

REGULATIONS

ON THE ICELAND CATASTROPHE INSURANCE.

Article 1

The perils insured against by the catastrophe insurance, cf. Act No. 55/1992 on the Iceland Catastrophe Insurance, are the following:

1. A volcanic eruption, e.g. when lava or volcanic ash cause damages or destruction of insured valuables.
2. An earthquake which causes damages or destruction of insured valuables.
3. A landslide, i.e. when a slide from a mountain or a hillside abruptly falls onto insured valuables causing damages or destruction thereof.
4. A snow-avalanche means an avalanche of moving snow which abruptly falls from a mountain or a hillside onto insured valuables causing damages or destruction thereof. It is not a snow-avalanche when the roof or walls of a house are strained or broken from accumulated snow caused by snowfalls, drifting snow or blowing snow. The same applies to other valuables that are damaged in a similar manner.
5. A waterflood means a flood which occurs when rivers or brooks abruptly overflow their banks or when floodwaves from the sea or lakes run ashore causing damages or destruction of insured valuables. Annual or regular floods from rivers, brooks, the sea or lakes are not to be construed as waterfloods herein. The same applies to usual melt-water or floods caused partly or wholly by man, e.g. when watertanks, dams or other structures break due to conditions other than catastrophes. When insured valuables are damaged in a fire which can be traced directly to some of the above-mentioned catastrophes the Iceland Catastrophe Insurance shall recompensate the losses.

Article 2

Comprehensive insurance policies of movables which are classified as property insurance, cf. Paragraph 1, Article 5 of the Iceland Catastrophe Insurance Act, are inter alia the following: home insurance, family insurance, all-risk home insurance, baggage insurance, cattle insurance, horse insurance (live-stock insurance) and agricultural insurance

Article 3

It is mandatory to insure the following house-property publicly owned, cf. Paragraph 2, Article 5 of the Icelandic Catastrophe Insurance Act:

1. Geothermal heating systems for the distribution of hot water or steam, including subterranean pipelines but not boreholes. Pumps, pump facilities, bridges and roads which exclusively serve the transformer system shall also be insured as well as facilities for geothermal heating or for other sources of energy.
2. Waterworks, including main systems, subterranean pipelines other than boreholes and wells. Pumps, pump facilities, bridges and roads which exclusively serve the transformer system.
3. Sewage systems including pump facilities and refinery facilities.
4. Permanent harbour installations, i.e. piers, quays, immovable harbour cranes, immovable lightning, electric installations, lamp-posts, junction boxes, water and drainage pipelines, bollards and pavement on piers but not cranes on rails, wheels or belts or other movable harbour appliances and equipment. Only quays which are boarded with steel or timber, stacked with hewed stones or made of concrete or other comparable permanent materials, shall be insured. Areas which are more than 30 meters from the quays are not parts of harbour installations. Breakwaters, rubble mound breakwaters, rubble mound shore protection or other installations for the protection of piers, quays or accompanied movables shall not be insured.

5. Electric installations, including distribution systems, dams and transformer facilities.
6. Telephone appliances, telephone lines and communications networks. It is also mandatory to insure permanent bridges 50 m or longer whether they are publicly or privately owned, cf. Subparagraph 3, Paragraph 2 of Article 5 of the Iceland Catastrophe Insurance Act. A road leading to or from a bridge shall not be construed as a part thereof nor shall levees be construed as such.

Article 4

[Suspended following modification of law]

Article 5

Structures referred to in Articles 3 [and 4] shall not be insured while under construction. The Board of Directors of the Corporation is nevertheless permitted to set down Rules allowing deviations herefrom, with the consent of the Minister.

Article 6

When a loss has occurred or is imminent it is not permissible to enter into new insurance contracts or to alter older contracts dealing with items in the endangered location or area.

