

## Fire insurance

### Insurance terms no. EF10

#### The following shall apply to the insurance:

- The insurance policy, together with certifications and specific conditions.
- These insurance terms, no. EF10.
- The company's General Terms, no. YY10.
- Act on Insurance Contracts, no. 30/2004.

The provisions of the insurance policy supersede the provisions of the terms. The provisions in the insurance policy and the terms supersede statutory provisions that may be derogated.

This insurance is in accordance with the Act on Fire Insurance, no. 48/1994, and the Regulation on Mandatory Fire Insurance, no. 809/2000, cf. Regulation no. 959/2003.

1.2 The insurance also covers the standard accessory property to the property, which falls under its fire insurance value in accordance with the valuation rules of the Land Registry of Iceland as current at any time. The insurance covers the following items, provided that they have been considered in the fire insurance appraisal of the property:

1.2.1 Stationary fixtures, such as fixed chairs, benches, and elevators.

1.2.2 All permanent pipes and wiring, such as water pipes, heat pipes, ventilation pipes, sewage pipes, telephone wiring, and computer wiring.

1.2.3 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.

1.2.4 Foundations and supports, together with filling, insulation, and wiring in the foundation, up to 1.2 metres beneath the upper edge of the foundation.

1.2.5 Sheltering walls and other 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 8 of the Regulation on Mandatory Fire Insurance, no. 809/2000.

1.2.6 The necessary design and materials costs, including those related to additional demands and instructions

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#### 1. Insured interests

- 1.1 The insurance covers the property specified in the insurance policy or renewal certificate, at the location specified therein.

- from the authorities after the property was constructed.
- 1.2.7 Costs for cleaning the property and removing the debris caused by fire.
- 2. The insured and the co-insured**
- 2.1 The owner of the property is the insured.
- 2.2 Holders of registered proprietary rights, liens, or other registered collateral rights to the property are the co-insured in the sense of the Act on Insurance Contracts, no. 30/2004.
- 3. Scope of compensation**
- 3.1 Fire, lightning, and explosion
- The insurance compensates for damage due to:
- 3.1.1 Fire.
- 3.1.2 Lightning.
- 3.1.3 Explosions in boilers for indoor heating and damage due to gas explosions arising from cookers, stoves, or gas pipes for indoor heating.
- The insurance does not cover the following damage:
- 3.1.4 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.
- 3.1.5 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.
- 3.1.6 Damage to the machine or boiler in which the explosion takes place.
- 3.2 Soot
- The insurance compensates for damage due to:
- 3.2.1 Soot that emits suddenly and unexpectedly from an approved heating device, fireplace, or blower.
- The insurance does not cover damage due to:
- 3.2.2 Soot or smoke that has gradually accumulated during use, such as soot from a chimney or from candles.
- 3.3 Aircraft
- The insurance compensates for damage due to:
- 3.3.1 Aircraft and objects that fall from them.
- 3.4 Firefighting and rescue efforts
- The insurance compensates losses due to:
- 3.4.1 Firefighting and rescue efforts whose objective is to avoid or limit damage covered by the insurance, provided that the efforts are considered unusual and justifiable.
- The insurance does not compensate losses due to:
- 3.4.2 Indirect loss that could arise from covered incidents, such as operating losses, delays in production or delivery of goods, loss of rental income, etc.
- 3.4.3 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.
- 4. Special limitations on liability**
- The insurance does not compensate for expenses, or increased expenses, that can be traced, directly or indirectly, to the following:
- 4.1 Earthquakes, volcanic eruptions, landslides, snow avalanches, or other natural disasters.
- 4.2 War, invasion, military action, civil commotion, uprisings, riots, strikes, or similar incidents.
- 4.3 Nuclear reactions, ionic radiation, pollution stemming from radioactive materials, nuclear fuel, or nuclear waste.
- 5. Precautionary rules**

The insured is required to ensure that all facilities and fire prevention equipment on and adjacent to the insured property comply with the instructions set forth in the applicable regulatory instruments.

sold by forced auction; cf. the Act on Forced Sale, no. 90/1991.

## 6. Violations of precautionary rules

The precautionary rules set forth in these terms must be followed. If the precautionary rules are not followed, the company may be absolved of its liability, either wholly or in part, cf. Article 26 of the Act on Insurance Contracts, no. 30/2004.

## 7. Identification

7.1 In determining its liability, the company reserves the right to take into account the conduct of the insured's spouse or registered domestic partner.

7.2 In connection with commercial activities, the company reserves the right to take into account the conduct of the managers of the insured entity and the administrators of the insured property.

