Vörður
hluti af Arion

Fire Insurance for Residential Property

Policy Terms E-1

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.

Fire insurance for residential property is mandatory insurance covering damage to residential properties caused by fire, pursuant to the Act on Fire Insurance no. 48/1994 and the Regulation on Mandatory Fire Insurance for Residential Property no. 809/2000.

In these terms, the term "the company" means Vörður tryggingar hf. and "HMS" means the Housing and Construction Authority (Húsnæðis- og mannvirkjastofnun).

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.

With fire insurance for residential property, insurance protection is automatically established with the Natural Disaster Insurance of Iceland pursuant to Act no. 55/1992. Natural Disaster Insurance covers damage caused by natural disasters, including volcanic eruptions, earthquakes, landslides, avalanches, and floods, cf. Art. 4 of the Act.

Chapter 1. Scope of Benefits and Safety Requirements

Art. 1. What does the insurance cover?

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

a. **Fire.** Damage caused by fire. The insurance does not cover damage caused by fire that does not qualify as a fire in the legal sense, such as damage to items that are scorched or damaged by heat during heating, boiling, drying, smoking, or similar processes. The insurance does not cover damage to electrical machinery, installations, or equipment caused solely by a short circuit or other electrical phenomenon, or sparks from an electrical storm, unless this results in or is a consequence of a fire.
b. **Lightning.** Damage caused by lightning even if no ignition occurs.
c. **Explosions.** Damage caused by an explosion in a steam boiler used to heat a building. Damage caused by a gas explosion from cooking and heating appliances and gas installations used to heat buildings. Damage caused by other types of explosion is not covered. The insurance does not cover the item, machine, or boiler in which the explosion occurs.
d. **Soot fall.** Damage caused by soot fall that occurs suddenly and unexpectedly from a recognised heating device, fireplace, or fan. The insurance does not cover damage from soot or smoke that has accumulated gradually through use, such as soot from chimneys or candles.
e. **Aircraft.** Damage caused by an aircraft or parts falling from it, provided the damage is not covered by other insurance.
f. **Firefighting and rescue operations.** Damage caused by firefighting and rescue operations, demolition, or other legitimate measures taken to prevent or limit damage.

Art. 2. What does the insurance not cover?

The insurance does not cover:

a. **Indirect losses** that may result from compensable loss events, such as loss of earnings, delays in production or delivery of goods, loss of rental income, and similar.
b. **Costs** of cleaning up waste or toxic substances in the environment or soil following a compensable loss event.

Art. 3. Safety requirements

The insured must ensure that equipment at the insured premises fully complies with the rules in applicable legislation and regulations at all times, as applicable. The insured must comply with instructions or observations from public supervisory bodies such as HMS, fire brigades, and the Legal Metrology and Notified Body.

Chapter 2. General Provisions

Art. 4. What is insured?

The insurance covers the residential property stated on the insurance certificate together with its ordinary fixtures falling within the fire insurance valuation of the property in accordance with HMS valuation rules at any given time, as well as permanently installed electric vehicle charging stations even if they are not mentioned in the valuation.

The insurance covers, among other things, the following items provided they have been taken into account in the fire insurance valuation of the property:

a. Fixed fittings, such as fixed chairs, benches, and lifts.
b. All permanent installations, such as water, heating, ventilation, drainage, electrical, telephone, and computer installations.
c. Standard fixtures of dwellings, such as cookers, extractor hoods, radio and television aerials (but not satellite dishes), permanently connected equipment such as fire protection equipment, burglar alarm equipment, permanently connected lights in kitchens, laundry rooms, bathrooms, and toilets, and lights recessed into ceilings or cladding. Also carpets that have been cut to fit the property and permanently installed therein, along with curtain rods and curtain rod fittings.
d. The base slab and foundations together with infill and installations in the foundation up to 1.2 m below the upper edge of the base slab.
e. Fencing, sun decks, and structures that are permanently attached to the building and are genuinely part of the fire insurance valuation of the residential property. If such structures are erected after the valuation has been carried out, a revaluation must be requested from HMS in order to have them included as part of the fire insurance valuation, cf. Art. 8(c).
f. Necessary design and material costs, including those arising from increased requirements and instructions from public authorities issued after the building was constructed.
g. Costs of cleaning the property and clearing fire debris.

