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Ordinance

of 25 January 2005

**on the Law on Insurance Protection for Buildings
against Damage caused by Fire and Natural
Forces (Buildings Insurance Ordinance; BIO)**

Pursuant to article 1 paragraph 2, article 2 paragraph 2, article 4 paragraph 2, article 5, article 7 paragraph 1, article 8 paragraph 2, article 12 paragraph 2, article 13 paragraphs 2 and 4, and article 21 of the Law of 26 November 2004 on Insurance Protection for Buildings against Damage caused by Fire and Natural Forces (Buildings Insurance Act; BIA), Liechtenstein Law Gazette LGBl. 2005 No. 20¹, the Government hereby issues the following Ordinance:

I. Insurance requirement

Article 1

Buildings, temporary structures, and chattels

- 1) For the purposes of the Act, the following terms shall be distinguished:
- a) "Building": every immovable result of construction work including its components that is roofed, encloses usable space, and was built as a permanent structure. This term shall include the shell of a building and construction elements that, although not constituting part of the building, normally appertain to it, are owned by the building owner and are fixed in such a way that they cannot be removed without material loss of their own value or material damage to the building;

¹ LR 705.3

- b) "Temporary structure": structures (huts, booths, barracks, and the like) that are constructed without any intention of permanent connections;
- c) "Chattels": any object that is not considered a building or a temporary structure.

2) The Financial Market Authority (FMA) shall regulate details concerning the distinctions and special rules in guidelines.

II. Scope of coverage

A. Insurance against damage caused by fire

Article 2

Insured damage caused by fire

1) Damage arising from the following events shall be considered damage caused by fire: conflagration, sudden and unforeseen smoke, lightning, explosion, aircraft and spacecraft or parts thereof falling or making emergency landings.

2) Irrespective of their cause, damage arising from water from reservoirs or other artificial water facilities and canalization backwater shall not be considered damage caused by fire.

3) Insurance shall replace the damage consisting in the destruction, damaging, or loss of insured objects.

Article 3

Exclusions of coverage

1) The following damage shall be excluded from coverage against damage caused by fire: damage as a consequence of events of war, violations of neutrality, revolutions, rebellions, insurrections, internal unrest (violence against persons or property in the event of mob action, rioting, or civil commotion) and the measures taken in response, or as a consequence of earthquakes, volcanic eruptions, or changes to the structure of atomic nuclei.

2) Buildings whose location, construction, state, or use exposes them to an extraordinary risk of fire events may be excluded from coverage against such events.

B. Insurance against damage caused by natural forces

Article 4

Insured damage caused by natural forces

1) Damage arising from the following natural events shall be considered damage caused by natural forces: high water, floods, storm (= wind of at least 75 km/h which knocks over trees or unroofs houses in the vicinity of the insured objects), hail, avalanche, snow pressure, rockslide, rockfall, and landslide.

2) The following shall not be considered damage caused by natural forces:

- a) damage caused by subsidence, bad foundation soil, defective construction, faulty building maintenance, neglect of protective measures, artificial earth movements, falling snow from roofs, groundwater, rising and overflowing of waters known to occur periodically at shorter or longer intervals;
- b) regardless of the cause, damage arising from water from artificial lakes or other artificial waterworks and backup of water from sewer lines;
- c) known and expected operating or cultivation losses, such as damage to structural and civil engineering works, underground shelters, mining of rock, gravel, sand, or clay.

3) Damage to the following objects arising from natural forces need not be insured:

- a) easily moveable buildings (such as exhibition and festival barracks, large tents, carousels, show and fair booths, airhouses and temporary halls) and their contents;
- b) trailer homes, mobile homes, boats, and aircraft including fixtures;
- c) motor vehicles as outdoor repository or under a marquee;
- d) mountain railways, cable cars, ski lifts, electric overhead lines and masts (except for local networks);

- e) objects located on construction sites; the entire area on which tangible assets are located in connection with a construction project, even before the project begins and after it ends, shall be considered a construction site.
 - f) greenhouses, seedbed windows and plants.
- 4) Insurance shall replace the damage consisting in the destruction, damaging, or loss of insured objects.

Article 5

Exclusions of coverage

- 1) The following shall be excluded from insurance against damage caused by natural forces:
- a) damage from snow pressure affecting only tiles or other roofing material, chimneys, gutters, or drainpipes;
 - b) storm and water damage to ships and boats on the water;
 - c) damage as a consequence of events of war, violations of neutrality, revolutions, rebellions, insurrections, internal unrest (violence against persons or property in the event of mob action, rioting, or civil commotion) and the measures taken in response, or as a consequence of earthquakes, volcanic eruptions, or changes to the structure of atomic nuclei.
- 2) Buildings whose location, construction, state, or use exposes them to an extraordinary risk of fire events may be excluded from coverage against such events.

