Vörður
hluti af Arion

Product Liability Insurance

Terms A-8

Product liability insurance is intended for companies and business operators that manufacture and distribute goods. The insurance covers liability for damages that may be imposed on the insured in respect of personal injury or damage to property.

The policy, together with any endorsements and special terms, these terms and conditions, the Company's General Terms and Conditions no. AS-1, and the provisions of the Act on Insurance Contracts no. 30/2004 (hereinafter "the Insurance Contracts Act"), govern the insurance. Provisions of these terms take precedence over provisions of the General Terms and Conditions to the extent that they are not fully consistent with one another.

The general provisions of Chapter 2 of these terms apply to all aspects of the insurance.

Chapter 1. Product Liability

Article 1. What does the insurance cover?

a. Defective products

The insurance covers liability for damages imposed on the insured under Icelandic law in respect of personal injury or damage to property caused by a defect in a product that the insured manufactures, distributes, or otherwise supplies, provided that the personal injury or damage occurred after the insured delivered the product.

The Company's liability to pay compensation is limited to liability directly attributable to the loss having been caused in the course of the business activity specified in the policy, and to the loss having been caused by a defective product.

A condition for liability to pay compensation is that the personal injury or property damage can be traced to a sudden and unforeseen event occurring after the insured delivered the product for sale.

b. Products incorporated into other goods

The insurance also covers liability for damages for damage to property that is manufactured from, attached to, blended with, or otherwise similarly connected to the insured's product.

The Company's liability to pay compensation is limited to liability directly attributable to the loss having been caused in the course of the business activity specified in the policy, where an item manufactured from, or connected to, the insured's product (cf. paragraph 1) must be discarded or repaired, or where the item becomes more expensive to manufacture or decreases in value.

Compensation is paid only for the reduction in value of the item, additional manufacturing or production costs, or direct repair costs.

No compensation is paid for any other loss, expenses, or costs, such as costs incurred in sending repair technicians or other staff to the site, recalling items, investigating or transporting items manufactured from the insured's product, or warning persons of hazards relating to such items.

If damage or loss has resulted from the insured's product in respect of items referred to in paragraph 1, the value of the insured's product — calculated as though it had not been defective — shall be deducted from the insurance compensation.

Article 2. What does the insurance not cover?

The insurance does not cover compensation:

a. for damage to the product itself.

b. for loss, expenses, or costs arising from the insured taking back a product, manufacturing or supplying a new product, repairing, destroying, or removing a product, or taking similar measures on account of a defect in the goods sold. The same applies to costs, expenses, or loss arising from investigating whether a product is defective or whether there is a risk of the event occurring, or loss arising from the inability to use a defective product.

c. for loss of operating profit, loss of use, or other indirect loss.

d. for losses caused by products used in the operation of:

- vehicles and their components, where the product either contributes to a traffic accident or creates a risk thereof.
- aircraft, where the product either contributes to an aviation accident or creates a risk thereof.

e. for punitive damages.

f. for financial loss unrelated to compensable personal injury or property damage.

g. for fines or other penal sanctions.

h. for losses attributable to pollution of air, land, vegetation, water, or the sea. The Company will, however, pay compensation for such loss if it is attributable to a sudden and unforeseen event, provided the insured cannot be held to have, through intent or gross negligence, failed to comply with official regulations in force at the relevant time.

i. for losses attributable to a defective product that has been sold or delivered after the sale of that product has been prohibited.

j. for losses caused by acts of terrorism.

k. for losses caused by any biological or chemical effects and/or contamination, including bacteria and viruses.

l. for losses that, directly or indirectly, in whole or in part, arise from:

- asbestos, or any material containing asbestos to any degree.
- any effects of time-recording (date/time) functions on the operation of equipment and systems, or any combination thereof.
- the supervision of, or advice concerning, the effects of time-recording (date/time) functions on the operation of equipment and systems, or any combination thereof.
- health problems attributable to tobacco, tobacco products, nicotine, nicotine products, or ancillary products for tobacco and nicotine products, such as filters, cigarette paper, and comparable products.
- vaccines, medicines, or contraceptives.
- medical equipment, silicone products, and medical implants.
- chemical products, such as paints, cosmetics, beauty products, agricultural spray products, fertilisers, poisons, wood preservatives, and animal feed.
- losses caused by infection transmitted by animals sold or delivered alive for further rearing.
- explosives, fireworks, gas, and volatile petroleum products.
- concrete and cement-based materials.

No compensation is paid for any other loss, expenses, or costs, such as those arising from sending repair technicians or other staff to the site, recalling items, investigating or transporting items manufactured from the insured's product, or warning persons of hazards relating to such items.

