

Fire insurance is mandatory insurance for real property and covers damage caused by fires. The division into sections is as follows:

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SECTION 1 MANDATORY FIRE INSURANCE

Article 1-Who is insured?

The insurance is for the benefit of the policy holder/owner of the insured property. This insurance is also for the benefit of the holders of registered proprietary rights, liens or other registered collateral rights to the property. The company does not specifically notify these parties of any changes, termination or expiry of the insurance contract provided that termination does not enter into effect unless accompanied by confirmation that the property owner has obtained new insurance with another insurance company. The insurance shall expire in the event of a transfer of ownership of the insured property, cf. however the first paragraph of Article 40 of Act No. 30/2004.

Article 2-Insurance location

The insurance applies only in the location specified in the insurance policy or renewal certificate.

Article 3-The insured

The insurance covers the property specified in the insurance policy or renewal receipt, together with its standard regular accessories, which are included in the insurance value in accordance with the assessment rules of the Land Registry of Iceland (Fasteignamat Ríkisins) at each time. The insurance covers the following items, provided that they have been considered in the fire insurance appraisal of the property: stationary fixtures, such as fixed chairs, benches, and lifts; all permanent utilities, such as water, heating, ventilation, sewage, electrical, telephone and computer fixtures and wiring to the extent that such fixtures and wiring can be considered the standard regular accessories of the building; standard accessory property to residential property, such as stoves, ventilation hoods, radio and television antennae (but not satellite dishes); permanently wired equipment such as fire and theft prevention systems, installed lighting in kitchens, laundry rooms, bathrooms, and lavatories; and lighting that is embedded into ceilings or panelling. It also covers floor coverings that have been custom-cut for the property and permanently installed in it, as well as drapery cornices and fasteners for draperies; foundations and supports, together with filling, insulation, and wiring in the foundation, up to 1.2 metres beneath the upper edge of the foundation; sheltering walls and structures, such as sundecks, that are connected to the building and appear on approved technical drawings (if these structures have been built later than the property, their construction must have been reported to the insurance company and a reappraisal requested in accordance with Article 11, Reappraisal); the necessary design and materials costs, including those related to additional demands and instructions from the authorities after the property was constructed; costs for cleaning the property and removing the debris caused by fire.

Article 4-Commencement of the company's liability

Building under construction

As regards property under construction, whether the property is a new construction or an extension of an existing building, the insurance shall take effect as soon as the owner or party responsible for the property has verifiably submitted a signed application for insurance to the company.

Property in use – fully constructed building

As regards a fully constructed building or building that has been in use, the insurance shall take effect when the insurance company or its representative has verifiably received an insurance request provided that the fire compensation appraisal is available or an application has been made for a fire compensation appraisal. The same applies to the effective date of a reappraisal.

Article 5-Extension and renovations

The insured is required to notify the company of any extension, renovation, or other value enhancement of a property after its most recent fire insurance appraisal.

Article 6-Loss or damage causes covered by the insurance

The insurance covers the loss or damage to the insured property from the following causes, with, however, the exceptions stated in this Article: **Fire**. The insurance covers loss and damage due to fire. The insurance does not cover 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 which are burned or damaged as a result. The insurance does not cover damage to electrical devices, wiring, or equipment, when the damage is caused by power conversion, overheating, a short circuit, or another pure electrical phenomenon, or electromagnetic induction due to electrical storms, unless such damage causes or is caused by fire. **Lightning**. The insurance covers loss or damage caused by lightning even if no fire results. **Explosions**. The insurance covers loss or damage caused by an explosion in boilers for indoor heating. Also loss or damage due to gas explosions arising from cookers, stoves and gas pipes for indoor heating. Loss or damage caused by other forms of explosions is not compensated. The insurance does not compensate for the object, machine or boiler, in which the explosion occurs. **Soot**. The insurance covers loss or damage caused by soot that emits suddenly and unexpectedly from an approved heating device, fireplace, or blower. The insurance does not cover damage caused by soot or smoke that has gradually accumulated during use, such as soot from a chimney or from candles. **Loss or damage caused by aircraft**. The insurance covers loss or damage caused by aircraft and objects that fall from them provided the loss or damage is not compensated by other insurance. **Fire fighting and rescue efforts**. The insurance covers loss or damage caused by fire fighting and rescue efforts, demolition or other justifiable actions to prevent or minimise loss or damage.

