

A SUMMARY OF INDEMNIFICATION AND INSURANCE RULES

IN ICELANDIC ROAD TRAFFIC LAWS

In Iceland, special rules concerning damage caused by cars were first adopted as law in 1914. The law stipulated a more extensive and stricter rule for liability without a contract than was generally applied, i.e. reversed burden of proof. In 1926, car owners were for the first time legally required to have liability insurance for their cars. Rules on indemnification concerning use of cars were basically unchanged until 1958 when they were significantly altered. As an example, the revised burden of proof was no longer applied in favor of strict liability/objective liability. The Road Traffic Act from 1958 was repealed in 1968, when driving on the right hand side was adopted, but the articles regarding indemnification were not changed. The current traffic laws, i.e. the Road Traffic Act No. 50/1987 with subsequent changes replaced the Act from 1968. Major amendments were made to the articles regarding indemnification and insurance, including a special accident insurance for the driver of the vehicle, in addition to the liability insurance. In spring 1998, the articles of the Road Traffic Act regarding accident insurance of the driver was extended to cover the owner of the vehicle, if the owner is injured while travelling as a passenger in his or her own vehicle.

Two Categories of Compulsory Insurance

Thus, there are two categories of compulsory insurance according to Icelandic road traffic laws, i.e. liability insurance, on one hand, and, on the other, accident insurance for driver and owner, who is injured while traveling as a passenger in his or her own vehicle.

It is widely known that there are many similarities between various fields in Nordic law. In this context the Nordic countries are Denmark, Finland, Iceland, Norway and Sweden. Early on, there was a debate regarding whether it was insufficient to require car owners to have only liability insurance for third party injury or damage. It was seen as necessary to make sure that the driver and/or owner would have a right to indemnification by insurance in case of injury, when the injury was not caused by the driver of another vehicle, also in so called 'solo accidents'. In Finland, Norway and Sweden, drivers and owners are insured for personal injury by their own vehicle insurance, and are in this respect equal to a third party even in 'solo accidents'. In Denmark the coverage of the compulsory vehicle insurance is not so extensive that it covers the driver. However, according to Danish rules, the driver is always covered for personal injury on the basis of strict liability/objective liability by the insurance of the other party, if another vehicle is involved in the accident.

The Icelandic Model

The solution that was chosen in Iceland to make sure that the driver and the owner of the vehicle would always have right to compensation for personal injury was a compromise between the Finnish, Norwegian and Swedish approach, on one hand, and the Danish, on the other. It was considered inappropriate to stipulate that the liability insurance would also cover injury to the owner and/or driver. It was thus decided to make it a requirement for the owner of a vehicle to have, in addition to



liability insurance, a special insurance for the driver and owner. **It is considered that foreign vehicles visiting Iceland from countries participating in the green card**

system should, of course, have a valid third party liability insurance. The green card is a confirmation of this. But it is not a confirmation of a valid accident insurance, and foreign visitors within the green card system are not obliged to take out such accident insurance, when entering this country.

The Basis for Third Party Liability

According to the main liability principle of the road traffic laws, the party responsible for the registration of a motor vehicle, i.e. the owner, is liable for compensating damage caused by use of the vehicle, even if the accident is not due to malfunction or defect in the vehicle, or negligence by the driver. This is thus, as previously stated, strict liability (objective liability) by the owner of the vehicle. A victim's claim for indemnification can be reduced or cancelled for the reason of his own fault. The rule in such cases is that indemnification for personal injury or loss of provider can be reduced or cancelled if the victim contributed to his loss by intent or gross negligence. Indemnification for material damage is reduced or cancelled if the victim contributed to his loss intentionally or by ordinary negligence. As stated previously, the owner is liable for damage caused by the vehicle, but the liability is transferred to the person that uses the vehicle without authorization. In practice this means that the insurance company compensates the third party and then reclaims the compensation from the person who used the vehicle without permission. The same rules apply to damage caused by drivers who cause damage with gross negligence, f.ex. drunk driving.

Further on Insurance

The minimum sums insured are in accordance with the Road Traffic Act adjusted annually according to changes in price levels. The amounts are the following.

Liability Insurance

Personal injury/loss of life ISK 2.928.000.000 (USD 23.467.180) per accident.

Material damage ISK 450.000.000 (USD 3.606.636) per accident.

Accident Insurance for Driver and Owner

ISK 220.000.000 (ca. USD 1.763.244) per accident.

(Rate of exchange 124,77 at April 15th 2016).

Claim settlement and determination of compensation for bodily injury is subject to the Tort Damages Act No. 50/1993 with subsequent changes.

Sincerely



Geir Jóhannsson

