Homeowners Insurance for Residential Property

Policy Terms E-7

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Homeowners insurance for residential property provides protection against various types of damage to residential properties other than fire damage. In addition, it includes liability insurance and legal assistance insurance.

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, hereinafter referred to as ICA. Provisions in these terms take precedence over provisions in the general terms where there is any conflict.

The scope of benefits under the insurance is exhaustively set out in these terms. If the policyholder or the insured suffers a loss or accident that is not compensable under the provisions of these terms, the insurance does not cover such loss.

Definitions

The company: Vörður tryggingar hf.

The insured: The registered owner of the residential property. The insurance does not benefit other parties, such as holders of registered ownership rights, mortgage rights, or other registered insurance rights in the property.

Residential property: The residential property and its ordinary fixtures. The residential property shall be taken to mean those values specified in the fire insurance valuation of the property, together with permanently installed electric vehicle charging stations. Fencing, decks, pavements, flagpoles, and other similar items outside the outer walls are not considered part of the residential property within the meaning of these terms, unless they form part of the fire insurance valuation of the property or are specifically agreed upon and stated on the insurance certificate.

Sum insured: The sum insured is based on the fire insurance valuation of the residential property or portion thereof and equals the amount stated on the insurance certificate. In the event of a loss, the insured bears their own risk, which is specified on the insurance certificate.

Table of Contents:

Chapter 1. Water Damage Insurance

Art. 1. What does the insurance cover?

The insurance covers damage to the insured residential property caused by:

a) Liquid originating inside the walls of the building, caused solely by unforeseen, sudden, and unexpected leakage from water pipes, heating systems, or drainage pipes thereof. The insurance covers the cost of breaking up and disruption that is unavoidably associated with stopping the leak, as well as reinstatement following such action, so that the residential property is in the same but no worse condition than it was before the loss.
b) Water flowing unexpectedly and suddenly from sanitary fixtures, refrigerators, freezers, water beds, and fish tanks due to malfunction or failure.

Art. 2. What does the insurance not cover?

The insurance does not cover:

a) Damage caused by water backing up from sewage or drainage pipes, or where sewage pipes suddenly cannot carry all the water flowing into them, with the exception that such damage is compensable if a pipe becomes blocked or bursts indoors.
b) Damage caused by leakage from sewage or drainage pipes in the foundations of the insured residential property, attributable to subsidence, normal wear or corrosion, and due to settlement of the property's foundations, e.g. caused by erosion of the soil.
c) Damage to the item that causes the loss event due to liquid discharge, such as pipes (central heating, water, or drainage pipes), radiators, or appliances.
d) Damage resulting from prolonged dampness or water leakage, and damage caused by mould or fungal growth, even if this is considered a consequence of a compensable loss event.
e) Damage caused by leakage originating outside the outer walls of the building or beneath its base slab.
f) Costs of breaking up and disruption other than for the purpose of stopping a leak.

Art. 3. Safety requirement

It is a condition for payment of benefits that in unheated buildings the water supply is shut off and that water pipes and connected appliances are drained when there is a risk of frost.

Chapter 2. Cloudburst and Thaw Insurance

Art. 4. What does the insurance cover?

The insurance covers damage to the insured property caused by surface water resulting from a sudden cloudburst or thaw, where the volume of water is so great that drainage pipes and floor drains cannot carry it away. The insurance only covers damage under this article caused by water entering through seals around doors or windows at ground floor or basement level of the property.

For a cloudburst to be considered to have occurred, precipitation must have exceeded 15 mm over a 3-hour period or over 80 mm over a 24-hour period.

A thaw is considered to occur when snow or ice melts due to warming, where temperatures in lowland areas reach at least 5°C for 36–48 hours, accompanied by heavy precipitation and strong winds of at least 10 m/sec.

Art. 5. What does the insurance not cover?

The insurance does not cover:

a) Damage caused by external water, such as groundwater, water from balconies, precipitation, flooding, or water from gutters or their drainage pipes.

b) Damage caused by water backing up from sewage or drainage pipes, or where sewage pipes suddenly cannot carry all the water flowing into them, with the exception that such damage is compensable if a pipe becomes blocked or bursts indoors.
c) Water damage that the Natural Disaster Insurance of Iceland is obliged to compensate.

