



Construction Insurance

Insurance Terms No. GF50

The insurer is VÍS tryggingar hf., reg. no. 670112-0470, hereinafter „VIS“.

The insurance is governed by:

- The insurance policy, including endorsements and special terms.
- These insurance terms no. GF50.
- 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.

Construction insurance is for all home builders who want to ensure everything is in order during the construction process. It consists of fire, homeowner, accident, and liability insurance.

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

I. Property under construction

1. What is insured?

- 1.1 The insurance covers the property or part of the property specified in the policy or renewal receipt that is under construction.
- 1.2 The insurance also covers damage to tools, scaffolding, and work sheds on the construction site, provided these items are owned or overseen by the insured. However, it does not cover items owned by contractors, master builders, their employees, or tool and equipment rental companies.

2. Who is insured?

- 2.1 The owner of the property under construction, who has appointed a construction manager to oversee the building works, is insured. It is assumed that the construction manager, craftsmen, and/or contractors responsible for the construction have appropriate insurance for their contracting activities, thus any liability related to contracting activities is excluded from this insurance.
- 2.2 Holders of registered ownership rights, mortgage rights, or other registered security interests in the property are co-insured.¹

3. 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?	Precautionary rules
3.1 Fire, lightning, and explosion	a) Damage caused by fire. It is not considered a fire if objects smolder or melt if there is no open flame. b) Damage caused by lightning. c) Damage caused by an explosion.	d) Damage caused by a short circuit, unless it results in or is caused by a fire. e) Damage caused by construction work when explosives are being used.	
3.2 Soot	a) Damage caused by sudden and unexpected soot fallout, such as that resulting from an explosion from heating equipment.		
3.3 Water	a) Damage caused by sudden and unexpected leakage from the property's water pipes, heating system, or drainage systems.	b) Damage to pipes or the cost of their replacement. c) Damage caused by external water sources, such as precipitation, floods, snowmelt, or water that backs up from sewage or drainage systems.	d) The insured must ensure that the water supply is shut off in an unheated property and that water pipes are drained when there is a risk of frost to prevent frost damage. e) The insured must ensure that drains are in proper condition by clearing them to prevent the accumulation of surface water.
3.4 Breakage or collapse	a) Damage caused by collapse or subsidence, provided the cause of the damage can be traced to a sudden and unexpected event.		

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



3.5 Storm	a) Loss or damage due to stormy weather when wind speeds reach 28.5 meters per second. In determining liability, if no recognized wind speed data are available for the location where the damage occurred, consideration shall be given to whether general property damage occurred in the area as a result of inclement weather at the time the insurance event occurred. urðurinn átti sér stað. Water damage to the insured property accompanying storm damage is also covered.		
3.6 Vandalism, burglary and theft	a) Damage caused by vandalism, burglary, or theft at the construction site.		b) The insured must ensure that the insured property is always locked, and all windows are closed and latched. c) The insured must ensure that tools and equipment are stored in a locked storage area.
3.7 Glass	a) Breakage of ordinary, flat, and clear window glass, only when it breaks after being installed, embedded, or otherwise permanently fixed in its intended place and as long as it remains in that location.	b) Damage during installation.	

4. Special limits of liability

- 4.1 The insurance does not cover consequential damage from any cause.
- 4.2 The insurance does not cover damage resulting from the use of incorrect or defective materials.
- 4.3 The insurance does not cover damage resulting from incorrect and/or incomplete design and/or calculations.
- 4.4 The insurance does not cover damage caused by registered vehicles.
- 4.5 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.

5. Conduct of others

- 5.1 When determining liability for compensation, VÍS reserves the right to consider the conduct of the insured's spouse and individuals with whom the insured is in a permanent, stable relationship.²

6. Insurance amount

- 6.1 The insured amount is determined by an agreement between the insured and VIS and is specified in the certificate or renewal receipt.
- 6.2 The insured amount changes in accordance with the construction cost index.
- 6.3 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.

7. Deductible

- 7.1 For each loss, the insured bears the deductible specified in the policy or renewal receipt.
- 7.2 The amount of the deductible changes in accordance with the construction cost index.

