



Construction Fire Insurance

Insurance Terms No. EF11

The insurer is Vátryggingafélag Íslands hf., reg. no. 670112-0470, hereinafter „VIS“.

The insurance is governed by:

- The insurance policy, including endorsements and special terms.
- These insurance terms no. EF11.
- The VIS general terms and conditions no. YY10.
- Act no. 30/2004 on Insurance Contracts.

The provisions of the insurance policy, the renewal receipt and the insurance terms take precedence over the non-mandatory provisions of law.

It is mandatory to insure properties at all stages of construction against fire. Construction fire insurance for properties is an insurance taken out during the construction phase.

The **terms** describe the rights and obligations of you and VIS.

The **policy** confirms that you have purchased insurance from VIS. The policy is accessible by logging on at vis.is

1. What is insured?

- 1.1 The insurance is valid for the real estate specified in the policy or renewal receipt, at the location mentioned therein.
- 1.2 The insurance also covers the usual fixtures of the property that fall under its fire damage assessment in accordance with the assessment rules at any given time:
 - a) Fixed fittings, such as fixed chairs, benches, and elevators.
 - b) All permanent installations, such as water, heating, ventilation, sewage, electrical, telephone, and computer systems.
 - c) Usual fixtures in apartments, such as stoves, range hoods, radio and TV antennas (excluding satellite dishes), fixed equipment like fire and burglary protection systems, fixed lamps in kitchens, laundry rooms, bathrooms, and toilets, and lights embedded in ceilings or paneling. It also covers flooring that has been custom-fitted for the property and permanently installed, along with curtain rods and fixtures for curtains.
 - d) Foundation slabs and supports, along with filling, insulation, and installations in the foundation up to 1.2 meters below the top edge of the foundation slab.
 - e) Shelter walls and other structures, such as decks, that are connected to the house and appear on approved plans.
 - f) Costs for cleaning the property and removing fire debris.
- 1.3 The insurance also covers construction materials and other fixtures of the property that are on the construction site and intended to be part of the property when it is fully built.

2. Who is insured?

- 2.1 The owner of the property is insured.
- 2.2 Holders of registered ownership rights, mortgage rights, or other registered security interests in the property are co-insured.¹

3. When is the insurance valid?

- 3.1 Notwithstanding Article 2 of VIS's general terms and conditions No. YY10, the insurance becomes effective as soon as the policyholder has demonstrably submitted a request to VIS.
- 3.2 VIS is prohibited from cancelling the insurance without confirmation that the owner of the property has taken new insurance with another company.

¹ As per the provision on co-insured parties in Articles 39 and 41 – 43 of Act No. 30/2004 on Insurance Contracts.



4. What is covered under the insurance?

The insurance covers the following events/incidents:	What is covered under the insurance?	What is not covered under the insurance?
4.1 Fire, lightning, and explosion	<ul style="list-style-type: none"> a) Loss or damage caused by fire. b) Loss or damage caused by lightning. c) Loss or damage caused by an explosion in a steam boiler used for heating property and damage due to gas explosions arising from cookers, stoves or gas pipes for indoor heating. 	<ul style="list-style-type: none"> d) Loss or damage due to fire that cannot be considered accidental, such as damage to objects that are subjected to fire or heat during heating, boiling, drying, smoking, and the like, and are burned or damaged as a result. e) Loss or damage to electrical machinery, wiring, or equipment when the damage is caused by power conversion, overheating, short circuit, or other pure electrical phenomenon, or electromagnetic induction due to electrical storms, unless such damage causes or is caused by fire. f) Loss or damage to the machine or boiler in which the explosion takes place.
4.2 Soot	<ul style="list-style-type: none"> a) Loss or damage due to soot that emits suddenly and unexpectedly from an approved heating device, fireplace, or blower. 	<ul style="list-style-type: none"> b) Loss or damage due to soot or smoke that has gradually accumulated during use, such as soot from a chimney or from candles.
4.3 Aircraft	<ul style="list-style-type: none"> a) Loss or damage due to aircraft and objects that fall from them. 	
4.4 Firefighting and rescue efforts	<ul style="list-style-type: none"> a) Loss or damage resulting from firefighting and rescue efforts whose objective is to avoid or limit damage covered by the insurance, provided that the efforts are considered specific and justifiable. 	<ul style="list-style-type: none"> b) Indirect loss that could arise from covered incidents, such as operating losses, delays in production or delivery of goods, loss of rental income, etc. c) Costs due to clean-up of waste or toxic substances in the environment, or due to clean-up of earth or soil, resulting from a covered loss incident.

5. Special limits of liability

- 5.1 The insurance does not cover damage or an increase in damage that directly or indirectly results from or is caused by earthquakes, volcanic eruptions, landslides, avalanches, or other natural disasters.

