Agricultural Insurance

Policy Terms E-18

Agricultural Insurance is designed for farmers engaged in traditional farming activities such as sheep and cattle farming. Specialised farming operations must be insured separately, e.g. fur farming, greenhouse farming, poultry farming, horticulture, and pig farming. This insurance consists of three components. The general provisions apply to all components.

1. **Personal Property Insurance:** covers personal property on a farm against fire and storm, as well as livestock against traffic accidents and electrocution.
2. **Business Interruption (optional):** covers loss of margin resulting from a reduction in meat production due to fire.
3. **Farmers' Liability Insurance:** covers the farmer against liability claims that may arise in connection with farming operations.
4. **General Provisions**

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

The scope of coverage set out in these terms is exhaustive. If the policyholder or the insured suffers a loss or damage that does not qualify for compensation under these terms, such loss is not covered by the 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. Provisions in these terms take precedence over provisions in the general terms where there is any conflict.

Chapter 1. Personal Property Insurance

Art. 1. What is insured?

Livestock, hay, and other fodder: The insurance covers livestock, hay, and other fodder, in accordance with information from farm reserve inspection reports.

Equipment and machinery: The insurance covers equipment and machinery belonging to the farm that are associated with traditional livestock farming, excluding registered motor vehicles.

Art. 2. Who is insured?

The insured is the farmer at the premises specified on the insurance certificate or renewal receipt, as well as members of their household or employees engaged in the farming operation.

Art. 3. What does the insurance cover?

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

a. **Fire.** The company does not, however, cover loss caused by fire that does not constitute a fire event, such as loss to items damaged by fire or heat during heating, cooking, ironing, drying, smoking, or similar processes, and which burn or are damaged for that reason. Also not covered is loss to electrical machinery or pipes, including radio and television equipment, caused solely by short circuit or other electrical phenomenon and sparks from electrical storms, unless this results in or is a consequence of fire. Notwithstanding the above, loss is covered as if it were a fire event if fodder overheats and/or burns (chars) even if no open flame occurs.

b. **Storm.** The insurance covers loss of or damage to the insured property caused by a storm, i.e. when wind speed measures above 28.5 m/s, provided the loss occurs as a result of wind breaching or causing the collapse of a building in which the insured property is stored. Storm damage to insured property located outdoors is not covered. If verified information on wind speed at the loss location at the time of the loss is not available, regard shall be had, in determining coverage, to whether general property damage occurred in the area due to weather at the time of the loss event.
c. **Electrocution.** The insurance covers loss of or damage to insured livestock that are electrocuted and die as a result.
d. **Traffic accident.** The insurance covers loss of insured livestock that perish as a result of a traffic accident, provided the loss is not recoverable from the party at fault or from the liability insurance of the relevant vehicle.

Art. 4. Premium basis

The premium basis for the policy period is determined, as regards the quantity of hay and number of animals, in accordance with farm reserve inspection reports and reference prices from the Farmers Association of Iceland, and as regards equipment and machinery, at 33% of the value of the hay quantity and number of animals in the farm reserve inspection report.

Art. 5. Insured value

The insured value of equipment and machinery is the actual value of the insured property at any given time. The insured value of animals and fodder is in accordance with the reference prices of the Farmers Association of Iceland at any given time. The company pays claims based on the actual quantity of fodder and animals at any given time, notwithstanding the provisions of Art. 4 of these terms.

Art. 6. Insured's deductible

In each covered loss to hay and other fodder caused by charring, the policyholder bears a deductible of 10% of the loss amount.

Chapter 2. Business Interruption Insurance (optional)

Art. 7. Where does the insurance apply?

The insurance applies at the location specified on the insurance certificate or renewal receipt.

Art. 8. What does the insurance cover?

The insurance covers:

a. loss of margin suffered by the insured due to business interruption during the policy period resulting in a reduction in meat production caused by fire.
b. unavoidable additional costs incurred by the insured during the benefit period that are directly attributable to the insured's livestock barn or calf-rearing house being rendered unusable as a result of fire.
c. It is a condition of coverage under items (a) and (b) that the loss causing the business interruption is covered under the personal property insurance in Chapter 1.

