**SCHEDULE 2**

TERMS OF INSURANCE

For the purpose of this Schedule:

“Volkswagen Insurance Service” means the loan car accident service and helpline (or such replacement service) details of which shall be communicated to the Borrower from time to time.

(1)           The Vehicle must be at all times insured on a fully comprehensive basis by the Borrower through VWG’s insurance associate as prescribed from time to time by VWG (“the Insurer”). The original Certificate of Insurance and applicable schedules must be presented to the Company’s agent for examination upon collection of the Vehicle.

(2)           The Borrower will restrict the driving of the Vehicle to the named drivers on the insurance policy.

(3) The Borrower will restrict the driving of the Vehicle to drivers holding a full UK driving licence and Eligible Drivers of Loan Cars as defined in clause 6.3 of this agreement and in line with the Group’s Loan Car Policy and Order Procedure.

(4)           The Vehicle must be insured for social, domestic and pleasure purposes, including commuting to and from your place of work, and if applicable business use, provided this usage only relates to business purposes of VWG..

(5)          The drivers of the Vehicle must be approved by the Insurer and original driving licence must be presented to the Company’s agent for examination. In the event of Eligible Drivers of Loan Cars added after the Vehicle is handed to the Borrower, the additional driver’s original driving licence must be presented to the Company’s agent. The Borrower is responsible for notifying any changes/endorsements or disqualifications in relation to any approved driver.

(6)          The Vehicle must not be taken outside the United Kingdom without the prior written consent of the Company.  Additionally, the Borrower should ensure that cover is in place to recover the vehicle to the United Kingdom in the event of an accident, theft or breakdown, and pay the necessary additional costs to do so. Failure to do so could result in the personal settlement by the Borrower of repatriation and hire charges.

(7) The Borrower, or the policyholder (where the Borrower is not the person effecting the insurance), must notify Volkswagen Insurance Service of any accident or incident which may give rise to a claim under their motor insurance policy.

(8) By contacting Volkswagen Insurance Service the Borrower, the policyholder (where the Borrower is not the person effecting such insurance), and any eligible driver, are authorising VWG to act on their behalf when contacting their motor insurer, any third party motor insurer, and any third parties

(9)           The Borrower will be responsible for reporting accidents to the police, where appropriate.

(10)          All accident damages must be repaired promptly at an authorised Volkswagen, Audi, SEAT or Skoda retailer or paint and body specialist, as appropriate.

(11)          In the event that the Vehicle is involved in an accident or incident which results in the insurer declaring the vehicle a total loss, the Borrower shall be responsible for ensuring that the policy proceeds are paid to VWG. The Borrower will be responsible for submitting their cheque for the excess to VWG and for submitting all sets of keys and the road tax disc to VWG which they will do without delay. In the event that there is a shortfall between the total loss settlement from the Insurer and the amount required to be paid by the Borrower to settle any liability under the terms of this agreement, the Borrower shall not be required to make good such insurance shortfall.

(12) VWG shall purchase insurance to cover any loss incurred by VWG as a result of the amount paid by the insurer in settlement for the total loss of the vehicle being lower than the amount required to be paid by the Borrower to settle any liability under the terms of this agreement. The premium for such insurance shall be paid by VWG and included in the Borrower’s monthly repayments.

(13) In the event the Borrower fails to comply with the Insurance Terms or repairs to the Vehicle are not covered by insurance, the Borrower will be wholly responsible for paying the amount required to bring the Vehicle up to the Return Standards at the time of hand back. In the event of a total loss, the full reimbursement of the loan value will be required immediately or within an agreed specified time as agreed with VWG.

(14) Failure to comply with the Terms of Insurance as set out in this Schedule will lead to immediate termination in accordance with clause 4 of this agreement.