

Fire insurance of moveable property

The Insurance Contract

This insurance is subject to the terms and conditions stipulated in the following documents:

- the Insurance Policy
- the Insurance Terms, i.e.:
 - any Special Terms that might be stated in the Insurance Policy
 - these Present Terms
- the Act on Insurance Contracts No. 30 of 2004.

The Insurance Policy contains further details of the Insurance Contract, which are not referred to in these Present Terms. The provisions of the Insurance Policy shall supersede any permissive legal clauses. The Insurance Policy Special Terms shall expand, restrict or modify the scope of this Insurance Contract beyond what is directly stated in these Present Terms. Above and beyond what may be stated in the Insurance Policy Special Terms, the provisions of these Present Terms shall apply to the Insurance Contract.

If there is any inconsistency between different provisions concerning the same subject matter, the provisions of the Insurance Policy shall supersede the Insurance Terms, and the Special Terms shall supersede any general provisions, provided, however, that specific rules shall at all times supersede general rules.

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Art.1 Scope of Cover

1.1 This insurance covers direct damage to insured property subject to the exclusions below.

Art.2 Fire, Lightning, Explosion

2.1 Fire is by definition a combustion able to spread of own accord.

Lightning is by definition thermal and impact forces released from atmospheric electricity.

Explosion is by definition a sudden chemical reaction resulting in violent rise in temperature and expansion

2.2. This Insurance Does Not Cover

Damage involving only scorching, overheating or melting of articles.

Damage to articles intentionally exposed to fire or heating, drying, boiling, melting or other similar actions.

Damage to electrical or electronic appliances or machinery through short-circuit, unless resulting in or as a result of fire.

Art.3 Boiler Explosion

3.1 The Company will compensate for damage to boilers and the like resulting from excessive pressure inadvertently caused through normal use.

3.2 This Insurance Does Not Cover

Damage due to overheating.

Art.4 Falling Aircraft

4.1 The Company will compensate for damage caused by falling aircraft or articles falling there from.

4.2 This Insurance Does Not Cover Damage resulting from explosives carried by an aircraft.

Art.5 Sudden Soot fall

5.1 The Company will compensate for damage caused by sudden falling of soot from a fireplace used for heating when such fireplace conforms to prevailing law and regulations.

Art.6 Fire Extinguishing

6.1 This insurance covers damage caused by fire extinguishing operations.

Art.7 This Insurance Covers the Following, cfr. however 2. and 3. in Art.7.

7.1 Moveable property owned by the Insured. Unless otherwise stated in the policy moveable property shall mean the following:

1. Goods, including raw materials, partly and fully finished goods, packing material, furniture, fixtures, machinery and equipment, including tools, implements and vehicles not subject to registration according to Traffic Law.
2. Data media, software, bookkeeping records, technical drawings, models and the like, requiring renewal or refinishing following a loss, subject to this interest being specifically insured. The Company's liability is limited to 15% of the total sum insured at each location, with a maximum of ISK 1.000.000 (indexed, refer Art.18 of this wording).
3. Cash, monetary equivalent, bonds, manuscripts and documents stored at the insured location, subject to this interest being specifically insured.

The Company's liability (refer however Robbery stipulation in the wording for Burglary and Theft Insurance) is limited to ISK 500.000 (indexed, refer Art.18 in this wording). This interest shall have been stored in a locked safe which is a condition for the Company's liability.

7.2. Warranty

Cash, monetary equivalent, bonds, manuscripts and documents stored at the insured location shall be kept in a locked safe and keys kept in a place inaccessible to unauthorized persons.

Art.8 This Insurance Does Not Cover

- 8.1 Theft from a safe by use of keys or a number combination which have been left at the insured location
- 8.2. Fire loss on moveable property covered by the compulsory fire insurance of the building.
- 8.3 Property according to this policy does not extend to cover vehicles subject to official registration, ships, boats or aircraft unless under construction, for repairs or for sale by the Insured, subject to this interest having been declared on the application for cover.

Art.9 Loss of Profits

- 9.1. This insurance does not cover loss of profits or other indirect loss (refer however policy conditions on Loss of Profits Insurance)

Art.10 Moveable Property Owned by Third Party

- 10.1 This insurance extends to cover property owned by third party whilst in Insured's custody, should the Insured become liable for such damage, subject to this interest having been declared on the application for cover.
- 10.2 Conditions concerning under-insurance refer Art.14; will also apply to property owned by third party.
- 10.3 This insurance will only extend to cover property owned by a third party when the loss is not covered by insurance.