Article 7-Exempted risks

The insurance contract does not compensate:

- 7.1 Indirect loss that could arise from a covered incident, such as operating losses, delays in production or delivery of goods, loss of rental income, etc.
- 7.2 Loss or damage directly or indirectly caused by war, invasions, the actions of foreign enemies, military actions (irrespective of whether war has been declared), civil war, armed resistance, revolution, uprisings, uprisings against the authorities, riots, strikes, military coups or coups d'état, martial law or sieges or events or causes that are critical factors leading to a declaration of the entry into effect of martial law or siege conditions.
- 7.3 Loss or damage or costs which to some extent or entirely are caused, directly or indirectly, or originate in or from:
 - a. Ionic radiation or pollution from any kind of nuclear fuel or nuclear waste or from the combustion of nuclear fuel;
 - b. radiation, poisoning, explosions or other hazardous or polluting properties of nuclear stations, nuclear reactors, or any kind of nuclear equipment, or any parts of such stations, reactors, or equipment.
 - c. any form of weapons using atomic or nuclear fission or the fusion of atoms or nuclei or other similar nuclear reactions, radiation energy or other radioactive materials.
- 7.4 Loss or damage or costs directly or indirectly caused by biochemical or chemical pollution from any form of acts of terrorism irrespective of any possible interactive causes. Acts of terrorism include, but are not limited to, the use of force or violence and/or threats of such use, by a person or a group of persons, whether he or they work alone or on behalf of or in connection with one or more organisations or governments, and which are performed for political or religious purposes, for idealistic or nationalistic purposes or for such reasons, including for the goal of having an effect on the government and/or to make the public, or a proportion thereof, fearful. Pollution means corruption, poisoning or restrictive and/or limiting effects on the use of items and materials due to chemical compounds and/or biological materials.
- 7.5 Loss or damage resulting from volcanic eruptions, earthquakes, landslides, snow avalanches, floods or other natural disasters.
- 7.6 Costs due to clean-up of waste or toxic substances in the environment, or due to the clean-up of earth or soil, resulting from a covered loss incident, cf. however the final paragraph of Article 3.

Article 8-Assessment of loss or damage

Assessors on behalf of the company shall assess the damage, and the company shall ensure that the assessment takes place as soon as possible. The primary items in the assessment shall be itemised. The claimant is required to provide any information that he can about the damage and its cause and to present accounts, invoices, estimates, drawings, and other information that could serve as guidelines for the assessment. If value-enhancing modifications or additions have been made to the insured property after it is insured with the company and this increase in value has not been met with increased insurance, this

additional value shall be excluded from the determination of fire insurance compensation. If the property is totally destroyed, the assessors shall determine whether the insurance amount is consistent with the actual value of the property on the date the damage is incurred. The cost of repairing the insured property shall be estimated, based on the construction methods and materials prevailing at the time of the insurance incident. Compensation shall be calculated at the price level prevailing on the date the damage is incurred. In determining the amount of compensation, extra costs due to construction materials and methods no longer deemed viable shall be excluded. If a decision has been made to demolish the property or its condition was such that demolition was inevitable before the insurance incident took place, the compensation amount shall be based on the demolition value of the property. The insured is prohibited from disturbing the scene before the company's assessors have assessed the damage.