Art. 6. Safety requirement

The insured is obliged, to the extent within their control, to keep floor drains clear by cleaning them of dirt or ice.

Chapter 3. Frost Burst Insurance

Art. 7. What does the insurance cover?

The insurance pays benefits for damage to indoor water pipe systems caused by frost bursts occurring when the heating system of the building suddenly fails. Consequential damage caused by water is covered pursuant to Chapter 1.

Art. 8. What does the insurance not cover?

The insurance does not cover damage to snowmelt systems.

Art. 9. Safety requirement

In unheated premises, the water supply must be shut off and water pipes and attached appliances must be drained when there is a risk of frost.

Chapter 4. Burglary Insurance

Art. 10. What does the insurance cover?

The insurance pays benefits for damage to the insured residential property caused by burglary or attempted burglary. Damage in this context includes damage to the residential property and the removal of individual parts of the property. A burglary is considered to have occurred when entry is gained without authorisation into a building or locked room by forcing a lock, using a stolen key, or by other unconventional means. Entry through an opening not intended for access is also considered a burglary. A police report must be submitted as evidence of the loss as a condition for the company's payment obligation.

Art. 11. Safety requirement

The insured must ensure that the insured residential property is always locked and all windows closed.

Chapter 5. Soot Fall Insurance

Art. 12. What does the insurance cover?

The insurance covers damage to the insured property caused by soot fall that occurs suddenly and unexpectedly from recognised heating devices or fireplaces.

Art. 13. What does the insurance not cover?

The insurance does not cover:

a) Damage from soot or smoke that has accumulated gradually through use.
b) Damage where the fire insurance of the residential property covers the loss event.

Chapter 6. Snow Load Insurance

Art. 14. What does the insurance cover?

The insurance covers damage to the insured property caused by sudden snow load that has caused the roof or walls of the residential property to collapse.

Art. 15. What does the insurance not cover?
The insurance does not cover damage caused by avalanches, nor damage that is a consequence of construction defects or inadequate maintenance.

Chapter 7. Storm and Tempest Insurance

Art. 16. What does the insurance cover?

The insurance covers damage to the insured property caused by a severe storm where the wind tears off the roof, windows, or walls of the residential property or causes damage to other insured items, provided the wind speed at the time of the loss reached 28.5 metres per second according to measurements by the Icelandic Meteorological Office. Damage to the insured property caused by precipitation and sandstorm accompanying a tempest is covered only if the wind has torn off the roof, windows, or other parts of the building.

If no authoritative information on wind speed at the loss location at the time of the loss is available, consideration shall be given, when determining the company's payment obligation, to whether general property damage in the area was caused by weather at the time of the loss event.

Art. 17. What does the insurance not cover?
The insurance does not cover damage to items that do not fall within the fire insurance valuation, unless specifically stated on the insurance certificate.

Chapter 8. Rental Insurance

Art. 18. What does the insurance cover?
If residential premises are damaged by a compensable loss event specified in this insurance and the repair is so extensive that it is unavoidable to vacate the premises during the repair period, the company will pay benefits equivalent to the average rent of comparable premises of similar size and condition in the relevant location and at the relevant time for up to 6 months from the date of loss.

Art. 19. What does the insurance not cover?

Benefits are not paid for longer than corresponds to a reasonable repair time having regard to the damage. Benefits for each month are limited to 0.8% of the fire insurance valuation of the residential property.

Benefits under this article are only paid if another insurance does not cover the loss.

Chapter 9. Breakage and Collapse Insurance

Art. 20. What does the insurance cover?
The insurance covers damage to the insured property caused by:

a) Breakage or collapse of ceiling cladding or permanently fixed fittings of the insured residential property due to sudden and unexpected failure.
b) Breakage of permanently connected household appliances attributable to unexpected and sudden external events, after they have been installed in their final position in the fitting.
c) Breakage of permanently connected sanitary fixtures that form part of the insured residential property, such as washbasins, bathtubs, toilet bowls, and cisterns, provided the damage occurred due to a sudden and unexpected external event.
d) Breakage of a countertop, but only if it breaks due to an unexpected, sudden, and external event after the countertop has been fully installed and placed in its final position in the fitting.