Art.11 Sum Insured – Settlement of Loss

- 11.1. The sum insured shall be equal to the value of all property covered.
- 11.2 The sum insured for general household, machinery and other equipment shall be the new replacement value, i.e. the amount necessary to purchase identical articles to those lost or damaged at prices prevailing immediately before the loss, without deduction for age, wear and tear, but with reasonable deduction for depreciation on account of reduced utility or for other similar reasons.
- 11.3 The Company has the option to redeem damaged articles by indemnifying the actual value prevailing immediately before the loss (stock, machinery and other equipment, however, shall be indemnified by re-purchasing price) but the Company also has the right to indemnify the loss by providing an identical article as well as to restore articles to prior condition immediately before the loss.
- 11.4 The sum insured for articles which the Insured himself has manufactured for sale shall be determined in accordance with their sales value immediately before the loss, based on sale at customary terms, but deducting normal sales costs and the commercial risk which thus was avoided as well as the advantage of receiving cash payment. Should agreement have been made to the contrary, the Company does not have the duty to pay indemnity in excess of that needed to compensate for the loss.
- 11.5 The sum insured for articles being produced by the Insured for selling shall be determined in accordance with the cost of production plus part of ordinary costs, but in other respects as far as applicable, the sales value immediately before the loss based on sale at customary terms, but deducting normal sales costs and the commercial risk which thus was avoided as well as the advantage of receiving cash payment. Should agreement have been made to the contrary the Company does not have the duty to pay indemnity in excess of that needed to compensate for the loss
- 11.6 The sum insured for articles other than those mentioned in Art. 11.1 – 11.3 shall be determined in accordance with the amount needed for purchasing the lost or damaged article at the price prevailing immediately before the loss, with deduction for age, usage, decreased utility or for other reasons.

- 11.7 Should the Insured be able to utilize costs of the loss for tax purposes or if he is entitled to refund of value added tax on account of improvements of the insured interest, the indemnity for the loss shall be reduced accordingly.

Art.12 Special Condition for Stores (Applicable only upon request)

- 12.1 During the period from 15th November to 15th January the sum insured shall be increased by 20%.

Art.13 Change in the Risk – Increased Risk - Duty of Reporting

- 13.1 The Insured has the responsibility of maintaining the sum insured in accordance with actual value of the insured interest at all times and it is his duty to immediately report to the Company any change in value of the insured interest.
- 13.2 The insured shall immediately report to the Company when changes take place involving the insured interest, such as when:
- his business or insured property is moved to another location than stated in the policy.
 - any change (f. inst. change in type or utility of the insured interest) involving an increased risk exposure of his business or other items concerning the insurance.
 - another insurance is effected on the same interest.
 - change in ownership, including change in mode of operation.
- 13.3 The Company reserves the right to cancel this insurance, refer Art. 16.3 or alter the policy conditions if any of the mentioned changes take place.
- 13.4 Should this insurance be cancelled the Company will refund the premium pro rata for the remainder of the period.
- 13.5 Should the Insured neglect to notify changes in accordance with the foregoing, the liability of the Company may be forfeited either partly or in full in accordance with Art. 24 and 25 of Law no. 30/2004

Art.14 Under-Insurance

- 14.1 The sum insured shall be in accordance with the value of the insured interest. If the sum insured is less than the actual value of the insured property, then the liability of the Company is only proportional to the difference.

Art.15 Insured Parties

- 15.1 This insurance shall inure to the benefit of the policyholder/owner of the insured property. The insurance shall not inure to the benefit of other parties, like mortgagee or new owner of the insured property. This insurance will lapse in case of change of ownership.

Art.16 Period – Renewal – Right of Cancellation

- 16.1 Period

Unless otherwise provided by Law or in this agreement this insurance will commence on the day the contract for insurance is made, i.e. when the Company or the Insured has accepted the offer of the other party. This insurance is valid for the period stated in the policy or on renewal notice.

- 16.2 Renewal – Cancellation at Renewal

Insurance cover effected for a period of one year or more is renewed for a period of one year at a time unless the Insured has informed the Company that he intends to cancel the insurance within one month for the time the Company advised the date due for the new period. Notice of cancellation shall however have been received not later than one month before the end of the period when the cover was affected for business exceeding five man-years in scope or when business is for the most part carried out abroad. The Company shall advise the Insured not later than two months before the end of the period if the Company does not intend to renew the insurance. The Company may effect changes

in policy conditions or the premium charged. Changes of this nature will take effect from next renewal date.

