



# Norsk Naturskadepool

Norwegian Natural Perils Pool

To member companies of the  
Norwegian Natural Perils Pool

## Circular 14/17

Oslo, 29 November 2017

### CHANGES TO THE RULES FOR THE NORWEGIAN NATURAL PERILS POOL

Regulation No. 3420 of 21 December 1979 on Instructions for the Norwegian Natural Perils Pool, referred to below as “the Rules”, has been amended with effect from 1 January 2018. The changes were adopted by the cabinet on 24 November 2017.

#### **1. The 60% rule**

The 60% rule in Section 3 has been changed.

*Old text: “If a declaration is registered for a building after loss or damage due to a natural disaster pursuant to Section 22 of the Natural Disaster Act stating that the property is especially vulnerable to natural perils and the expenses for improvements are 60 per cent or more of the insured value of the damaged building, the company is responsible for the increase in damage resulting from a denial of repair/rebuilding.”*

*New text: “If a building insured against fire is damaged in a natural disaster, and permission is not given to repair or rebuild the building on the original site due to the danger of further natural damage, the building shall be indemnified as though it were a total loss. In the case of dwellings and holiday homes, the third paragraph of Section 1 of the Act on Natural Damage Insurance applies.*

In other words, the rule that a building must be at least 60% damaged for the insured to be fully indemnified has been removed. There is now no requirement for a particular level of damage before the insured is to be indemnified as though the building were a total loss.

Member companies need to incorporate this change into their terms for natural damage. In the event that a company does not manage to amend its terms in time, we would remind you that the act and regulation take precedence over an insurer’s own terms. Companies must therefore apply this change from 1 January 2018 even if they have yet to amend their own terms.

The change applies only to damage occurring after the revised regulation enters into force.

The new Terms for Settlement through the Natural Perils Pool to apply from 1 January 2018 (cf. Circular 8/17) were published on 12 June 2017 and so do not include the change described above. New, revised Terms for Settlement will be prepared and published as soon as practically possible.

<https://lovdata.no/dokument/LTI/forskrift/2017-11-24-1821>



## **2. Cover for relocation due to danger of further natural damage**

From 1 January 2018, natural damage insurance will cover expenses for relocation due to the danger of further natural damage. It is a condition that the building is damaged in a natural disaster, and that permission is not granted to repair or rebuild the building on the original site due to a danger of further natural damage. In such cases, the insurer must indemnify the market value of the plot prior to the damage, up to a maximum of five decares, cf. the third paragraph of Section 1 of the Act on Natural Damage Insurance.

Similarly, the insured is entitled to indemnity corresponding to the market value of the plot if the ground beneath the building becomes unstable as a result of a natural disaster. In this case, it is not a condition that the building is damaged.

In this context, building refers to a dwelling or holiday home.

Section 3 of the Rules has now been expanded with a fourth paragraph clarifying what counts as a dwelling or holiday home:

*“A building counts as a dwelling or holiday home for the purposes of the third paragraph of Section 1 of the Act on Natural Damage Insurance unless, overall, it has little of the character of a dwelling or holiday home. In making this assessment, emphasis shall be given to, among others, public approvals and registrations, the design and function of the building, the nature of the plot and the locality, the degree to which the building has economic value as a dwelling or holiday home, and the use of the building. An outbuilding shall be covered by the third paragraph of Section 1 of the Act on Natural Damage Insurance only if, overall, it has the character of an outbuilding to a dwelling or holiday home.”*

The requirement to indemnify relocation expenses applies only to damage occurring after the revised regulation enters into force.

Cover for relocation is new, and the handling of claims under this expansion of the act may present challenges. The Claims Committee has therefore decided that companies receiving claims for relocation expenses should consult the committee before taking a position on liability and before paying out.

<https://lovdata.no/dokument/LTI/forskrift/2017-11-24-1821>

## **3. Limit**

Section 2 of Regulation No. 1335 of 15 December 1989 on Retention and Limitation of Liability in Natural Perils Insurance will read as follows from 1 January 2018:

*“Insurers’ combined liability for a single natural catastrophe is limited to NOK 16 billion.”*



In other words, the limit has been raised from NOK 12.5 billion to NOK 16 billion.

<https://lovdata.no/dokument/LTI/forskrift/2017-11-23-1828>

Please direct any questions about the changes to: [pool@finansnorge.no](mailto:pool@finansnorge.no).

Yours faithfully  
For the Norwegian Natural Perils Pool

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