allocate funds to subsidise research and construction intended to avert or mitigate loss on account of natural disasters. [Also, the board of directors may allocate funds in relation to the education and training of those national organisations which have entered into a cooperation agreement with the [National Commissioner of Iceland]<sup>1)</sup> to regarding disaster relief teams.]<sup>2)</sup> The annual allocation of funds in this regard may not exceed 5% of the book value of premiums received the preceding year.

1) Act 44/2003, Article 11.

2) Act 35/1995, Article 7.

### *Article 22*

Iceland Catastrophe Insurance is exempt from the payment of income tax.....<sup>1)</sup>, municipal tax and facilities tax. Stamp duty shall not be paid on account of the agency's documents.

1) Act 129/2004, Article 97.

### *Article 23*

The board shall negotiate with insurance undertakings and others which operate on behalf of the agency in accordance with this act.

### *Article 24*

Iceland Catastrophe Insurance can demand any data and information from insurance undertakings regarding their operations on behalf of the agency. During regular office hours the agency shall further have a right to unhindered and immediate access to the books of such insurance undertakings regarding premiums on natural disaster insurance.

### *Article 25*

Unless otherwise prescribed for in this act, the provisions on the Act on Insurance Contracts shall be applied as applicable.

### *Article 26*

After having received the recommendations of the board of directors of Iceland Catastrophe Insurance, the [minister]<sup>1)</sup> shall publish a regulation<sup>2)</sup> further outlining the implementation of this act.

- 1) Act 10/1995, Article 2.
- 2) Regulation 83/1993.

### *Article 27*

This act shall take effect effect on 13 January 1993

### **Temporary provisions**

*I.*

[...] <sup>1)</sup>

Act 35/1995, Article 8.

*[II.*

A 10% surcharge shall be collected on premiums prescribed for in Article 10 in the years 1995-1999. Income on account of the surcharge shall be diverted to the avalanche and rock slide fund, cf. Article 10 of Act 28/1995 on defences against avalanches and rock slides. The collection of this fee shall be governed by Article 10] <sup>1)</sup>

1) Act 36/1995, Article 1.