16.3 Company's Right to Mid-Term Cancellation

The Company is entitled to cancel the cover if any of the following is applicable:

1. if wrongful or incomplete information have been given regarding the risk, with 14 days notice, refer Art. 21 and 15 of Law no. 30/2004.
2. if the Insured has acted in a fraudulent manner when submitting information to the Company regarding the risk, without notice, refer Art. 21 and 15 of Law no. 30/2004.
3. if the Insured intentionally submits wrongful or incomplete information at settlement of loss, by one week notice, refer Art. 47 and 15 in Law no. 30/2004. Furthermore, in cases of this nature the Company may cancel all insurance covers with the Insured.
4. following a loss, if
 - a. Insured has caused the loss by intent;
 - b. the Insured has violated warranties.
 - c. abnormal number of losses have occurred during a short time, i.e. 3 losses in 12 months.

Notice of cancellation in these cases is two months; refer Para 1 and 2 in Art.15 of Law no. 30/2004.

5. if the use of the insured interest or the operation of the Insured change during the term of insurance, in such a way that:
 - a. the Company would not have accepted the cover had this been known when negotiating the cover;
 - b. it affects the possibilities of the Company to obtain reinsurance protection.

Notice of cancellation in these cases is two months; refer Para 1 and 2 in Art.15 of Law no. 30/2004.

6. following reiterated default of payment of premium. Notice of cancellation in such cases is two months; refer Para 1 and 2 in Art. 15 of Law no. 30/2004.

16.4 Insured's Right to Mid-Term Cancellation

The Insured can cancel this cover if it is no longer needed or when other special reasons justify cancellation, refer Para 2 in Art.14 of Law no. 30/2004.

Art.17 The Premium – Renewal – Default – Mid-Term Cancellation

- 17.1 The Insured shall pay the premium to the Company. The initial premium falls due the day when the insurance takes effect. Later premiums fall due on first day of each renewal period. Days of grace shall be at least one month from the date the Company requested payment from the Insured.
- 17.2 Demand for payment of premium shall be submitted to the address advised to the Company. Submission of notice or an invoice shall be deemed as demand for payment. Changes in address shall be advised to the Company forthwith.
- 17.3 Should the premium not have been paid by the end of grace period the Company submits a reiteration claiming payment within 14 days. Should the premium not have been paid within 14 days of such a notice the insurance is cancelled forthwith, refer Art. 33 in Law no 30/2004.
- 17.4 When a cover effected for one year or longer is cancelled during its term the Company is entitled to a premium on proportional basis for the period the insurance was in force.

Art.18 Sums Insured – Deductibles – Indexation

- 18.1 Sums insured and deductibles stated in the policy and values stated in the Policy Wording will follow price levels of the country and change monthly in accordance with changes in index from the commencement of the cover as follows:
- 18.2 All sums stated in these conditions will follow Consumers Price Index being 177.8 points as at 1st January 1997.

- 18.3 Should the Consumers Price Index be discontinued the Company may base changes on other official index.
- 18.4 The premium will change in accordance with changes in sums insured as they stand at time of renewal.
- 18.5 Losses will be indemnified in accordance with the sum insured on the date of loss. The same applies to deductibles.
- 18.6 Interest on amount of damages will follow Art. 50 in Law no. 30/2004

Art.19 Fraud and Wrongful information

19.1 Information regarding the risk

If the policyholder or the Insured have in fraudulently neglected their duty to inform the Company on matters of importance in evaluating the risk or following a loss the liability of the Company is forfeited. refer Para 1 in Art. 20 of Law no. 30/2004.

If the policyholder or the Insured have in another manner neglected their duty to inform the Company to such a degree as not being deemed to be of inconsequence, the liability of the Company is either partly or fully forfeited, refer Para 2 in Art 20 of Law no. 30/2004.

19.2 Information Regarding Settlement of Loss

If the Insured intentionally submits wrong or incomplete information regarding a loss all his rights are forfeited under this or other insurance covers as regards the loss in question, refer to Paragraph 2 in Art 47 of Law no. 30/2004. In such circumstances the Company is at liberty to cancel all insurance covers with the Insured by one weeks' notice, refer Art.16.3 in this Policy Wording.