Art. 21. What does the insurance not cover?
The insurance does not cover:

a) Scratches or other damage that cannot be considered breakage.
b) Accessories that can be reused, such as toilet seats and taps.
c) Damage occurring when a countertop chips or flakes.
d) Damage covered by the seller's or installer's liability.
e) Costs of disconnection, breaking up, or installation.

Chapter 10. Glass Insurance

Art. 22. What does the insurance cover?
The insurance covers damage to glass in the insured residential property if it breaks after it has been set, embedded, or otherwise finally placed in its intended position, for as long as it remains in the same place. Decorations and other items that increase the value of the glass must be insured separately.

Art. 23. What does the insurance not cover?
The insurance does not cover:

a) Glass that is scratched or chipped.
b) Damage caused by condensation between panes of glass.
c) Damage caused by expansion, warping, or inadequate maintenance of frames or beading.
d) Damage arising from construction work or external repairs within 10 metres of the glass; however, the insurance does cover damage caused by painting and routine maintenance of the residential property.
e) Other consequential damage caused by glass breakage.
f) Damage compensable under the fire insurance of the residential property.

Art. 24. Determination of payment obligation
Benefits are based on the price of new glass of the same size and quality together with reasonable installation costs.

Chapter 11. Determination of Benefits

Benefits shall be based on the value at the date of loss. The company is entitled to deduct from benefits any depreciation in value due to age, use, and other factors that may affect the value of the damaged item.

Benefit amounts shall be based on the cost of repairing the insured residential property. It is at the company's discretion whether to compensate a loss by monetary payment or to pay the cost of a satisfactory repair of the insured item. In the case of monetary payment, the benefit amount shall not exceed the amount the company would have paid for repair or replacement of the insured item. If the insured is able to use the costs of the loss for tax deduction purposes, or is entitled to a refund of value added tax in respect of improvements to the insured property following the loss, benefits shall be reduced accordingly.

If a residential property is so severely damaged that it cannot be repaired or it is not cost-effective to repair in the company's assessment, the company may pay benefits in monetary form equivalent to the fire insurance valuation amount less the residual value remaining in the residential property.

Damage caused by leakage from pipes in common areas or common pipes is compensated proportionally to the policyholder's ownership share in the residential property.

When paying for damage to floor coverings older than 5 years, the company is entitled to deduct 5% from benefits for each year of age beyond 5 years. This age deduction may however never exceed 70%. In the event of damage to floor coverings, benefits are only paid for floor coverings in the room where the damage occurs.

Chapter 12. Homeowners Liability Insurance

Art. 25. What does the insurance cover?

Coverage is provided against the liability for damages that falls on the insured under Icelandic law as the owner of the residential property or portion of residential property specified on the insurance certificate.

The company can only become liable to pay if the loss gives rise to liability for damages on the insured as owner of the building or co-owner thereof with others, in proportion to their ownership share, provided the liability for damages is a direct consequence of damage to persons or property (including residential properties and animals) and is no broader than ordinary non-contractual liability for damages.

It is a condition for liability under this provision that the accident or damage be attributable to a sudden and unexpected event.

Art. 26. What does the insurance not cover?

The insurance does not cover:

a) Damage that parties sharing the same registered address, living at the same location, or sharing the same household cause to one another.
b) Damage arising from the insured's occupation, whether self-employment or employment in the service of others.
c) Damage to items the insured has for use, storage, or which are otherwise in their custody.
d) Damage to items the insured has taken without consent.
e) Claims for damages in respect of property damage caused by fire, water from firefighting operations, smoke, soot, or explosion.
f) Fines, legal costs, or other expenses in connection with criminal proceedings relating to the insured.
g) Damage caused by pollution of air, land, water, or sea, unless such damage results from a single, sudden, specific event. The same applies to damage to property caused by such pollution.
h) Damage attributable to asbestos or any material containing asbestos to any degree.
i) Damage resulting from prolonged dampness or leakage.
j) Damage caused by mould or fungal growth.