Art. 5. Commencement of the company's liability

Buildings under construction: Insurance on a building under construction, whether a new build or an extension to an existing building, commences as soon as the owner or representative of the property has submitted an application to the company.

Buildings that have been taken into use — completed buildings: Insurance on a completed building or a building that has been taken into use comes into effect when the insurance company or someone acting on its behalf has demonstrably received the insurance application, provided that a fire insurance valuation of the property is available or an application for a fire insurance valuation has been submitted. The same applies to the effective date of a revaluation.

Art. 6. Who is insured and co-insured?

The registered owner of the residential property is insured. The rights of third parties are governed by Art. 19 of these terms.

Art. 7. Where does the insurance apply?

The insurance applies only at the location stated on the insurance certificate.

Art. 8. Sum insured

The sum insured is as stated on the insurance certificate, as follows:

a. **Buildings under construction:** The sum insured for a building under construction is determined by agreement between the policyholder and the company.
b. **Buildings that have been taken into use:** The policyholder is required to request that a fire insurance valuation be carried out no later than 4 weeks after a new building is taken into use or construction is completed. The sum insured is based on an assessment of the material values of the residential property that could be destroyed by fire and is linked to its construction cost less depreciation for age, wear, maintenance, and the condition of the property in other respects. Construction cost means the reasonable cost of constructing the relevant residential property in accordance with HMS valuation rules. The building methods and materials customary at the time of valuation shall be used as the basis.
c. **Change in value:** If a residential property has been extended or improved beyond ordinary maintenance, the policyholder must have it revalued and no later than 4 weeks after the extension or improvements are completed. The policyholder must also request a revaluation if they consider that the sum insured does not reflect the actual value of the building, taking into account construction cost, type, age, and condition.
d. **Revaluation:** The policyholder is entitled to request a new fire insurance valuation of the residential property at any time, provided the cost of the valuation is borne by them. If there is a dispute between the company and the policyholder regarding the fire insurance valuation amount, the company may also request a revaluation. That valuation is at the company's expense if the previous valuation is confirmed.

Art. 9. Premium

Premiums constitute a statutory lien on the insured residential property and take priority over all other obligations encumbering the property, except taxes payable to the state treasury, for two years. If premiums are not paid within six months of the due date, the insured property may be sold at auction, cf. the Act on Forced Sales no. 90/1991.

If this insurance lapses during the insurance period due to a sale or other lawful reason, the company refunds the premium proportionally. If the premium is determined on a seasonal basis, this may be taken into account when refunding the premium, cf. Art. 17(2) of the ICA.

Art. 10. Other use or activities

The premium for this insurance is based on the use of the property or the activities it is used for, as disclosed at the time the insurance is taken out. If a specific use or activity is stated on the insurance certificate and the use or activity changes, the insured and/or those entitled under this insurance must notify the company as soon as they become aware of the change. Failure to do so may result in a limitation of the company's liability, cf. Art. 25 of the ICA.

Art. 11. 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. 12. Cancellation

The company may not cancel the insurance unless confirmation is available that the property owner has taken out new insurance with another company.

Art. 13. The company's right of subrogation

To the extent that the insured has a claim for damages against another party in connection with a compensable loss, the company acquires that right to the extent it has paid compensation for the loss.

Art. 14. Insured's duty to provide information

The company is entitled to inspect the insured property and its equipment whenever the company requests, and the insured is obliged to provide the information requested. The claimant is obliged to provide all information available to them regarding the loss and its cause, and to submit any documentation the company requests, such as books, invoices, estimates, drawings, and other materials that may assist in the assessment and evaluation of the loss.