Art.20 A Loss Caused by the Insured

20.1 Intent

If the Insured has caused the loss intentionally the liability of the Company is forfeited, refer Para 1 in Art 27 of Law no. 30/2004.

20.2 Gross negligence

If the Insured has caused or aggravated the consequences of the loss by gross negligence the company can reduce the amount otherwise payable or reject liability altogether, refer Para 2 in Art 27 of Law no. 30/2004.

Art.21 Breach of Warranty

21.1 Warranties are rules of conduct aimed at minimizing or averting a loss. It is a prerequisite for granting the cover that warranties be observed at all times.

21.2 If the Insured neglects to observe these warranties or any instructions laid down in the policy conditions, the Company may reduce the amount otherwise payable or reject liability altogether, refer Art 26 of Law no. 30/2004.

Art.22 Rules of Conduct other than Insured

22.1 Any provision contained herein expressing limitation or forfeiture of liability due to acts or negligence on part of the Insured shall equally apply to Insured's right to indemnification in respect of identical conduct of Insured's employees, refer Para 2 and 3 in Art 29 of Law no. 30/2004.

Art.23 Change in Risk – Increased Risk

- 23.1 The Insured shall without delay inform the Company of changes in the risk, for instance:
- when his business or insured interest is moved to a different location than stated in the policy;
 - other changes (f. inst. regarding type or use of insured interest) resulting in increased risk in Insured's business or other things relevant to this cover;
 - when another cover is effected on the same risk;
 - change in ownership, incl. change in form of operation.
- 23.2 The Company reserves the right to cancel the insurance, refer Art.16.3 in this Policy Wording, or to change policy conditions should any of the foregoing changes take place.
- 23.3 In case of cancellation the premium will be refunded in proportion to the remainder of the insurance period.
- 23.4 If the Insured neglects to advise of changes according to the foregoing his right to indemnity may be forfeited either partly or fully, refer Art. 24 and 25 in Law no.30/2004

Art.24 Extension and Reformation

- 24.1 The Insured shall immediately advise the Company of any alterations such as extensions, reformations or changes involving considerable increase in the value of insured interest. Neglect of this duty may result in reduction of indemnity according to Art.24 and 25 in Law no. 30/2004.

Art.25 Double Insurance

- 25.1 Should the insured interest also be covered by another insurance the Insured is at liberty to decide on which Company he makes his claim until the indemnity to which he is entitled has been fully paid.
- 25.2 If more than one Company is liable for the loss they shall, unless otherwise agreed, pay indemnity in proportion to the liability of each Company in the loss.

Therefore the Company indemnifying the loss can make a proportionate recourse on other Companies.

Art.26 Tax Exemption and Refund of VAT

- 26.1. Should the Insured be able to utilize costs of the loss for tax purposes or if he is entitled to refund of value added tax on account of improvements of the insured interest, the indemnity for the loss shall be reduced accordingly

Art.27 Loss Notification – Measures Following a Loss

- 27.1 When a loss has occurred the Insured shall advise the Company without delay. The same applies when the Insured becomes aware of or should be aware of, that a claim which might concern this insurance may be made against him.
- 27.2 When a loss has occurred or if a loss is imminent the Insured shall take all necessary measures to avert the loss or minimize it.
- 27.3 The Insured shall give the Company the opportunity to survey and estimate the loss amount before repairs are made or damaged articles are disposed of.
- 27.4 Neglect to comply with the above may result in reduction or forfeiture of Insured's rights to indemnity.
- 27.5 Both the Company and the Insured have the right to impartial surveyors to assess the loss and to determine the extent of damage but each party shall appoint a surveyor for their part. Prior to assessment the two surveyors shall nominate an umpire. In case of disagreement the umpire will rule on it. Should the surveyors fail to agree upon an umpire, he shall be court appointed. The surveyors shall assess and determine the extent of the loss having due regard to the insurance conditions and the policy wording, i.e. as regards possible under-insurance. They shall submit a written statement on

their findings as well as how the financial loss has been arrived at. Each party shall remunerate own surveyor but cost of umpire is to be born by both parties in equal proportions.

Art.28 Time Limit for Loss Notification – Time Bar

28.1 The Insured will forfeit his rights to indemnity, if:

1. he does not advise the Company of his claim within one year from the time he became aware of the events giving rise to the claim;
2. he has not instituted legal action or referred the case to the Ruling Committee in Insurance Matters within one year from the time his claim was rejected in writing, refer Art. 51 in Law no. 30/2004.

