Vörður
hluti af Arion

Construction Works Insurance

Terms E-46

This insurance is intended for contractors or legal entities in connection with construction works.

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 (hereinafter the "Insurance Contracts Act"). In the event of any inconsistency, the provisions of these Terms shall take precedence over the General Terms and Conditions.

This insurance automatically establishes insurance cover with the Icelandic Catastrophe Insurance (Náttúruhamfaratrygging Íslands) under Act No. 55/1992. The Icelandic Catastrophe Insurance covers damage caused by natural catastrophes, including volcanic eruptions, earthquakes, landslides, avalanches, and flooding, cf. Article 4 of that Act.

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Chapter 1. Fire Insurance

Art. 1 What does the insurance cover?

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

a. Fire. Damage caused by fire.

b. Lightning. Damage caused by lightning even where no ignition occurs.

c. Explosions. Damage caused by an explosion in a steam boiler used for heating the building. Damage caused by a gas explosion involving cooking and heating appliances and gas pipes used for heating buildings.

d. Soot deposits. Damage caused by soot deposits occurring suddenly or unexpectedly from an approved heating appliance, fireplace, or blower.

e. An aircraft crashing. This refers to damage caused by an aircraft, or parts of an aircraft, crashing or falling from the sky, provided the loss is not recoverable under other insurance.

f. Firefighting and rescue operations. Damage caused by firefighting and rescue operations, demolition, or other reasonable measures taken to avert or reduce loss.

Art. 2 What is not covered by the insurance?

The insurance does not cover:

a. indirect loss that may result from a covered loss event, such as business interruption loss, delays in production or delivery of goods, loss of rental income, and similar losses.

b. the cost of cleaning up waste or toxic substances in the environment or soil resulting from a covered loss event.

c. damage caused by fire that does not constitute a fire within the meaning of this insurance, such as damage to items exposed to fire or heat during heating, cooking, drying, smoking, or similar processes, which burn or are damaged as a result.

d. damage to electrical machinery, wiring, or equipment caused solely by short circuit or another electrical phenomenon, or by induction from an electrical storm, unless this results in fire or is a consequence of fire.

e. damage from soot or smoke that has accumulated gradually through use, such as soot from a chimney or candles.

f. the item, machine, or boiler in which an explosion occurs.

g. damage occurring during construction operations involving work with explosives.

Art. 3 Safety Regulations

a. The insured shall ensure that all installations at the insured location fully comply, as applicable, with the rules set out in the laws and regulations in force at any given time. The insured shall comply with instructions or observations from public supervisory authorities, such as the Housing and Construction Authority (HMS), fire departments, and the Icelandic Legal Metrology Authority (Löggildingarstofa).

b. Welding, work with open flames, and other similar work involving a risk of fire shall be carried out in accordance with Article 16 of Regulation No. 723/2017 on fire prevention and fire safety inspection, as subsequently amended. The necessary preventive measures shall be taken to prevent fire, and the necessary firefighting equipment shall be kept on site to enable an immediate response should a fire occur.

Chapter 2. Water Damage Insurance

Art. 4 What does the insurance cover?

The insurance covers damage to the insured property caused by a sudden and unforeseen leak from a water pipe, heating system, or drainage pipe of the building.

Art. 5 What is not covered by the insurance?

The insurance does not cover:

a. damage to pipework, nor the cost of relaying it.

b. damage caused by external water, such as precipitation, flooding, snowmelt, or water forced up from sewage or drainage pipes.

Art. 6 Safety Regulation

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

Chapter 3. Collapse and Subsidence Insurance

Art. 7 What does the insurance cover?

The insurance covers damage to the insured property caused by collapse or subsidence, provided the cause of the loss can be traced to a sudden and unforeseen event.

Art. 8 What is not covered by the insurance?

The insurance does not cover:

a. damage resulting from ground subsidence where this is due to inadequate compaction or preparation of the soil base.

b. damage resulting from incorrect, defective, or incomplete design, plans, and/or calculations.

Chapter 4. Storm and Windstorm Insurance

Art. 9 What does the insurance cover?