Article 7

The amounts insured shall be decided as follows:

1. The structures referred to in Paragraph 2, Article 5 of the Iceland Catastrophe Insurance Act shall be insured against their estimated price of restoration (price of reconstruction) as of the first date in each quarter of a year. The estimated price of restoration shall be compared to the cost of reconstruction of comparable property and consideration shall be given to the newest technology, work skills and cost of materials.
2. Owners of structures referred to in Subparagraph 1 shall prior to March 1 each year submit to the Corporation a list of new structures and alterations of older structures together with an estimate of the price of restoration compared to the price on January 1 the previous year. If there is reason to believe that the appraisal is unrealistic or that the owners of structures have neglected to give information about items which fall under mandatory insurance, the Corporation can appoint two experts to appraise these items and the outcome of their appraisal shall be binding as to the amount insured.

Article 8

The insurance companies that cover fire insurance of the property which is insured with the Corporation under Paragraph 1, Article 5, cf. Paragraph 3, Article 10 of the Iceland Catastrophe Insurance Act, shall submit to the Corporation a monthly report of premiums collected during the previous month and disburse the catastrophe insurance premiums not later than on the 15th of that month.

If a premium is in default an insurance company shall collect penalty interests in accordance with the provisions of the laws on interests.

If an insurance company fails to disburse premiums or interests in accordance with the aforementioned, it is obliged to pay penalty interests on the delinquent amount in accordance with the provisions of the laws on interests.

Insurance companies shall annually submit to the Iceland Catastrophe Insurance an itemized report of insurance amounts, premiums and penalty interests. The Corporation shall decide on the format of the report.

Article 9

The day of payment of the premiums which the Iceland Catastrophe Insurance collects itself shall be April 1 each year.

If a premium is not paid within four weeks from the day of payment the debtor is obliged to pay penalty interests from the day of payment in accordance with the provisions of the laws of interests.

Article 10

Under special circumstances, the Board of Directors of the Corporation, with the consent of the Minister, may decide that an insured party buy a short-term insurance on the property referred to in Article 6 of the Iceland Catastrophe Insurance Act.

Article 11

A case of indemnity having taken place, the Corporation shall make arrangements for the inspection and appraisal of the damage and shall designate for this purpose a competent and impartial appraiser or appraisers.

The Board of Directors of the Corporation may, according to circumstances, request that a damage be appraised by a Court designated appraiser or appraisers. Matters relating to the cost of an appraisal done by Court designated appraisers shall be regulated by the general rules of law.

The insured party shall at all times have the opportunity to be present at inspection and be able to present his views to the appraiser or appraisers.

The appraiser or appraisers shall submit a written appraisal and conclude their work as speedily as possible.

Article 12

The amounts insured shall be decided in accordance with the principal rules of the laws of insurance, cf. inter alia the following rules:

1. The insurance is obliged to pay compensation solely for direct damages, cf. Article 36 of law No. 20/1954 on insurance contracts.
2. The amount insured is not a proof of the value of the insured valuables. Nevertheless, it is always the maximum of the responsibility to be measured against when compensation is decided upon.
3. The value of insured property shall be determined with regard to the real price value when the loss occurred. Also, consideration shall be given to depreciation due to age, use, decreased effective value and other conditions, cf. Article 37 of law No. 20/1954 on insurance contracts.
4. Compensation for goods which the insured party has produced for sale or are otherwise intended for sale shall be determined in accordance with rules set down in Article 38 of law No. 20/1954 on insurance contracts.
5. In case of partial loss, compensation shall be determined as computed against the cost of reparation of the damaged valuable for its restoration to the same or next to the same condition as it was in before the loss. Nevertheless, compensation can never exceed the disparity of the value of the item prior to the loss and its value thereafter. The damaged party shall preserve the damaged property or item as best he can until compensation is forthcoming.
6. If the value of the insured item exceeds the amount insured compensation for the loss shall be computed as follows:

$$\frac{\text{loss amount} \times \text{amount insured}}{\text{real value}} = \text{compensation}$$

The insured party's own risk shall be deducted from the amount of compensation thus arrived at.

Article 13

The present Regulations is set down in accordance with permission in Act No. 55/1992 on the Iceland Catastrophe Insurance and shall come into force forthwith. At the same time Regulations No. 772/1982 with amendments made thereto by Regulations No. 269/1983 and No. 358/1985 shall cease to be in force.

The Ministry for Health and Insurance Affairs, 19th February 1993.