Art. 9. What does the insurance not cover?

The insurance does not cover:

a. increased loss of margin resulting from operational delays due to improvements, expansion, lack of capital, requirements from public authorities, or comparable events.
b. increased operating loss resulting from a labour boycott and/or strike.

Art. 10. Identification

The company may invoke the conduct of the insured's managers and those responsible for individual items, equipment, or real property.

Art. 11. Sum insured

The sum insured shall equal the insured's estimated gross turnover from meat production in the 12 months preceding the loss event. Gross turnover means recorded sales from meat production plus any public direct payments, less VAT.

Art. 12. Settlement of claims

The company pays benefits for a maximum of 24 months, and never for a period beyond that which is necessary for the insured's meat production to recover the same margin as at the time of the loss.

Loss of margin and/or unavoidable additional costs incurred partly or wholly within the first 24 hours of the business interruption are covered only if the effects of the interruption last for more than 30 days from the date of the insured event.

Benefits under this insurance are reduced for contributory negligence on the part of the insured in the same proportion as benefits under the personal property insurance (Chapter 1).

The insured is never entitled to higher benefits than are necessary to compensate for the loss suffered that is covered by the insurance.

Benefits are calculated in proportion to the reduction in the insured's meat production caused by the loss event relative to the benefit basis.

If savings are made on expenditure during the benefit period, benefits are reduced accordingly. Any public subsidies to which the insured may be entitled also reduce the benefits.

If it is not intended to resume the insured's meat production, the benefit amount is based on the period that could reasonably be expected to elapse before operations could recommence, but never more than 24 months. Benefits during this period are based on the insured's unavoidable and documented costs.

If meat production has ceased permanently for reasons beyond the insured's control, benefits are paid in accordance with Art. 5.4, but never for a period longer than could reasonably be expected to elapse before operations could recommence, and never for more than 24 months.

Payment of additional costs is subject to the company's approval in each case, both as regards the amount and the nature of the expenditure.

Art. 13. Limitation period

Claims for benefits are time-barred after 4 years. The period commences at the end of the calendar year in which the insured obtained the necessary information regarding the events on which the claim is based. The claim is, however, time-barred at the latest 10 years after the end of the calendar year in which the insured event occurred.

Chapter 3. Farmers' Liability Insurance

Under Icelandic law, individuals are liable in tort for loss they cause to others through error or negligence. This principle is known as the fault rule and is a fundamental principle of Icelandic law. If the party from whom damages are sought is not at fault for the loss, they are generally not liable in tort. The role of liability insurance is to pay damages on behalf of the insured where they have incurred tortious liability, to the extent that the injured party is not required to bear their own loss due to contributory negligence or responsibility, and also to pay costs incurred by the insured if a liability claim is brought against them. As tortious liability is often a complex legal matter, the insured should consult the company regarding their legal position if a claim for damages is brought against them in connection with a loss for which they are considered at fault. The insured is also advised to read the liability insurance terms with this in mind. The insured's acknowledgement of liability is binding on the insured alone and not on the company. By making such an acknowledgement, the insured therefore risks having to pay damages personally in respect of a loss that is not covered by the liability insurance.

Art. 14. What does the insurance cover?

Coverage is provided against liability falling on the insured under Icelandic law or legal practice in the area specified on this certificate, provided the liability is a direct consequence of personal injury or property damage (including real property and animals) and is no broader than standard tort liability outside contract. Within those limits, the company also insures against liability falling on the insured arising from acts of the insured's employees as such toward third parties. If a claim is brought against the insured in an area covered by this insurance, the company is entitled to manage the case on the insured's behalf. The company pays legal costs, even where the combined total of legal costs and damages exceeds the sum insured. The same applies to legal costs incurred by the insured with the company's approval.

Art. 15. What does the insurance not cover?