Article 3. Safety Regulations

The insured shall:

a. comply with official rules and instructions on the mixing or blending of substances.

b. provide correct and non-misleading information on the properties or use of a product that the insured sells or otherwise supplies, e.g. in sales or instruction leaflets.

c. ensure that products which the insured sells or otherwise supplies undergo mandatory quality control before being placed on the market, and carry out any tests and analyses required by the authorities.

d. refrain from placing on the market any product that the insured knew, or ought to have known, possessed harmful properties.

If a manufactured product may develop hazardous properties after storage for a certain period of time, the packaging must bear a clear indication of the expiry or best-before date.

The insured, and any party identified with the insured, shall comply with the safety regulations set out by the Company in these terms or in the policy. Failure to do so may result in a reduction or forfeiture of liability to pay compensation pursuant to Article 26 of the Insurance Contracts Act.

Chapter 2. General Provisions

Article 4. Who is insured?

The party and the business activity specified in the policy.

Article 5. Where does the insurance apply?

a. The insurance covers only losses occurring in Iceland.

b. The insurance also covers losses occurring in countries outside Iceland, provided such countries are specifically named in the policy and a separate premium has been paid for that risk.

c. Compensation for losses occurring outside the countries specified in the policy is paid if the loss is attributable to a product exported from the said countries (unaltered, reprocessed, or as part of another product), whether for private or commercial use, provided the insured was not aware, and had no reason to be aware, that the product would be exported from those countries.

Article 6. Insurance Period

The insurance covers claims for damages made against the insured during the insurance period, regardless of when the events giving rise to the claim occurred. The insurance does not cover loss that becomes apparent before the insurance period commences.

A claim for damages is deemed to have been made upon the occurrence of whichever of the following events occurs first:

a. the insured first receives a written claim for compensation in respect of a compensable loss event.

b. the insured, or the person managing the business on the insured's behalf, becomes aware that a loss event has occurred, or that there is an immediate risk of a loss occurring that may be attributable to the insured's conduct or the insured's product.

The Company will not pay compensation for a claim made against the insured during the insurance period if the insured fails to notify the Company of the claim within three months of the expiry of the insurance.

If a claim for damages has been made against the insured under paragraph (b) during the insurance period, and the three-month notification period has been satisfied without a written claim having been received by the insured, the Company will pay the claim only if the insured subsequently receives a written claim under paragraph (a) and has notified the Company of the claim within two years of the expiry of the insurance.

Article 7. Sum Insured

The Company's liability is limited to the sum insured specified in the policy.

Costs incurred with the Company's consent in order to determine the insured's liability to pay compensation, and interest on the compensation amount, are payable even if the Company's payment thereby exceeds the sum insured. If the sum insured is lower than the principal amount of compensation, only that portion of the costs and interest corresponding to the proportion of the compensation payable by the Company will be paid.

For losses occurring outside the Nordic countries, the Company's total liability is limited to the sum insured.

Costs of measures to avert or reduce loss, cf. Article 16 of the Company's General Terms and Conditions AS-1, are paid up to the amount specifically stated in the policy.

The Company's liability to pay compensation for claims made against the insured that are attributable to the same cause is limited to the sum insured specified in the policy.

The Company's liability for all claims is limited to the sum insured applicable in the insurance year in which the claim for damages was made in respect of the first loss, even if further claims arise in subsequent years.

Compensation already paid in respect of other loss events occurring in the same year shall be deducted from the compensation payable.

Article 8. Change of Risk

The insured shall notify the Company of any changes in the scope or nature of the business that may increase the risk of loss. Failure to comply with this duty to notify may result in a limitation of the Company's liability, or the Company's liability may be extinguished entirely, pursuant to Article 25 of the Insurance Contracts Act.

Article 9. Determination of Compensation for Personal Injury

a. Compensation for personal injury is determined on the basis of the Damages Act no. 50/1993.

b. Compensation that the insured is liable to pay an employee under a collectively bargained or statutory occupational accident insurance is deducted in full from the employee's claim against the insured, whether or not such insurance is actually in place.

Article 10. Determination of Compensation for Direct Property Damage

a. Compensation is determined in accordance with the rules of tort/damages law and these terms.

b. Compensation can never exceed the actual loss suffered by the injured party.

Article 11. Handling of Claims

If a claim for damages is made against the insured, the Company shall represent the insured in respect of that claim and is entitled to take any measures necessary to handle the claim, such as admitting liability, defending against the claim, or settling it, provided that such measures are at the Company's expense, as are the legal costs incurred in connection therewith.

The Company is not bound by any admission of a claim for damages made by the insured, unless it is shown that the insured, in paying the claim or acknowledging its validity, did no more than that which the insured was legally obliged to do under law.

These terms and conditions apply from 1 January 2026.