8. Determination of compensation

- 8.1 Compensation shall be based on the value on the day of the damage. VIS is entitled to deduct from the compensation any depreciation due to age, usage, and other factors that may affect the value of the damaged item.
- 8.2 If it is possible to repair the damage so that the condition of the insured item is similar to its pre-damage state and the repair is deemed worthwhile by VIS, VIS may either pay the estimated repair cost to the insured or cover the repair costs directly.
- 8.3 If it is not possible to repair the damage or it is not deemed worthwhile by VIS, VIS may pay compensation in money or provide a similar item to the one damaged. If VIS pays compensation under this clause, it reserves the right to claim the damaged item.
- 8.4 If the property or insured personal property is so severely damaged that it cannot be repaired or it is not deemed worthwhile by VIS, VIS may pay compensation in money

² See Article 29 of Act No. 30/2004 on Insurance Contracts.



equal to the value of the insured item minus the remaining value.

- 8.5 The insured shall not profit from the damage event. The insurance shall only compensate for the actual loss of the insured.

9. Insurance premium

- 9.1 The insurance premium is calculated based on, among other factors, the insured amount of the property, its usage, and its location.
- 9.2 The premium for fire 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.³

10. Change of ownership

- 10.1 If there is a change of ownership of the insured property, the insurance will cease to be valid once the ownership change has occurred. Despite this, VIS remains liable if a damage event occurs within 14 days of the change of ownership, provided the new owner has not taken out insurance themselves.

11. Dispute concerning insurance amount and compensation amount

- 11.1 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.

II. Homeowner liability insurance

12. Who is insured?

- 12.1 The owner of the property under construction, who has appointed a construction manager to oversee the building works, is insured. It is assumed that the construction manager, craftsmen, and/or contractors responsible for the construction have appropriate insurance for their contracting activities, thus any liability related to contracting activities is excluded from this insurance.

13. When is the insurance valid?

- 13.1 The insurance covers incidents that occur during the insurance period.
- 13.2 If the consequences of an incident that caused damage during the insurance period do not become apparent until after the insurance has expired, VIS will still pay the compensation.

14. What is covered under the insurance?

- 14.1 Direct bodily injury or property damage to a third party due to the insured's liability under Icelandic law as the owner of the property or part of the property under construction specified in the policy or renewal receipt.
- 14.2 Direct bodily injury or property damage to a third party due to the insured's liability under Icelandic law as a result of the work performed by the insured and their family in the construction of the property, as well as others working on the construction on behalf of the insured, provided they are not contractors or their employees. "Property" refers to real estate and personal property, including animals.
- 14.3 The insurance compensates for damage to the extent that the injured party is not supposed to bear the damage themselves due to contributory negligence or shared liability.

15. What is not covered under the insurance?

- 15.1 Fines or legal costs related to criminal cases.
- 15.2 Damage that the insured parties cause to each other, i.e., the policyholder and their family, provided these individuals share a common legal residence, and others who may work on the construction of the property, provided they are not contractors or their employees, construction managers, or master craftsmen.
- 15.3 Damage to property caused by fire, smoke, soot, or explosion.
- 15.4 Damage to items owned by the insured or their family, or items that have been lent to them for use, control, or custody. This also does not cover damage to items that the

According to Icelandic law, a person is liable for tort damages with respect to any harm which he causes others in a culpable and unlawful manner. This principle is called the **culpa rule**, and it is a basic principle of Icelandic law. If the person who is subject to a litigation claim for tort damages is not culpable, that person will not be liable in tort.

The purpose of a liability insurance is to pay indemnity for the insured person in the event that he has incurred tort liability, to the extent that the injured party will not have to cover his own loss or damage on account of shared liability or shared accountability, and its purpose is also to pay the cost incurred by the insured party in case a tort claim is made against him.

The insurance does not cover damage that the insured causes to himself or other insured persons.

The term "**third party**" in this context refers to a person who is not covered under this insurance.

³ See Article 7 of Act No. 48/1994 on Fire Insurance.



insured has sold but not yet delivered.

16. Special limits of liability

- 16.1 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.

17. Precautionary rules

- 17.1 The insured must fully comply with all laws and regulations in effect at any given time regarding the production, delivery, transport, storage, or preservation of explosives, poisons, or other similarly hazardous substances.

18. Insurance amount

- 18.1 VIS's liability is limited to the insured amount specified in the policy or renewal receipt.
18.2 The insured amount changes in accordance with the consumer price index excluding housing.