Art. 27. Sum insured

The company's liability for each individual insured event is limited to the sum insured stated on the insurance certificate. If more than one loss event arises from the same cause, they shall be considered to result from one insured event.

Costs incurred with the company's consent for the purpose of determining the insured's liability, and interest on the benefit amount, are paid even if the company's payment thereby exceeds the sum insured. If the sum insured is lower than the principal benefit amount, only that portion of costs and interest corresponding to the benefit amount owed by the company shall be paid.

Art. 28. Insurance period

The liability insurance covers events that take place during the insurance period even if the consequences do not become apparent until later. The insurance therefore does not cover events that take place before the insurance is taken out.

Art. 29. Handling of claims for damages

If a claim for damages is made against the insured, the company has conduct of that claim and is entitled to take any measures to handle the claim, such as acknowledging liability, defending the claim, or reaching a settlement, provided these measures are at the company's expense, as are the associated legal costs.

The company is not bound by the fact that the insured pays or acknowledges a claim for damages, unless it is established that the insured only did what they were legally obliged to do when paying the claim or acknowledging its validity.

Art. 30. Maintenance of residential property

Where the risk changes due to construction work, maintenance, or improvements to a residential property where the cost exceeds 5% of the fire insurance valuation of the property, the policyholder must notify the company and pay an additional premium in accordance with the company's premium schedule.

An additional premium must also be paid when scaffolding is used in other maintenance work. Failure to do so may result in a limitation of the company's liability pursuant to Art. 25 of the ICA.

Chapter 13. Legal Assistance Insurance

Art. 31. What does the insurance cover?

The insurance covers disputes in civil cases concerning the insured as owner of the insured residential property, which are brought before the District Court, the Court of Appeal, or the Supreme Court in Iceland and are concluded by a judgment, ruling, or court settlement made pursuant to Art. 109 of the Act on Civil Procedure no. 91/1991. Where a dispute cannot be referred to the courts without prior proceedings in another forum, the insurance only covers costs incurred after such proceedings have concluded. The insurance also covers retrial, but only where retrial is permitted. The insured is obliged to seek to have legal costs paid by the state, e.g. by applying for legal aid, unless it is obvious that they do not meet the conditions for this.

Art. 32. What does the insurance not cover?

The insurance does not cover criminal cases, nor disputes that can only be decided by the executive branch or special courts.

The insurance does not cover disputes, cases, or applications:

a) Concerning divorce or matters that may arise in connection with divorce. The same applies to cases concerning dissolution of cohabitation and other matters involving disputes over custody of children and rights of access.
b) Connected with the insured's occupation or official duties, including cases involving workplace accidents.
c) Concerning liability undertaken by the insured.
d) Concerning financial arrangements that are unusual or unusually extensive for an individual, or arising from an individual standing surety for another.
e) Concerning a claim or other entitlement that has been assigned to the insured.
f) Concerning the insured as owner of a residential property other than the one stated on the insurance certificate.

g) Concerning the insured as owner, user, or driver of a motor vehicle, motorhome or other trailer, aircraft, ship, steamboat, motorboat, or sailing vessel, nor other cases concerning the insured as a victim in connection with a registered motor vehicle.
h) Concerning damages or other claims relating to an act that leads to suspicion or prosecution of the insured for a criminal offence.
i) Concerning bills of exchange proceedings and debt collection proceedings against the insured where the claim is undisputed or indisputable, and cases concerning bankruptcy or compositions where the insured is themselves bankrupt or seeking a composition.
j) Concerning proceedings against the company itself.
k) Where there is no legitimate interest in obtaining a judgment in the case. Such an interest shall, for example, be considered not to exist if an application for legal aid has been refused for that reason or the grant of legal aid has been revoked.

Art. 33. Choice of legal representative

It is a condition for payment of benefits that the insured has sought the assistance of a lawyer who has taken on the case. The insured chooses their own lawyer from among members of the Icelandic Bar Association.

A lawyer may not, without the company's consent, act on their own behalf in their own case.

