

ACT 55/1992

on The Natural Catastrophe Insurance of Iceland

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), Act 119/2008 (entered into force on 1 October 2008) and Act 46/2018 (entered into force on 1 July 2018).

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

Purpose and board of directors

Article 1

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

Article 2

The board of directors of the agency shall be comprised of five persons. Three shall be elected by the Parliament of Iceland, one shall be chosen by those insurance companies which collect premiums, cf. Paragraph 3, Article [10]¹⁾, and [the minister] shall appoint one who shall be chairman ²⁾. Alternates shall be chosen 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 safeguard and invest the funds or keep the books of the agency or enter into an agreement with a party in the field of insurance for the investing of the agency's funds and/or keeping the books. When investing, the board of directors shall seek to ensure the value of the capital and risk diversification as possible at each time.

The fiscal year of The Natural Catastrophe Insurance of Iceland shall be the calendar year. Audited annual accounts shall be published on the agency's website.

The Icelandic National Audit Office audits the financial statements from The Natural Catastrophe Insurance of Iceland.

Insured risk

Article 4

The Natural Catastrophe Insurance of Iceland shall insure against direct losses incurred on account of the following natural catastrophes: volcanic eruptions, earthquakes, rock slides,

avalanches and floods. A regulation shall further define what falls within the purview of the previous sentence.

Properties with mandatory insurance

Article 5

It is mandatory to insure all real estate and all movables that have fire insurance 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 20 of Act 100/2016 on Insurance Activities]¹⁾. 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 catastrophe insurance, unless specifically approved by the board of directors of the agency.

It is further mandatory to insure the following structures against natural catastrophes, 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 utility facilities which are publicly owned.
5. Telephone and communications networks which are publicly owned.

[6. Ski lifts.]²⁾

The assets listed in paragraph 2 may be insured elsewhere than at The Natural Catastrophe Insurance of Iceland. [The same applies to items covered by Article 11(6)]³⁾

The minister shall issue a regulation further outlining what falls under mandatory insurance according to paragraph 2, including making provisions for what categories of valuables are considered defined structures.

1) Act 84/1998, Article 6.

2) Act 35/1995, Article 2.

Properties with optional insurance

Article 6

[...] ¹⁾

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 the risk of fire damage is insignificant, the insurance undertaking shall seek approval from the agency prior to calculating a natural catastrophe 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 catastrophes.

Article 8

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 catastrophes than it otherwise would be, regardless of whether it is covered by fire insurance.

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 catastrophes 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 establish rules on the determination of insurance amounts for other assets; cf. Paragraph 2, Article 5....¹⁾

1) Act 35/1995, Article 4.

[Own risk of the insured]¹⁾

Act 119/2008, Article 1

Article 10

[The own risk of the insured shall be 2% of each loss, although never of a lower amount than as follows:

1. For movables, insured cf. Paragraph 1, Article 5, ISK 200.000,-.
2. For buildings, insured cf. Paragraph 1, Article 5, ISK 400.000,-.
3. For structures, insured cf. Paragraph 2, Article 5, ISK 1.000.000,-.]¹⁾

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 assets insured in accordance with Paragraph 1, Article 5, 0.025%

[2. For assets insured in accordance with Subparagraphs 1-5, Paragraph 2, Article 5, 0.02%]¹⁾

[3. For assets insured in accordance with Subparagraph 6, Paragraph 2, Article 5, the premium shall be calculated in accordance with rules established by the board of directors of the agency.]¹⁾

Should the net 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 Paragraphs 1 and 2, Article 5 with a 50% surcharge until the 0.2% objective is reached.

Insurance undertakings which provide fire insurance for assets insured at the agency, cf. Paragraph 1, Article 5, 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 make provisions regarding bookkeeping and the remittance 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 assets, cf. Paragraph 2, Article 5, shall be calculated and collected by the agency.

Natural catastrophe insurance premiums are subject to distraint. The insurance premiums are also secured by a statutory lien 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 levy of execution.

[The Board of the Agency is authorised to add an extra fee to insurance premiums for items used in economic activities, in accordance with Paragraphs 1 and 2 of Article 5, if the insurance amount or the combined insurance amount of items at the insured premises is higher than 5% of the Agency's payment obligation, cf. Article 18(1).

Decisions on the fee must consider the risks associated with insuring the items in question, and the cost incurred by the Natural Catastrophe Insurance of Iceland for reinsuring them.]⁴⁾

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 that sold him the insurance.

Upon receiving such a notification, the relevant insurance undertaking shall immediately notify the agency of the insurance event. When the agency gains knowledge of a loss which can be

expected to be subject to natural catastrophe insurance, it shall as soon as possible 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 rescue insured assets or to avert further loss. Such arrangements shall, insofar as possible, be made in cooperation with the Icelandic Civil Protection Department.

The provisions of Paragraph 1 do not release the insured from his duty to make arrangements to avert loss according to the law on insurance contracts.

Article 14

Payment of insurance compensation

Article 15

The claimant shall use the insurance compensation to repair or restore property damaged by a natural catastrophe. If the insurance compensation is greater than 15% of the insurance amount of the property or if the damage affects the structure's safety or health standards, The Natural Catastrophe Insurance of Iceland shall ensure that the insurance compensation be rightfully spent before paying them out to the claimant.