19. Deductible

- 19.1 For each loss, the insured bears the deductible specified in the policy or renewal receipt.
19.2 If the principal amount of the compensation claim does not reach the minimum deductible, VIS does not cover the costs, even if the claim and costs together exceed the deductible amount.
19.3 The amount of the deductible changes in accordance with the consumer price index excluding housing.

20. Determination of compensation for personal injury

- 20.1 The insurance pays compensation for bodily injury to a third party based on the Tort Liability Act No. 50/1993.

21. Determination of compensation for property loss or damage

- 21.1 Compensation shall be based on the value on the day of the damage.
21.2 If it is possible to repair the damaged item to a condition similar to its pre-damage state and the repair is deemed worthwhile by VIS, VIS may either pay the estimated repair cost or cover the repair costs directly.
21.3 If it is not possible to repair the damaged item or it is not deemed worthwhile by VIS, VIS may pay compensation in money or provide a similar item to the one damaged. If VIS pays compensation under this clause, it reserves the right to claim the damaged item.
21.4 VIS has the right to pay the difference between the value of the damaged item as it was before the insurance event and its value after the insurance event.
21.5 The insured shall not profit from the damage event. The insurance shall only compensate for the actual loss of the insured.

22. The status of the injured party when loss or damage occurs

- 22.1 If the insurance covers damage to the insured due to liability, the injured party can claim compensation directly from VIS. The insured and VIS are obligated to inform the injured party about the liability insurance if it exists.
22.2 If a claim for compensation is made against VIS, it must notify the insured without unreasonable delay and provide information on the handling of the claim. VIS's acknowledgment of liability-related issues is not binding on the insured.
22.3 If the injured party notifies VIS of their intention to file a lawsuit against it, VIS can demand that the lawsuit also be directed against the insured. VIS must notify the injured party of this demand without unreasonable delay and in a verifiable manner.
22.4 For the status of the injured party in other respects, refer to Article 44 of the Insurance Contracts Act No. 30/2004.

23. Handling of compensation claims

- 23.1 The insured must consult with VIS regarding their legal position if they are claimed for damages that they are deemed responsible for.
23.2 The insured may not acknowledge their liability or make compensation agreements without VIS's consent. The insured's acknowledgment of liability binds only them and not VIS.
23.3 VIS acts on behalf of the insured and manages the entire process, including handling

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.



legal proceedings if necessary. The same applies to claims for rescue or assistance wages.

III. Accident insurance

24. Who is insured?

- 24.1 The policyholder is insured.
- 24.2 The policyholder's family, who have the same legal residence in Iceland, share the same household, and live at the same location, as well as others temporarily working on the construction who are not contractors, construction managers, master craftsmen, or their employees, are also insured.

25. Where is the insurance valid?

- 25.1 The insurance is valid at the construction site, on the direct route between the residence and the construction site, and for tasks directly related to the construction project, even if they occur outside the construction site.

26. The term „accident“

- 26.1 The term “accident” refers to a sudden external event causing personal injury to the insured person and occurring without his consent.

27. What is covered under the insurance?

- 27.1 Compensation is paid for accidents the insured suffers, if it results in:
- Death.
 - Permanent medical disability.
 - Temporary loss of working capacity.
 - Dental fractures.
- 27.2 VIS pays the cost of necessary medical certificates related to the damage event when they are obtained at VIS's request.

28. What is not covered under the insurance?

- 28.1 Compensation is not paid for accidents that occur:
- In flight, unless the insured is a passenger on a scheduled or charter flight operated by a party with the required licenses from the relevant aviation authorities.
 - In physical altercations or during participation in a criminal act.
 - Due to food or drink poisoning.
 - Due to infections from insect bites or stings.
 - Directly or indirectly due to blindness, severe near- or farsightedness, vision impairment, hearing loss, paralysis, disability, insanity, epilepsy, stroke, heart attack, diabetes, or other serious diseases or weaknesses.
 - Due to motorized, registered vehicles leading to the insured's right to compensation, whether from liability insurance or driver and owner accident insurance. The same applies if the insured has the right to compensation under traffic law rules for damage caused by unknown and uninsured vehicles.
 - Directly or indirectly due to terrorism involving any kind of biological or chemical effects and/or poisoning, including due to bacteria and viruses, or when the consequences of the accident are exacerbated by the aforementioned factors.