III. Benefit thresholds for insurance against damage caused by natural forces

Article 6

Deductible

- 1) The beneficiary must bear the following deductibles:
- a) in the case of household contents insurance: 200 francs per event;
 - b) in the case of insurance of agricultural inventory: 10% of the compensation per event, but at least 200 francs and at most 2,000 francs;

- c) in the case of insurance of other chattels: 10% of the compensation per event, but at least 500 francs and at most 10,000 francs;
 - d) in the case of insurance of buildings:
 - 1. solely serving the purpose of habitation and agriculture: 10% of the compensation, but at least 200 francs and at most 2,000 francs,
 - 2. serving all other purposes: 10% of the compensation, but at least 500 francs and at most 10,000 francs.
- 2) Per insured event, the deductible is applied once each for chattels and for buildings insurance.
- 3) If an event affects several buildings of a policyholder for which different deductibles are specified, then the deductible shall be at least 500 francs and at most 10,000 francs.

Article 7

Limitations of liability

- 1) The following limitations of liability shall apply; the compensation for damage to chattels and damage to buildings shall not be added together:
- a) If the compensation determined for a single policyholder for an insured event from all of the insurance undertakings that are allowed to operate in the Principality of Liechtenstein exceeds 25 million francs, then the compensation shall be reduced to this amount. This provision shall be subject to further reduction in accordance with subparagraph b).
 - b) If the compensation determined for an insured event in the Principality of Liechtenstein and Switzerland from all of the insurance undertakings that are allowed to operate on the territory of the Principality of Liechtenstein and Switzerland exceeds 250 million francs, then the compensation falling to each beneficiary shall be reduced in such a manner that they no longer exceed this amount.
- 2) Two instances of damage separated in space and time shall constitute one event, if they arise from the same atmospheric or tectonic cause.

IV. Insurance values

Article 8

Assessment of insurance values

- 1) The insurance values shall be determined and assessed by a recognized valuation expert in accordance with the provisions of the Ordinance on Official Real Property Valuations.
- 2) The initial valuation shall be conducted by the Valuation Commission.
- 3) If a policyholder disputes a valuation not conducted by the authorities, then the FMA shall inform him that he may additionally demand a valuation conducted by the authorities. The policyholder shall bear the costs of the additional valuation.

V. Implementation of insurance

Article 9

Bases for calculating the premiums for damage caused by natural forces

- 1) The insurance undertakings shall develop a calculation scheme and use it to calculate the scale of premiums. In this regard, they shall take into account any expected change to the claims expectancy.
- 2) The insurance undertakings shall determine the premium share for administrative costs, safety margin, and profit based on a calculation scheme approved by the FMA. This premium share shall constitute part of the calculation scheme.
- 3) The insurance undertakings shall jointly submit the scale of premiums including the calculation scheme to the FMA. The FMA shall approve it if it is appropriate to risks and costs. The relevant premium shall be indicated to the policyholders in the policy separately and according to amount.

Article 10

Statistics

1) The insurance undertakings shall annually submit data to the FMA on insurance against damage caused by natural forces. The FMA shall process this data into expressive statistics on the experience of the total insurance against damage caused by natural forces. The statistics shall in particular provide information on the premiums, the costs of damage (payments and risk-damage reserves, separated by statistical years), the insurance sum, and the damage events leading to a limitation of liability pursuant to article 7. The damage caused by natural forces not falling within the scope of the insurance requirement according to article 4, paragraph 3 shall not be included in the statistics.

2) Upon submission of a justified application, the FMA may exempt an insurance undertaking from the obligation to submit data. Insurance undertakings not participating shall contribute to the costs of the statistics.

Article 11

Costs

The insurance undertakings shall bear the costs for developing the scales of premiums and the statistics. They shall develop a plan for the cost distribution, which they shall submit to the FMA for approval. Approval shall be granted if the plan provides for a balanced cost distribution.

Article 12

Sufficient insurance coverage

The FMA shall monitor the sufficient insurance coverage of the policyholders and shall work together with the buildings authority in this regard. The buildings authority shall provide the necessary information to the FMA.

Article 13

Contributions for the prevention of damage caused by fire and natural forces

1) The annual total contribution for the prevention of damage caused by fire and natural forces shall be 75,000 francs.

2) Upon request by the FMA, the individual insurance undertakings shall annually pay the proportion of the total contribution allocated to them. In the first quarter of each year, the FMA shall transfer the total amount to the Office of Financial Accounting for the account of the Foundation for Fire Protection and Firefighting in Vaduz.

3) The contributions may only be used for the purpose of fire protection and firefighting and to prevent damage caused by natural forces.

VI. Final clauses

Article 14

Repeal of existing law

The Ordinance of 27 April 1982 on the Law on Insurance Protection of Buildings against Damage caused by Fire and Natural Forces, Liechtenstein Law Gazette LGBl. 1982 No. 40, is hereby repealed.

Article 15

Entry into force

This Ordinance shall enter into force at the same time as the Buildings Insurance Act of 26 November 2004.

The Government
signed *Otmar Hasler*
Prime Minister