The insurance covers damage to the insured property caused by a storm. A storm means wind speed measuring over 28.5 metres per second according to measurements by the Icelandic Meteorological Office. Where verified wind-speed data for the location of the loss is not available at the time of the event, the assessment of the insurance's liability shall have regard to whether general property damage occurred in the area as a result of the weather conditions at the time of the loss event. Water damage to the insured property accompanying storm damage is also covered.

Art. 10 Safety Regulation

When severe weather is expected, or weather warnings have been issued, the insured shall comply with instructions or observations from public authorities, such as the Icelandic Meteorological Office, the police, or civil defence authorities. The insured shall then secure loose items so that there is no risk of them being blown away.

Chapter 5. Burglary Insurance

Art. 11 What does the insurance cover?

The insurance covers damage to the insured property caused by vandalism, burglary, or theft at the construction site.

Art. 12 What is not covered by the insurance?

The insurance does not cover theft of valuables stored in the open air or in a location readily accessible to unauthorized persons.

Art. 13 Safety Regulation

The insured shall ensure that the insured building is always locked and all windows closed and latched.

Chapter 6. Glass Insurance

Art. 14 What does the insurance cover?

The insurance covers breakage of glass in the insured building, but only where the glass breaks after it has been installed, embedded, or otherwise permanently fitted in the place it is intended to occupy, and for as long as it remains in that place. Decorations and other features that increase the value of the glass must be insured separately.

Art. 15 What is not covered by the insurance?

The insurance does not cover:

a. glass that becomes scratched or chipped.

b. damage caused by condensation/fogging between panes of glass.

c. damage caused by expansion, warping, or inadequate maintenance of frames or beading.

d. consequential damage caused by glass breakage, and other resulting loss.

Chapter 7. Determination of Compensation

Compensation shall be based on the value as of the date of loss. The Company may deduct from compensation any depreciation in value due to age, use, and other factors that may affect the value of the damaged item.

The amount of compensation shall be based on the cost of repairing the insured structure. It is at the Company's discretion whether to compensate the loss by way of a cash payment or by paying the cost of an adequate repair to the insured property. Where a cash payment is made, the amount of compensation shall not exceed the amount the Company would have paid for repair or replacement of the insured property. Where the insured is able to claim a tax deduction for costs incurred as a result of the loss, or is entitled to a refund of value-added tax in respect of repairs to the insured property following the loss, compensation shall be reduced accordingly.

Where a structure sustains damage so extensive that it cannot be repaired, or where the Company considers repair uneconomical, the Company may pay compensation in cash equal to the sum insured, less the value remaining in the structure.

Chapter 8. General Provisions

Art. 16 Who is insured?

The insured is the owner of the building under construction specified in the insurance policy.

Art. 17 Where does the insurance apply?

The insurance applies only to buildings under construction in Iceland.

Art. 18 Insured Property

The insurance covers the building, or part of a building, under construction specified in the policy. The insurance also covers damage to building materials at the construction site, provided they are owned by, or in the custody of, the insured. The insurance does not cover damage to tools, scaffolding, site huts, or other property of contractors, master builders, or their employees at the construction site.

Art. 19 Limitations or Safety Regulations

The insured shall comply with the safety regulations set by the Company in these Terms or in the insurance policy. Failure to do so may result in a reduction or forfeiture of the Company's liability, cf. Article 26 of the Insurance Contracts Act.

Art. 20 Excluded Risks

The insurance does not cover the following loss events:

a. Consequential loss of any kind, regardless of cause.

b. Loss resulting from the use of incorrect or defective materials.

c. Loss resulting from incorrect and/or incomplete design and/or calculations.

d. Loss caused by vehicles subject to registration.

Art. 21 Termination of the Insurance

This insurance lapses once the building has received a fire insurance valuation and the statutory fire insurance has been issued.

Art. 22 Sum Insured and Index-Linking

The sum insured for a building under construction shall be equal to the estimated total construction cost. The sum insured for the insured property is stated in the insurance policy. Sums insured and deductible amounts increase at each renewal in line with the building cost index published by Statistics Iceland.

Art. 23 Imputation of Conduct

The Company may rely on a breach of the provisions of this insurance by the spouse or cohabiting partner of the policyholder/insured, pursuant to item (b) of Article 29(2) of the Insurance Contracts Act. Where this insurance is used in connection with business operations, the Company may rely on the conduct of the insured's employees.

These Terms are effective from 1 October 2024.

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