Art. 15. Limitations and safety requirements

The insured and those identified with them must comply with the safety requirements set out 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, cf. Art. 26 of the ICA.

Art. 16. Determination of benefits

The company's assessors assess the loss and the company must ensure that the assessment is carried out as promptly as possible. The main items of the assessment shall be itemised. The claimant may not disturb the scene before the company's assessors have assessed the loss.

If changes or additions have been made that increase the value of the insured property after it was insured with the company, and this increase in value has not been reflected in increased insurance, the new value shall be excluded from the determination of the fire insurance compensation.

If a residential property is completely destroyed, the assessors must examine whether the sum insured corresponds to the actual value of the property on the date of loss. The repair cost of the insured property shall be assessed, cf. Art. 35(2) of the ICA, and the building methods and materials customary at the time the insured event occurred shall be used as the basis. Benefits shall be calculated at prices as they were on the date of loss. When determining benefits, no account shall be taken of additional costs arising from building materials and construction methods that are no longer considered cost-effective.

If a decision has been made to demolish the building or its condition was such that demolition was unavoidable before the insured event occurred, the benefit amount shall be based on the demolition value of the building.

Art. 17. Settlement of loss

Insurance benefits must be used to repair the damaged building or to reconstruct it. Benefits do not fall due until repair or reconstruction has taken place. If repair has been carried out in part, the insured is entitled to payment of the repair costs already incurred. The company pays standard interest on such benefits when two months have elapsed since those repair costs were incurred, cf. Art. 50(2) of the ICA.

The insured is entitled to standard interest on their claim independently of reconstruction when two months have elapsed from the insured event, cf. Art. 50(1) of the same Act. Interest is the same as that calculated on general damages pursuant to Act no. 38/2001 on Interest and Indexation. No benefits shall however be paid until a public investigation into the loss event has been completed or, if criminal proceedings have been brought, until a final judgment has been rendered.

The company may grant an exemption from the obligation to rebuild, in consultation with the planning authorities, subject to the condition that 15% is deducted from the benefit amount. This deduction shall however not apply if reconstruction is not permitted for planning reasons or other reasons beyond the claimant's control.

If a decision has been made to grant an exemption from the obligation to rebuild and the company considers the fire insurance valuation of the property to be clearly higher than its market value, the company is entitled to base the benefit amount on the market value of the relevant residential property including the land.

Art. 18. Disputes — Property Assessment Appeals Committee

If a dispute arises between the company and the insured regarding the fire insurance valuation amount, the revaluation procedure in Art. 8(d) of these terms shall apply. If the company or the insured does not accept the outcome of the HMS revaluation, the dispute may be referred to the Property Assessment Appeals Committee. The cost of the committee's ruling shall be paid in accordance with the fee schedule set by the minister responsible for insurance matters. The costs of the ruling are borne by the party against whom the ruling is made.

Arbitration: If a loss has occurred and there is a dispute about the benefit amount, the matter may be referred to arbitration. The arbitration tribunal shall be composed of two persons nominated from time to time by the district court in the judicial district in which the residential property is located. The cost of arbitration shall be paid in accordance with the fee schedule set by the minister responsible for insurance matters. The costs are generally borne by the party against whom the ruling is made.

Art. 19. Rights of third parties

This insurance is for the benefit of the insured and for the benefit of holders of registered ownership rights, mortgage rights, or registered insurance rights in the insured property. The company may not invoke against the insured the fact that a co-insured has breached the provisions of this insurance contract, cf. however paragraph 2.

In the case of insurance on residential property, the company is entitled to invoke against the insured the fact that their spouse or cohabiting partner has breached the provisions of the insurance, cf. Art. 29(2)(b) of the ICA.

These terms are valid from 01.10.2022

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