Professional Liability Insurance for Construction Site Managers

Terms SA-4

Construction site managers are required to purchase and maintain professional liability insurance under the Building Act No. 160/2010. Professional Liability Insurance for Construction Site Managers is intended to compensate general financial loss that may arise in connection with construction works the manager undertakes to supervise.

This insurance is issued pursuant to Article 29(8) of the Building Act No. 160/2010 and Regulation No. 271/2014 on professional liability insurance for designers and construction site managers.

This insurance is governed by the insurance policy, together with any endorsements and special terms, these Terms, the Company's General Terms and Conditions No. AS-1, and the provisions of the Insurance Contracts Act No. 30/2004. In the event of any inconsistency, the provisions of these Terms shall take precedence over the General Terms and Conditions.

In these Terms, the term "the Company" means Vörður tryggingar hf.

Chapter 1. Scope of Cover

Art. 1 What does the insurance cover?

Cover is provided against liability in damages imposed on the insured, as a construction site manager, where the owner of a structure suffers general financial loss due to liability in damages imposed on the insured and resulting from the construction site manager's failure to fulfil their duties, cf. Article 29 of the Building Act No. 160/2010.

Art. 2 What is not covered by the insurance?

The insurance does not cover liability attributable to:

a. intent on the part of the insured or the insured's employee.
b. liability assumed by the insured that is more extensive than the insured's statutory liability as a construction site manager.
c. fines or other penalties imposed on the insured or a third party.
d. accidents causing injury to a person, other bodily injury, or damage to property.
e. activities carried out by the insured outside Iceland, or liability in damages that is more extensive than provided for under Icelandic rules regarding the basis for damages or the determination of the amount of compensation.

Chapter 2. General Provisions

Art. 3 Who is insured?

The insured is the construction site manager specified in the insurance policy.

Art. 4 Where does the insurance apply?

The insurance applies in Iceland.

Art. 5 Insured Project

The insured project is that specified in the insurance policy.

Art. 6 Basis for Premium

When the insurance is taken out, the estimated construction cost is specified, forming the basis for the calculation of the premium. Where the construction cost exceeds the estimated cost, the premium shall be adjusted accordingly. The same applies where the cost is below the estimate.

Art. 7 Sum Insured

The sums insured for each loss event and for each insurance period are specified in the insurance policy. These amounts are adjusted in accordance with the index, cf. Art. 16 of these Terms.

The Company shall pay costs that it is reasonable for the insured to incur in determining liability for damages or the amount of compensation, even if this causes the Company's payment to exceed the sum insured. The same applies to interest that the insured is ordered to pay on a claim for damages covered by the insurance.

Where the sum insured is lower than the damages awarded, the Company is required to pay only that portion of the interest and costs corresponding to the amount of compensation it is liable to pay.

Art. 8 Completion of the Project

The project is deemed completed when confirmation of the final inspection is received by the Company from the relevant building official. Where confirmation of the final inspection has not been received by the estimated completion date, the insurance is renewed for successive one-year periods.

Art. 9 Deductible

For each loss, the policyholder and the insured bear joint and several liability (in solidum) for payment of the deductible, as specified in the insurance policy. This amount is adjusted annually in accordance with the index, cf. Art. 16 of these Terms. The policyholder's deductible does not affect the legal position of the owner of the structure.

Art. 10 Right of Termination

Where the insurance lapses without other adequate insurance having been taken out, the Company shall notify the policyholder and the Housing and Construction Authority (Húsnæðis- og mannvirkjastofnun). Failure to comply with this notification obligation does not affect the termination of the insurance or liability thereunder. Even where the insurance has lapsed, the Company remains liable to the owner of the structure for loss attributable to loss events occurring until 6 weeks have elapsed from the date the Company notified the policyholder and the Housing and Construction Authority that the insurance had lapsed, unless other adequate insurance has been taken out.

Art. 11 Period of Liability

The insurance covers liability for events occurring during the insurance period that give rise to loss. Where the consequences of events occurring during the insurance period, and giving rise to loss, do not become apparent until after the insurance has lapsed, the Company shall nevertheless pay compensation. However, no compensation is payable where the consequences become apparent more than 5 years after the final inspection of the structure for which the insured performed construction site management and to which their liability relates, cf. Article 29(8) of the Building Act No. 160/2010. The Company does not pay compensation for loss due to events occurring before the insurance period begins, even where the loss does not become apparent until during the insurance period.

Art. 12 Handling of Claims for Damages

As soon as the insured becomes aware of, or suspects, that a claim for damages will be made against them, they shall notify the Company in writing.

If a claim for damages is made against the insured, the Company shall represent the insured in respect of that claim and is authorized to take any measures necessary to handle it, such as admitting liability, defending against the claim, or settling it, provided that such measures, and any related legal costs, are at the Company's expense.

The Company is not bound by any payment or admission of a claim for damages by the insured, unless it is shown that the insured, in paying the claim or acknowledging its validity, did no more than what they were legally obliged to do.

The Company shall represent the insured and shall direct all proceedings, and shall conduct proceedings before the courts if necessary.

Art. 13 Increase in Risk

Where changes occur to circumstances or information disclosed to the Company in the application for insurance, or otherwise, the policyholder or the insured shall notify the Company of such changes.

Art. 14 Right of Recourse

The Company shall always have a right of recourse against the policyholder where the Company has paid compensation after the insurance has lapsed, cf. Art. 10 of these Terms.

Art. 15 Imputation of Conduct

The Company may rely on a breach of the provisions of this insurance by employees of the policyholder or the insured, pursuant to the third paragraph of Article 29 of the Insurance Contracts Act.

Art. 16 Index-Linking

The sums insured under Art. 4 and the deductible under Art. 9 are based on the building cost index, with a base index value of 596.3 points. They shall be adjusted on 1 January each year in proportion to changes in that index.

These Terms are effective from 1 January 2023.

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