Article 9-Settlement of loss or damage – determination of compensation

Insurance compensation shall be used to repair or rebuild damaged property. Compensation is not payable until after the repair or reconstruction has been carried out. If partial repairs have been carried out, the insured shall be entitled to payment of the repair costs already incurred, as provided for in Article 48 of Act No. 30/2004 on Insurance Contracts. No compensation will be paid, however, until an official investigation of the insurance incident has been carried out or, if criminal proceedings have been initiated, until a final judgment is rendered. Insurance amount interest is subject to Art. 50 of Act No. 30/2004. In the event that the insured can use costs due to loss or damage tax deduction, such as for input tax or entitlement to the repayment of VAT due to repairs to the insured property in the aftermath of loss or damage, the compensation amount shall be reduced by a corresponding amount. The company is authorised to grant an exemption from the construction requirement upon consultation with the planning authorities provided, however, that 15% is deducted from the compensation amount. This deduction shall not be applied, however, if reconstruction is prohibited for reasons related to planning, or for other reasons beyond the control of the claimant. If a decision has been made to grant an exemption from the construction requirement and the company is of the opinion that the fire insurance value of the property is clearly higher than its market value, the company is authorised to base the compensation amount on the market price of the property concerned, including that of the plot.

Article 10-Underinsurance

The insured amount must be in accordance with the value of the insured. If the insurance amount is less than the value of the insured interests, the liability of the company is only proportionate according to the difference between the insurance amount and the value of the insured.

Article 11-Insurance amount

Building under construction

The insurance amount of a building under construction shall be determined by agreement between the insured and the company.

Property in use:

Fully constructed building

The insured is required to request a fire insurance appraisal no later than four weeks after a new building is brought into use or its construction is completed. The insurance amount is the appraised amount of the material value of the property that could be destroyed by fire and takes account of its construction cost net of depreciation due to age, wear, maintenance and condition of the property in other respects. Construction cost means the normal cost of building the property in question according to the assessment rules of the Land Registry of Iceland. The construction methods and materials prevailing on the date of appraisal shall be used as a reference.

Changes to the value

If the property has been enlarged or renovated in excess of regular maintenance, the insured shall have it reappraised no later than four weeks after the completion of the enlargement or renovation. The insured is also required to request a reappraisal of the property if he considers the insurance amount inconsistent with the real value of the property considering the cost of construction and the type, age, and condition of the property.

Reappraisal

The insured is authorised to request a new fire insurance appraisal of the property at any time. The insured shall bear the cost of such an appraisal. In the event of a disagreement between the company and the insured concerning the fire insurance value, the company may also request a reappraisal. This appraisal will be undertaken at the company's expense if the previous valuation is confirmed.

Annual changes to the insurance amount – monthly index changes

The insurance amount changes annually according to the decision of the Land Registry of Iceland as a result of changes that have occurred in the construction costs of various types of properties over the preceding year having taken into account the estimated depreciation during the same period. The insurance amount, moreover, changes on a monthly basis in accordance with the construction cost index issued by Statistics Iceland (Hagstofa Íslands).

SECTION 2 GENERAL PROVISIONS

Article 12-Insurance term – renewal of insurance

Unless otherwise agreed, the insurance shall remain in effect until the next annual due date at midnight and shall be extended for one year each time, unless terminated in accordance with Article 15.

Article 13-Breach of duty to inform – fraud and false information

Information concerning the risk

If the policy holder or the insured has fraudulently neglected the obligation to report to Sjóvá circumstances that may be important for the company to assess its risk, the company shall not be liable for any subsequent insurance event under this policy, as provided for in the first paragraph of Article 20 of Act No. 30/2004. In the event that the policy holder or the insured has otherwise neglected the obligation to report information to such a degree that it may not be considered insignificant, the company's liability shall be cancelled in whole or in part, as provided for in the second paragraph of Article 20 of Act No. 30/2004.

Information on the settlement of compensation

If the insured intentionally provides false or insufficient information when settling an insurance claim, he shall forfeit any right pursuant to this present and other existing insurance contracts relevant to the insurance event in question, as provided for in the second paragraph of Article 47 of Act No. 30/2004. In such an event the company may terminate all its insurance contracts with the insured with one week's notice.