28.2 Insured's claim for indemnity becomes time-barred according to Art. 52 in Law no. 30/2004.

Art.29 Averting or Minimizing a Loss

29.1 When a loss has occurred or is imminent the Insured shall endeavour to avert the loss or to minimize it. Neglect to do so may result in reduction or forfeiture of damages -refer Law no. 30/2004.

Art.30 War Exclusion Clause – Radioactive and Chemical Exclusion Clauses

The Company shall not be liable for claims arising out of:

30.1 war, invasion, acts of foreign enemy, hostilities, or warlike operations (whether war be declared or not), civil war;

Mutiny, civil commotion assuming the proportions of or amounting to a popular rising, military rising, insurrection, rebellion, revolution, military or usurped power, or any act of any person acting on behalf or in connection with any organization with activity directed towards the overthrow by force of its Government de jure or de facto or to the influencing of it by terrorism or violence;

30.2 loss or damage liability or expense directly or indirectly caused by or contributed to by or arising from:

1. ionizing radiations from or contamination by radioactivity from any nuclear fuel or from any nuclear waste or from the combustion of nuclear fuel
2. the radioactive, toxic, explosive or other hazardous or contaminating properties of any nuclear installation, reactor or other nuclear assembly or nuclear component thereof
3. any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.

30.3 It is agreed that, regardless of any contributory causes, this insurance does not cover any loss, damage, cost or expense directly or indirectly arising out of biological or chemical contamination due to any act of terrorism.

For the purpose of this proviso an act of terrorism means an act, including but not limited to the use of force or violence and/or the threat thereof, of any person or group of persons, whether acting alone or on behalf of or in connection with any organization or government, committed for political, religious, ideological, or ethnic purposes or reasons including the intention to influence any government and/or to put the public, or any section of the public, in fear.

For the purpose of this proviso "Contamination" means the contamination, poisoning, or prevention and/or limitation of the use of objects due to the effects of chemical and/or biological substances.

30.4 The Company shall not be liable for claims arising out of volcanic eruption, earthquake, mud-slide, avalanche, flooding of water or other natural catastrophe unless specifically agreed.

Art.31 IT CLARIFICATION AGREEMENT

31.1. Property damage covered under this agreement shall mean physical damage to the substance of property.

- 31.2 Physical damage to the substance of property shall not include damage to data or software, in particular any detrimental change in data, software or computer programs that is caused by deletion, a corruption or a deformation of the original structure.
- 31.3 Consequently the following are excluded from this agreement:
1. Loss of or damage to data or software, in particular any detrimental change in data, software or computer programs that is caused by a deletion, a corruption or a deformation of the original structure, and any business interruption losses resulting from such loss or damage. Notwithstanding this exclusion, loss of or damage to data or software which is the direct consequence of insured physical damage to the substance of property shall be covered.
 2. Loss or damage resulting from impairment in the function, availability, range of use or accessibility of data, software or computer programs, and any business interruption losses resulting from such loss or damage.

Art.32 Insured Location

- 32.1 Unless otherwise specified, this cover only applies to the location stated in the policy.

Art.33 Recourse

- 33.1 Should the Insured hold a right to claim against a third party the Company will be entitled to that right, so far it has paid indemnity to the Insured. In such cases the Insured shall make all necessary arrangements to ensure the claim until the Company can safeguard its rights.

Art.34 Dispute

- 34.1 Should a dispute arise regarding this insurance cover it shall be referred to an Icelandic Court of Law for its decision according to Icelandic Law unless otherwise prescribed by international agreements to which Iceland is bound.
- 34.2 Dispute on the Company's liability, including division of liability between those liable, may be referred to the Customers Claims Service for the Insurance Companies. The service of this entity is free of charge. By payment of referral fee cases involving difference on liability and division of liability as well as differences on legal aspects of Law no. 30/2004 on Insurance Contracts may be referred to Ruling Committee in Insurance Matters residing with the Financial Supervisory Authority. Application forms for the Ruling Committee may be had from the Company as well as further information on scope of activities and procedures of both Committees.
- 34.3 Proceedings before these Committees do not affect any rights to refer the case before Common Court of Law.

Art.35 Venue

- 35.1 The Company's place of venue is Reykjavík. Legal proceedings against the Company on grounds of this insurance shall be conducted before Civil Court of Reykjavík.

This policy wording apply as from 1st December 2006 and replace same from 1st January 2006.

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