29. Insurance amount

- 29.1 The maximum insured amounts are determined by the collective agreement between the Confederation of Icelandic Employers and the Federation of General and Special Workers in Iceland for construction workers as it is at any given time.
- 29.2 If the insured is 70 years or older, the insured amounts will be the following percentages of the maximum insured amounts:

In the 71st year of age	95%	In the 79th year of age	55%
In the 72nd year of age	90%	In the 80th year of age	50%
In the 73rd year of age	85%	In the 81st year of age	45%



In the 74th year of age	80%	In the 82nd year of age	40%
In the 75th year of age	75%	In the 83rd year of age	30%
In the 76th year of age	70%	In the 84th year of age	20%
In the 77th year of age	65%	In the 85th year of age	10%
In the 78th year of age	60%		

29.3 VIS does not insure children under 16 years of age against temporary loss of working capacity and does not provide higher death benefits than the usual funeral expenses.

30. Determination of compensation

30.1 Death benefits

- a) If the insured dies as a result of an accident within three years from the date of the accident, death benefits are paid, less any permanent disability benefits that VIS may have paid to the insured for the same accident.
- b) Death benefits are only paid if the accident is the direct and sole cause of the insured's death. If the insured's death is partly caused by illness, debility, or any pre-existing condition, no death benefits are paid. This applies whether the condition was present when the accident occurred or developed later, unless it is a direct and sole consequence of the accident covered by the insurance.
- c) VIS has the right to request an autopsy to determine the cause of death and other matters relevant to VIS's liability for compensation.
- d) The right to death benefits is determined according to the collective agreement between the Confederation of Icelandic Employers and the Federation of General and Special Workers in Iceland.

30.2 Benefits for permanent medical disability

- a) If an accident causes permanent medical disability within three years from the date of the accident, disability benefits are paid based on the amount in effect on the date of the accident.
- b) The disability shall be assessed as a percentage according to the Disability Committee's tables of disability degrees in effect at the time of the assessment. When determining the disability, no consideration should be given to the insured's occupation, special skills, or social status. Injuries that cause only disfigurement shall not be assessed for disability. If it is likely that the insured's condition may improve through surgery or other treatments, the potential improvement from such treatments shall be considered. If the insured's injury is not listed in the Disability Committee's tables, it shall be assessed specifically with reference to the tables. Disability can never be assessed at more than 100%. Disability benefits are paid proportionately to the insured amount according to the instructions in the collective agreement.
- c) If the loss of limbs, vision, or hearing is not total, the disability is compensated proportionately. If limbs are completely unusable, it is considered their loss. If they are partially usable, the disability is calculated proportionately.
- d) Loss or disability of a limb or organ that was unusable before the accident does not entitle the insured to permanent medical disability benefits. Loss or disability of a previously disabled limb or organ shall be assessed with regard to the pre-accident disability.
- e) The disability shall generally be assessed one year after the accident, otherwise when a doctor considers the permanent consequences of the accident to have manifested, but no later than three years after the date of the accident.
- f) If the insured dies before the permanent disability is assessed, no disability benefits are paid.
- g) If an accident leads to permanent medical disability, VIS and the insured shall agree on a qualified assessor to evaluate the consequences of the accident.

30.3 Benefits for temporary loss of working capacity

- a) If an accident causes the insured temporary loss of working capacity, VIS pays per diem benefits. Per diem benefits are paid proportionately to the loss of working capacity from the end of the waiting period and as long as the insured is unable to work, as determined by a doctor, or until a disability assessment has been made. Per diem benefits are never paid for longer than the maximum compensation period specified in the policy or renewal receipt and not for periods beyond three years from the date of the accident.
- b) The waiting period is the period specified in the policy or renewal receipt that must elapse from the date of the accident until per diem payments



begin. No per diem benefits are paid for this period.

- c) VIS decides on the payment of per diem benefits based on medical certificates and other available documents.
- d) If the insured's loss of working capacity is partly due to causes other than the accident, per diem benefits are reduced proportionately to the extent these causes contribute to the loss of working capacity.

30.4 Benefits for dental fractures

- a) VIS pays for repairs to healthy and well-repaired teeth that break or are damaged in an accident.
- b) VIS's payment is limited to 5% of the basic disability insurance amount for each accident and the total payments for accidents during each insurance period to 7.5% of the same amount.
- c) VIS does not cover dental fractures that occur during work accidents, as per the Social Security Act, or fractures that occur while the insured is eating.

30.5 VÍS has the right to have the insured examined by its consulting physician.

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.