## 8. Change of risk level

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. Should the insured neglect to report such modifications, the company may be absolved of its liability, either wholly or in part, cf. Article 24 of the Act on Insurance Contracts, no. 30/2004.

## 9. Calculation of premiums

The basic premium for the insurance is calculated on the basis of the fire insurance value of the property and its use and location.

## 10. Payment of premiums

10.1 The insurance premium is due and payable upon demand.

10.2 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

## 11. Repayment of premiums

If the insurance contract expires before the insurance period is concluded, the company shall reimburse the proportion of the premium corresponding to the overpayment. This provision does not apply, however, if the property is destroyed because of damage covered by the insurance.

## 12. Insurance amount

12.1 The insurance amount for the property shall be equivalent to current its fire insurance value according to the Land Registry of Iceland.

12.2 The insurance amount of a building under construction shall be determined by agreement between the insured and the company and shall be specified on the insurance policy or renewal certificate.

12.3 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 based on an assessment of those tangible valuables of the property that could be destroyed by fire. The assessment shall be based on the reasonable costs incurred by the customer for the construction of the property, in accordance with the valuation rules of the Land Registry of Iceland. The construction methods and materials prevailing on the date of appraisal shall be used as a reference.

12.4 If the property has been enlarged or renovated in excess of regular maintenance, the insured shall have it assessed again 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.

- 12.5 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.
- 12.6 Pursuant to Article 5 of Regulation no. 809/2000, the insurance amount shall be revised annually in accordance with the valuation rules of the Land Registry of Iceland. Furthermore, the insurance amount shall be revised on a monthly basis in accordance with the construction cost index.
- 13. Determination of benefits**
- 13.1 Insurance compensation shall be used to repair damaged property or rebuild it. Compensation is not payable until the repair or reconstruction has taken place. If partial repairs have been carried out, the insured shall be entitled to payment of the repair costs already incurred. 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.
- 13.2 The company is authorised to grant an exemption from the construction requirement upon consultation with the planning authorities; however, 15% shall be 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.
- 13.3 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 lot.
- 14. Underinsurance**
- 14.1 The insured is required to notify the company and the Land Registry of Iceland of any extension, renovation, or other value enhancement of a property after its last fire insurance appraisal.
- 14.2 If the total value of the insured property exceeds the insurance amount, the damage will be compensated proportionally.
- 15. Assessment of damage**
- 15.1 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.
- 15.2 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.
- 15.3 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.
- 15.4 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.
- 15.5 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.
- 15.6 In determining the amount of compensation, extra costs due to construction materials and methods no longer deemed viable shall be excluded.
- 15.7 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.

- 15.8 The insured is prohibited from disturbing the scene before the company's assessors have assessed the damage.

## 16. Beginning and end of coverage

16.1 Without prejudice to Article 1.1 of the company's General Terms, no. YY10, this insurance shall take effect when the company, a representative of the company, or the Land Registry of Iceland has verifiably received an application for insurance, provided that a request for a fire insurance appraisal of the property has been submitted. The same applies to the effective date of a reappraisal.

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

16.3 The company is prohibited from cancelling the insurance without confirmation that the owner of the property has taken new insurance with another company.

## 17. Transfer of ownership

In the event of a transfer of ownership, the insurance shall take effect on the date of delivery specified in the purchase agreement for the property, or in other documents verifying title to the property. If more than 14 days elapse between the date of delivery and the entry of the transfer of ownership at the Land Registry of Iceland, or if information about the date of delivery is not available, the insurance shall take effect on the date the transfer of ownership is entered at the Land Registry of Iceland.

## 18. Dispute concerning fire insurance value and compensation amount

18.1 If a disagreement arises between the company and the insured concerning the fire insurance value, a reappraisal shall be conducted in accordance with Article 12.5. 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 which the ruling falls.

18.2 If damage has occurred and there is a disagreement concerning the compensation amount, 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.

## 19. Multiple insurance

19.1 If the same loss is covered by more than one insurance policy, the insured may choose which insurance he wishes to use until he has received the compensation to which he is entitled.

19.2 If more than one insurance company is liable to pay compensation in accordance with Article 19.1, the companies shall pay compensation proportionally, in accordance with each company's liability for the loss, unless another agreement has been reached.

## 20. Time limitation on liability

The entitlement to compensation expires after four (4) years. The four-year time period shall begin at the end of the calendar year in which the insured received the necessary information about the incident on which his claim is based. The entitlement to compensation shall expire, however, no later than ten (10) years after the end of the calendar year in which the insured incident took place.

These insurance terms shall take effect on 1 January 2006.