



# Performance Bond

Insurance terms no. ZZ10

## The following shall apply to the insurance:

- The insurance policy, together with certifications and specific conditions.
- These insurance terms, no. ZZ10.
- The company's General Terms, no. YY10.
- Performance bond certificate.
- Act on Insurance Contracts, no. 30/2004.
- Icelandic standard ÍST 30.

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.

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### 1. Insured interests

The insurance shall apply to the project specified in the insurance policy or the renewal certificate.

### 2. The insured

The policyholder is the insured.

### 3. Scope of compensation

The company is liable for compensation of losses incurred by the customer should the policyholder not fulfil his obligations according to the agreement

between the policyholder and the customer.

### 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. Payment of premiums

- 5.1 The insurance premium is due and payable upon demand.
- 5.2 Non-payment of premiums can result in loss of rights or cancellation of the policy, cf. Article 33 of the Act on Insurance Contracts, no. 30/2004.

### 6. Insurance amount

The insurance amount is specified in the insurance policy and the performance bond certificate. When the policyholder and the customer have completed the final appraisal of the project, the insurance amount will be reduced, as is set forth in the project agreement and the performance bond certificate.

### 7. Determination of benefits

The customer may demand compensation from the company because of flaws that have emerged in the policyholder's project, or because of

any type of expense incurred by the customer as a result of the policyholder's non-fulfilment of the provisions of the project agreement.

## **8. Recourse**

- 8.1 The policyholder pledges to repay to the company the compensation that it disburses in connection with the project agreement.
- 8.2 The policyholder is required to pay interest in accordance with the Act on Interest and Price Indexation, no. 38/2001.
- 8.3 Reimbursements to the company in accordance with this Article shall be payable upon demand.

## **9. Collateral arrangements**

If the policyholder or others provide collateral or otherwise guarantee the claim that the company may have against the policyholder in connection with the performance bond, the company may accept any collateral or guarantor that it chooses.

## **10. Modifications to the project**

- 10.1 Pledgers of collateral and guarantors may not demand to be relieved of their obligations in the event that the term of the project, and therefore the period of validity of the performance bond, is extended or other modifications made to the project.
- 10.2 If the company deems the collateral insufficient under the above-specified circumstances, cf. Article 10.1, it may demand new collateral instead of, or in addition to, the existing collateral.

## **11. Insurance requirement**

- 11.1 A party who submits collateral is required to purchase and maintain appropriate insurance on it.
- 11.2 The policyholder shall purchase and maintain insurance that is conventional and appropriate for contracting activities.
- 11.3 The insurance must be purchased from a recognised insurance company. The company is authorised to purchase such insurance on behalf of the party

required to do so, and at that party's expense, unless proof of such insurance is presented.

## **12. Matters of dispute**

In the event of a dispute between the policyholder and the customer concerning the customer's entitlement to the insurance amount, the dispute shall be resolved in accordance with Section 32 of ÍST 30, unless another means of resolution has been agreed between the parties.

## **13. Expiry of the insurance**

- 13.1 The insurance shall remain in effect for 12 months after the final appraisal has taken place, unless another agreement has been made.

The project shall be considered delivered when the final appraisal by the policyholder and the customer has taken place. The policyholder shall send the company a confirmation of the appraisal without undue delay.

## **14. 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.