The insurance does not cover:

a. loss suffered by the insured's family, or by owners and their families in the case of a partnership, provided these individuals share the same registered domicile. Family includes, in addition to a spouse, children, and parents, adoptive children, stepchildren, foster children, and parents.
b. damage to items that the insured, their family, or their employees have on loan, as security, on rental, in storage, transport, for sale, processing, repair, cleaning, installation, or which are in their custody for other reasons, including items taken without authorisation. Also not covered is damage to items sold by the insured but not yet delivered.
c. loss caused by a mandatorily insured aircraft or motor vehicle.
d. personal injury or property damage that the insured is entitled to have compensated by other insurance.
e. damage to property caused by fire, smoke, soot, or explosion.
f. fines, legal costs, or other expenses in connection with criminal proceedings.
g. damage to items delivered or to be delivered by or on behalf of the insured, to the extent relating to defects in the delivered items, shortfalls, delays in delivery, or similar.

h. loss caused by the insured manufacturing, delivering, transporting, or storing explosives, poisons, or other similarly dangerous goods in an unlawful manner, unless the insured can prove that they were unaware of the circumstances.
i. recourse claims from the Social Insurance Administration or other public insurance institutions.
j. property damage caused by explosions, excavations, mud or landslides, ground subsidence, or the bursting of a dam or flood barrier.
k. loss occurring as a result of construction work on real property owned by the insured.

Art. 16. Limitation of scope of coverage

Benefits payable under an agreed occupational accident insurance policy are fully deducted from liability insurance benefits. The same applies even if no agreed occupational accident insurance is in place. Wages that the insured is legally or contractually required to pay to a person injured in an accident are also fully deducted from liability insurance benefits.

Art. 17. Liability for delivered items

If the insured incurs liability in connection with items they have delivered, the company's payment obligation within each policy year is limited to the sum insured stated on this certificate, even if more than one covered loss of this type may arise. If the insured was aware of the characteristics of the item that caused the loss at the time of delivery, the company's payment obligation lapses.

Art. 18. Sum insured – policy period – deductible

The maximum sum insured for each loss is the maximum principal amount guaranteed by the company.

The liability insurance covers events occurring during the policy period, even if the consequences do not become apparent until later. The insurance does not, on the other hand, cover events occurring before the insurance was taken out.

In each loss, the insured bears a deductible as stated on the certificate or renewal receipt.

Art. 19. Handling of liability claims

If a liability claim is made against the insured, the company has the right to manage that claim and is authorised to take all measures to handle it, such as acknowledging liability, defending the claim, or reaching a settlement, and such measures are at the company's expense, as are any legal costs in connection therewith.

The company is not bound if the insured pays or acknowledges a liability claim, unless it is established that the insured did only what was legally required of them when paying the claim or acknowledging its validity.

Chapter 4. General Provisions

Art. 20. Where does the insurance apply?

The insurance applies in Iceland.

Art. 21. Limitations and safety regulations

The insured and those identified with them are required to comply with the safety regulations set by the company in these terms or on the insurance certificate. Failure to do so may result in reduction or forfeiture of the company's liability under Art. 26 of Act no. 30/2004.

The premium for this insurance is based on the use of the insured item or the activity in which it is used, as stated at the time the insurance was taken out. If a specific use or activity for the insured property is stated on the insurance certificate and that use or activity changes, the insured and/or those entitled to rights 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 under Art. 25 of the Insurance Contracts Act no. 30/2004.

Safety regulations: The insured shall ensure that all equipment at the insured premises is in full compliance with the rules of applicable laws and regulations at any given time, as applicable. The policyholder shall comply with instructions or observations from public supervisory authorities such as the Fire Authority of Iceland and the Metrology Office.

Art. 22. Policyholder's duty to disclose

The company is entitled to inspect the insured property and its packaging whenever it wishes to do so.

Art. 23. Indexation and interest on claims

The sums insured and deductible amounts under this insurance follow the development of the price level in the country and are therefore adjusted in accordance with the consumer price index at each renewal of the insurance.

Art. 24. Third-party rights and identification

This insurance does not benefit mortgagees unless the company is specifically notified and this is recorded on the insurance certificate. A co-insured party can never acquire greater rights against the company than the insured.

If this insurance is used in connection with a business operation, the company may invoke the conduct of the insured's employees.

These terms are valid from 01.06.2021