The company may make it a condition for payment of benefits that the insured submit a dispute about the reasonableness of legal fees to the Disciplinary Committee of the Icelandic Bar Association pursuant to Art. 26 of the Act on Lawyers no. 77/1998.

Art. 34. Scope of legal assistance — payment of benefits

The company pays, in respect of each loss, necessary and reasonable legal and court costs that the insured cannot recover from the opposing party or the state. This means, among other things, that no benefits are paid if the insured waives the possibility of recovering benefits from the opposing party with or without legal proceedings.

The company pays:

a) Legal fees and costs. In such cases, the company pays the court filing fee.
b) Costs of obtaining expert opinions, if the insured's lawyer requests the opinion before the case goes to court, or it is clearly apparent that a judgment could not be rendered without such an expert opinion.
c) Costs of summoning witnesses or other presentation of evidence before courts or arbitration tribunals.
d) Court fees.
e) Legal costs that the insured is ordered or ruled to pay to the opposing party by a court or arbitration tribunal at the conclusion of the case.
f) Legal costs that the insured agrees to pay the opposing party in a court settlement, if it is clearly apparent that the court would have ordered them to pay higher legal costs had a judgment been rendered.

Benefits are not paid to the insured for:

a) Own work, loss of income, travel and accommodation costs, and other expenses.
b) Enforcement of a judgment, ruling, or settlement.
c) Additional costs arising from retaining multiple lawyers or changing lawyers.
d) Payments to arbitrators.
e) Additional costs arising from the insured or their lawyer being guilty of negligence in the conduct of the case or otherwise having been negligent.

Art. 35. Sum insured and own risk applicable to legal assistance

The sum insured is stated on the insurance certificate. In disputes concerning financial interests, benefits may however never exceed the amount of the interests in dispute. The policyholder's own risk is 20% of each loss, but no less than the amount stated on the insurance certificate.

One loss is considered to exist if the insured parties are on the same side of a dispute or case. If the insured is party to multiple disputes, such cases shall be counted as one loss, provided the claims made are essentially rooted in the same cause.

Art. 36. When can legal assistance be requested?

Legal assistance may be requested if the insurance is in force when the dispute arises and has been in force for at least two consecutive years. The insurance need not have been with the company throughout that period; if the insured has held equivalent insurance with another company, that period counts in their favour.

If the insured has insurance when the dispute arises but has not held it for two years, they may nonetheless receive legal assistance if the events or circumstances underlying the claim occurred after the legal assistance insurance took effect.

If the insured no longer has any legal assistance insurance when the dispute arises, they may nonetheless receive legal assistance under this insurance if it was in force when the events or circumstances underlying the claim occurred and no more than 4 years have passed since the event or circumstance.

Art. 37. Subrogation

To the extent that benefits under the insurance have been paid, the company acquires the insured's right to legal costs from the opposing party or the state.

Chapter 14. General Provisions

Art. 38. Where does the insurance apply?

The insurance applies only to residential properties in Iceland.

Art. 39. Limitations and safety requirements

The insured must comply with the safety requirements set by the company in these terms or on the insurance certificate. Failure to do so may result in a reduction or removal of the company's liability pursuant to Art. 26 of the ICA.

Art. 40. Index adjustments

The sum insured changes annually pursuant to a determination by HMS based on changes in the construction cost of the various types of residential property during the preceding year, taking into account calculated or estimated depreciation for the same period. The sum insured also changes monthly in line with the construction cost index published by Statistics Iceland.

Art. 41. Identification

The company is entitled to invoke the fact that the spouse or cohabiting partner of the policyholder/insured has breached the provisions of the insurance pursuant to the rule in Art. 29(2)(b) of the ICA. If this insurance is used in commercial operations, the company may invoke the conduct of the insured's employees.

Art. 42. Change of ownership

If ownership of the insured residential property changes, the insurance lapses when the change of ownership has taken place. The company is nonetheless liable if an insured event occurs within 14 days of the change of ownership, provided the new party has not themselves taken out insurance.

These terms are valid from 01.08.2025

Vörður tryggingar | Sími 514 1000 | vordur@vordur.is | www.vordur.is