Article 14-Premium – defaults – settlement on the cancellation of the contract during the insurance period

The insured must pay a premium to the company. The premium is paid in advance and for one year at a time only. The first premium falls due on the date that the insurance contract enters into effect. Subsequent premiums fall due on the first day of each renewal period. The payment deadline is a minimum of one month from the date that the company sent notification for payment to the insured. The request for payment of premiums will be sent to the policy holder at the address he has provided to the company. The delivery of a notification or payment note constitutes a request for payment. Changes of address shall be immediately notified to the company. The premium for this insurance policy is calculated in accordance with the company's premium rates. Sjóvá reserves the right to determine a renewal premium in accordance with a new tariff with regard to general modifications of the risks involved, price changes or other causes which disrupt the compensation base. Such changes shall not constitute an authorisation for either the policyholder or company to terminate the insurance contract. Premiums have the status of statutory liens on the insured property and shall take precedence over all other encumbrances on it, with the exception of taxes due to the Treasury, for a period of two years. If premiums are not paid within six months from the payment due date, the insured property may be sold by forced auction; cf. the Act on Forced Sale, no. 90/1991. In the event that an insurance contract, valid for one year or longer, is cancelled during the insurance term, the company is entitled to payment in proportion to the period in which the insurance was effective. This does not apply, however, when the value of the insured is paid in full due to total loss and the insurance is therefore cancelled.

Article 15-Termination

The company may not terminate the insurance due to defaults in the payment of premiums. The Policyholder may cancel the insurance contract in writing with one month's notice at any time during the insurance period, in which case the termination will take effect at the beginning of the following month. In the event

that the termination is to take effect on the date of the renewal of the insurance contract, the notification of termination must be delivered to the Company not later than two weeks before the end of the insurance period. The termination is not valid unless it is accompanied by a confirmation to the effect that the property owner has entered into a new insurance contract with another insurance company.

When the insurance policy is taken out on account of the operation of a business and the extent of the business corresponds to more than five man-years or if the business is for the most part conducted overseas, the policyholder can only terminate the insurance on its date of renewal. Termination in such case must be notified to the Company at least one month before the expiry of the insurance period.

Article 16-Increased risk

All modifications made to the structure and use of the property that could entail an enhanced risk of damage shall be reported to the company without delay. Failure to provide such notification may lead to the partial or full cancellation of compensation rights according to the rules of Articles 24 and 25 of Act No. 30/2004. In the event of comments from the representative of the company or public monitoring bodies, such as the Iceland Fire Authority, the State Electrical Inspection, the fire chief, and Fire Prevention Surveillance, as regards deficiencies in the property which may be expected to increase the risk of the company, the company is authorised to increase the premium until such deficiency has been remedied.

Article 17-Precautionary rule

The insured is required to ensure that all facilities on and adjacent to the insured property comply with the instructions set forth in the applicable regulatory instruments, including rules on fire prevention. In the event that loss or damage to the insured building can be traced to the facilities being deficient in some way and contravening the above instructions, the company may be wholly absolved of liability.

Article 18-Breach of precautionary principles

Precautionary principles are rules of conduct set forth with the intent to prevent and limit loss or damage. It is a precondition for approving the insurance that the set precautionary principles have always been followed. If the insured has neglected to comply with precautionary principles or other instructions contained in the insurance contract, the liability of the company may be reduced or cancelled, as provided for in Article 26 of Act No. 30/2004.

Article 19-Notification of loss or damage – measures to prevent loss or damage

In the event of loss or damage for which the company is considered liable, the person suffering the loss or damage must immediately notify the company or its agent of such event. Moreover, such person is under obligation to do everything in his power to protect from further damage building parts, items or other valuables that have be rescued, whether damaged or undamaged, until persons acting on behalf of the company can examine the damage.