6. Precautionary rules

- 6.1 The insured must ensure that all arrangements and fire protections on and around the insured property comply with the provisions of applicable laws and regulations.²

Precautionary rules are requirements that are made with the aim of preventing damage or reducing the likelihood that damage will occur. It is important to know what they are.

7. Conduct of others

- 7.1 When determining liability for compensation, VIS reserves the right to take into account the conduct of the insured's spouse and individuals with whom the insured is in a permanent, stable relationship.³
- 7.2 In a business context, VIS may take into account the conduct of the insured's managers and supervisors of the insured property.

8. Insurance premium

- 8.1 The insurance premium is calculated based on, among other factors, the insured amount of the property, its usage, and its location.
- 8.2 The premium for the insurance holds a statutory lien on the property and takes precedence for two years over all other obligations on the property, except taxes owed to the state. If the premium is not paid within six months from the due date, it is permissible to auction the property.⁴

9. Insurance amount

- 9.1 The insured amount for the property under construction is determined by an agreement between the insured and VIS and is specified in the policy or renewal receipt.
- 9.2 The insured amount changes in accordance with the construction cost index.
- 9.3 The insured is required to request a fire damage assessment no later than four weeks after a new property is put into use or its construction is completed.

² See Article 26 of Act No. 30/2004 on Insurance Contracts.

³ See Article 29 of Act No. 30/2004 on Insurance Contracts.

⁴ See Article 7 of Act No. 48/1994 on Fire Insurance.



10. Determination of compensation

- 10.1 Compensation must be used to repair the damaged property or to rebuild it. Compensation is not due until the repair or rebuilding has been carried out. If repairs have been partially completed, the insured is entitled to payment for the repair costs that have already been incurred.
- 10.2 No compensation will be paid until the official investigation of the damage event is completed or, if criminal proceedings have been initiated, until a final judgment has been rendered.
- 10.3 VÍS is permitted to grant an exemption from the rebuilding obligation after consulting with planning authorities, on the condition that 15% is deducted from the compensation amount. This deduction shall not apply if rebuilding is not permitted due to planning reasons or other reasons beyond the control of the insured. If a decision has been made to grant the aforementioned exemption from the rebuilding obligation and VÍS considers the fire damage assessment of the property to be clearly higher than its market value, VÍS is permitted to base the compensation amount on the market value of the property, including the plot, less the mentioned 15%.

11. Assessment of damage

- 11.1 Loss assessors appointed by VÍS will evaluate the damage, and VÍS must ensure that the assessment is carried out as soon as possible. The main items of the assessment must be itemized.
- 11.2 The insured is required to provide as much information as possible about the damage and its cause and to submit books, invoices, plans, drawings, and other relevant materials to assist in the assessment.
- 11.3 If changes or additions have been made that increase the value of the insured property after it was insured with VÍS, and this increase in value has not been covered by additional insurance, this new value will be excluded from the determination of compensation.
- 11.4 If the property is completely destroyed, the assessors must determine whether the insured amount corresponds to the actual value of the property on the day of the damage.
- 11.5 The repair cost of the insured property shall be assessed based on the construction methods and materials commonly used at the time of the damage event. Compensation shall be calculated at the price level as it was on the day of the damage.
- 11.6 In determining compensation, additional costs for construction materials and methods that are no longer considered cost-effective shall not be included.
- 11.7 If it was decided to demolish the property, or if its condition was such that demolition was inevitable before the damage event occurred, the compensation amount shall be based on the demolition value of the property.
- 11.8 The insured is not permitted to alter the scene until VÍS's assessors have evaluated the damage.

12. Transfer of ownership

- 12.1 In the event of a change of ownership, the insurance becomes effective on the delivery date specified in the purchase agreement for the property or other ownership documents. If more than 14 days have passed since the delivery of the property at the time of registration of the ownership change in the real estate registry, or if there is no information available about the delivery date, the insurance becomes effective on the registration date of the ownership change in the real estate registry.

13. Dispute concerning fire insurance value and compensation amount

- 13.1 If damage has occurred and there is a dispute about the amount of compensation, the matter may be referred to arbitration. The arbitration panel shall consist of two individuals appointed by the district court in the district where the property is located. Costs related to the arbitration shall be paid according to the fee schedule set by the Minister of Insurance Affairs. Generally, the party against whom the arbitration is decided shall bear the costs.

The information provided on the right margin is for the guidance of customers only and is not part of the terms themselves and is not intended to be used for interpreting specific clauses of the terms.

This is a translation of the authoritative Icelandic text. In the event of any discrepancies between the translation and the original Icelandic text, the original text shall prevail.