The Natural Catastrophe Insurance of Iceland is permitted, in consultation with the municipal government, to grant exemptions from the repair or restoration obligation in Paragraph 1 on the condition that 15% will be deducted from the compensation amount. The deduction shall not be applied if the repair or restoration of a property is prevented by zoning regulations or other reasons that are not within the claimant's control. If a decision is made to grant an exemption from the repair and restoration obligation and if The Natural Catastrophe Insurance of Iceland believes that the amount insured obviously exceeds the insured property's market value the agency is permitted to use the property's market value as a base.

If a property is damaged and the approximated repair costs, with due consideration to the age and condition of the property at the time of the event, exceeds half of the amount insured and the municipal government deems it necessary to remove the property due to risk of repeated insurance events, the municipality can acquire the property. It will then pay the difference between the approximate insurance compensation from The Natural Catastrophe Insurance of Iceland and the property's amount insured.

The board of directors of The Natural Catastrophe Insurance of Iceland issues rules on procedures and handling of claims. The board of directors is permitted to entrust the settlement of claims to insurance undertakings.

[The minister] shall issue a regulation on appraisers and general principles in determining insurances compensation.

Article 16

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

1. When a building or other structure which is damaged is constructed at a location commonly known to be dangerous with regard to natural catastrophes, 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 conditions.
2. When the construction or maintenance of a building or other insured item is unconscionable 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 48 of Act 30/2004 on Insurance Contracts.

Article 18

The total payment obligation of The Natural Catastrophe Insurance of Iceland due to each insurance event shall be limited to 0.75% of the total of insured amounts covered at the start of the insurance event. From 1 January 1994, the payment obligation is limited to 1% of the total insured amounts.

Should compensation on account of the same insurance event exceed the amount in Paragraph 1, the share received by each insured which suffered loss shall be reduced proportionally.

Article 19

The Natural Catastrophe Insurance of Iceland makes decisions regarding payment obligations and compensation amounts in accordance with provisions in the Administrative Procedures Act on case handling. The claimant can appeal the agency's decision to the Appeals Committee within 30 days from having received the decision

The Appeals Committee shall be appointed by the minister. The Appeals Committee shall be comprised of four persons. One shall be appointed according to nomination from the Supreme Court of Iceland and shall be chairman and have specialised knowledge in the field of insurance law. The second person shall be appointed according to nomination from the School of Engineering and Natural Sciences of the University of Iceland and that person shall have specialised knowledge in structures. The final two persons shall be appointed without nomination and shall have specialised knowledge in the field of insurance, structures or damage assessment. Alternates shall be appointed in the same manner. Appointments shall be made for a period of three years. The Appeals Committee may seek the assistance of experts if deemed appropriate.

Risk management, reinsurance and authorisation to borrow

Article 19.a.

The Natural Catastrophe Insurance of Iceland shall have an efficient risk management system. The minister is authorised to issue a regulation with further provisions regarding risk management.

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 unconditionally guaranteed by the government of Iceland.

Sundry provisions

Article 21

The board of directors of the agency shall be permitted to allocate funds to research and to subsidise construction intended to avert or mitigate loss on account of natural catastrophes. [Furthermore, the board of directors may allocate grants in relation to the education and training of those national organisations which have entered into a cooperation agreement with the [National Commissioner of the Icelandic Police]¹⁾ regarding intervention teams.]²⁾ 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

The Natural Catastrophe Insurance of Iceland is exempt from the payment of income tax.....¹⁾, 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. Should a disagreement on an insurance undertaking's compensation arise, it shall be resolved by an arbitration court of three persons. Each party shall nominate one person for the court. These court members shall choose a third member which shall be chairman of the court. A chairman shall meet the special conditions of qualification for district judges for processing handling cases. Should a court member not be nominated within 15 days of a demand or court members cannot agree on a third member, the Act on contractual arbitration shall be followed. The provision of that act shall be complied with in other matters as applicable.

Article 24

The Natural Catastrophe Insurance of Iceland 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 and other data regarding premiums on natural catastrophe 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 The Natural Catastrophe Insurance of Iceland, the [minister]¹⁾ shall issue a regulation²⁾ with provisions further outlining the implementation of this act.

1) Act 10/1995, Article 2.

2) Regulation 83/1993.

Article 27

This act shall enter into force on 13 January 1993

Temporary provisions

I.

[.....]¹⁾

Act 35/1995, Article 8.

[II.]

A 10% surcharge shall be collected on premiums prescribed 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 28/1985 on defences against avalanches and rock slides. The collection of this fee shall be governed by Article 10]¹⁾

1) Act 36/1995, Article 1.

[III.]

Irrespective of paragraph 2 of Article 11, the board of directors of the agency is permitted, until 1 January 2035, to collect premiums on assets in accordance with paragraphs 1 and 2 of Article 5, with a surcharge of up to 50% if net assets drop below 4‰ of the estimated insurance amounts at the end of the calendar year until the 4‰ mark has been reached. Collection of the surcharge shall be in accordance with Article 11]¹⁾

1) Act 127/2024, Article 44.

This is an English translation. The original Icelandic text, as published in the Law Gazette (Stjórnartíðindi), is the authoritative text. Should there be discrepancy between this translation and the authoritative text, the latter prevails.