Article 20-The insured causes an insurance event

Intent

The company is not liable if the insured has intentionally caused an insurance event, cf. the first paragraph of Article 27 of Act No. 30/2004.

Gross negligence

If the insured has caused an insurance event by gross negligence or if the consequences of the insurance event were greater than they otherwise would have been, then the company's liability may be reduced or cancelled, as provided for in the second paragraph of Article 27 of Act No. 30/2004.

Article 21-The conduct of individuals other than the insured – rules on identification

Provisions providing for the insured's entitlement to compensation being curtailed or cancelled due to the actions or inaction of the insured also apply to the insured's entitlement to compensation due to the comparable actions of the spouse of the insured who lives with the insured and to persons with whom the insured is living in a permanent relationship, as provided for in Item b of the second paragraph of Article 29 of Act No. 30/2004. As regards commercial properties, the same applies to entitlement to compensation due to the conduct of the employee of the insured, as provided for in the third paragraph of Article 29 of Act No. 30/2004.

Article 22-Multiple insurance

If the interests covered by this insurance are also covered by another insurance, the insured may decide which insurance he will use, until he has received the compensation to which he is entitled. If more than one insurance company is liable to pay compensation, the companies shall, unless otherwise agreed, pay compensation proportionally, in accordance with each company's liability for the loss. The company that compensates the loss or damage, therefore, may demand proportional reimbursement from other companies.

Article 23-Right of recourse

In the event that the insured is entitled to financial compensation against another party due to a covered loss, the company acquires that right to the extent that it has paid compensation to the insured. The insured must, in such cases, take the necessary measures to secure the claim until such time as the company can guard its own interests.

Article 24-Provisions in the insurance policy

The provisions of the insurance certificate or of a policy renewal receipt take precedence over the provisions of the insurance terms. The provisions of the insurance policy, of the renewal receipt and of the insurance contract terms take precedence over derogable legal provisions.

Article 25-Real Estate Assessment Board – Arbitration tribunal

If a disagreement arises between the company and the insured concerning the fire insurance value, a reappraisal shall be conducted in accordance with the provisions of Article 11 of these terms. If the company or the insured does not accept the results of the reappraisal by the Land Registry of Iceland, the matter may be referred to the Real Estate Assessment Board. The costs relating to the ruling by the Board shall be paid in accordance with the tariff set by the minister of insurance affairs. The cost of the ruling shall be borne by the party against whom the ruling falls. If damage has occurred and there is a disagreement concerning the compensation amount pursuant to the fourth and fifth paragraph of Article 9, the matter may be referred to a board of arbitration. The board of arbitration shall comprise two persons appointed to the case by the District Court in the jurisdiction where the property is located. The costs relating to the arbitration procedure shall be paid in accordance with the tariff set by the minister of insurance affairs. In general, the cost of the ruling is borne by the party against which the ruling falls.

Article 26-Disputes

In the event of a dispute as regards this insurance policy, the dispute shall be resolved by an Icelandic court of law in accordance with Icelandic law, unless otherwise stipulated by international agreements binding to Iceland. The Insurance Companies Complaints Committee shall rule on any dispute concerning liability, fault and culpability as well as issues that relate to Act No 30/2004 on Insurance Contracts. The Insurance Complaints Committee is housed at the Financial Supervisory Authority. Application forms for a request for referral to the Insurance Complaints Committee can be accessed on the websites www.fme.is and www.sjova.is, as well as further details regarding the scope of activities and procedures of both committees. A procedure before the Insurance Complaints Committee will not limit the right of the referring parties to also refer the case to a court of law.

Article 27-Venue

The company's legal venue is in Reykjavik. Any disputes arising against the company due to this insurance policy shall be brought before the District Court of Reykjavik.

This document is an English translation of the original Icelandic insurance terms. In case of any discrepancy between this translation and the Icelandic terms, the Icelandic terms shall apply. These conditions enter into effect as of 1 July 2015.