Business Interruption Insurance

Policy Terms E-4

This document is an AI translation of the official Icelandic text. In the event of any discrepancy between the translation and the original Icelandic version, the Icelandic version shall take precedence.

Business interruption insurance is intended for business operators and companies and covers financial loss arising when a reduction in sales or services occurs due to loss caused by fire, water damage, or burglary.

In these terms, the term "the company" means Vörður tryggingar hf.

The insurance is governed by the insurance certificate together with its endorsements and special terms, these policy terms, the company's general terms no. AS-1, and the provisions of the Insurance Contracts Act no. 30/2004. Provisions in these terms take precedence over provisions in the general terms where there is any conflict.

Scope of Benefits and Benefit Period

Art. 1. What does the insurance cover?

The insurance covers:

a. losses suffered by the insured due to a partial or total reduction in the sale of goods or services caused by an event at the insured premises and covered by the policyholder's fire, water damage, or burglary and theft insurance. If the policyholder holds only fire insurance, the business interruption insurance covers only interruptions caused by fire.
b. additional costs that may arise during the benefit period and are attributable to the insured's business premises being unusable due to damage to insured movable property or the building in which the movable property is kept. Such additional costs are subject to the company's approval on a case-by-case basis, both as regards the amount and the type of expenditure.

It is a condition of entitlement to benefits under Art. 1(a) and (b) that the loss causing the business interruption is compensable under fire insurance for movable property, burglary and theft insurance, or water damage insurance.

Art. 2. Benefit period

a. The benefit period is the period during which the business interruption continues. The benefit period can never exceed the maximum period for business interruption insurance stated on the insurance certificate.
b. The benefit period runs from the day on which the insured event occurred.
c. Operating loss and/or additional costs that occur in whole or in part during the first 24 hours after the business interruption began are covered only if the effects of the business interruption last for more than 30 days from the date of the insured event.
d. The benefit period ends when the business interruption is over, or at the latest upon expiry of the maximum period stated on the insurance certificate.

Art. 3. What does the insurance not cover?

a. Increased operating loss arising from industrial action, strikes, mechanical breakdowns, operational delays due to renovations, expansions, instructions from public authorities, or comparable events.
b. Increased operating loss arising from a general downturn in the relevant industry, changes in the insured's market position, or due to lack of capital.

General Provisions

Art. 4. What is and is not insured?

The insurance covers the sum insured and benefit period stated on the insurance certificate.

Art. 5. Who is insured?

The policyholder is the insured.

Art. 6. Where does the insurance apply?

The insurance applies at the location specified on the insurance certificate.

Art. 7. Safety requirements

The safety requirements set out in movable property insurance policy terms nos. E-3, E-11, and E-12 apply to this insurance.

Art. 8. Sum insured

The insured's financial statements for the most recent financial year, or interim accounts where applicable, are used as the basis for calculating the sum insured. The sum insured is calculated as follows:

Sum insured = Prior year gross margin + Increase in gross margin + Additional costs

The calculation of gross margin and further explanations are set out below.

a. Prior year gross margin equals:

   Gross margin = Annual turnover excl. VAT − Cost of goods − Variable costs − Reduced payroll costs

   - Annual turnover means total sales excluding value added tax.
   - Cost of goods equals the cost price of raw materials, the purchase price of goods for resale, and other merchandise.
   - Variable costs may be deducted if a loss occurs, such as transport costs, electricity and heating costs, and similar.
   - If it can be shown that payroll costs decrease due to the loss, the benefit amount is reduced by the difference between the estimated payroll costs had no loss occurred and the actual payroll costs.
b. Increase in gross margin is estimated in accordance with projected growth.
c. Additional costs are various indirect costs that may arise in connection with a compensable loss, such as removal costs and temporary rental costs.
d. The sum insured is not considered proof of the insured interests.
e. The policyholder must ensure that the sum insured reflects the risk at all times.

Art. 9. Determination of benefits

a. The company pays benefits for business interruption loss occurring during the benefit period, which can never exceed the maximum period stated on the insurance certificate.
b. The loss equals the difference between the projected gross margin as it would have been under uninterrupted operations on the one hand, and the actual gross margin during the benefit period on the other.
c. Benefits are paid only for the actual loss incurred during the benefit period, and only for the portion of that loss caused solely by the cessation or reduction of operations attributable to a loss covered by the policyholder's fire, water damage, or burglary and theft insurance.
d. If it is not planned to recommence the insured's operations, the benefit amount is based on the period that could reasonably be expected to elapse before operations could have recommenced, but never for a period exceeding the maximum period stated on the insurance certificate. Benefits for this period are based on the unavoidable and demonstrable costs of the insured.
e. If operations have permanently ceased for reasons beyond the insured's control, benefits are paid pursuant to Art. 9(b), but never for a longer period than could reasonably be expected to have elapsed before operations could have recommenced, and never beyond the benefit period stated on the insurance certificate.
f. Payment of additional costs is subject to the company's approval on a case-by-case basis, both as regards the amount and the type of expenditure.
g. Benefits can never exceed the sum insured stated on the insurance certificate, including benefits for additional costs.
h. The insured is obliged to cooperate with the company on measures to prevent or reduce operating loss.

Art. 10. Excess

The excess is the amount or period stated on the insurance certificate.

Art. 11. Indexation

The sums insured under this insurance follow the development of the price level in the country and change in accordance with the consumer price index at each renewal.

These terms are valid from 01.04.2024