

**Liechtenstein Law Gazette**

Year 2005

No. 20

published on 28 January 2005

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**Law**

of 26 November 2004

**on Insurance Protection for Buildings against  
Damage caused by Fire and Natural Forces  
(Buildings Insurance Act; BIA)**

I hereby grant my consent to the following Resolution adopted by Parliament:

**I. Insurance requirement**

## Article 1

*Principle*

1) The buildings on the territory of the Principality of Liechtenstein shall be insured against fire and natural forces by an insurance undertaking licensed in Liechtenstein.

2) The Government shall regulate the distinction between buildings and chattels by ordinance.

3) Unless otherwise specified in this Act, the masculine terms relating to persons used in this Act shall be interpreted as referring to members of both the female and the male genders.

Article 2

*Exemptions*

- 1) The following shall be exempt from the insurance requirement:
  - a) temporary structures;
  - b) buildings with a replacement value under 10,000 francs.
- 2) The Government shall regulate the distinction between buildings and temporary structures by ordinance.

Article 3

*Commencement and termination of insurance requirement*

The insurance requirement shall commence with the start of construction and shall terminate with demolition or total loss.

## **II. Scope of coverage and benefit thresholds**

Article 4

*Coupling of damage caused by fire and natural forces*

- 1) Insurance undertakings that insure buildings and chattels located in Liechtenstein against fire must also insure them at full value against natural forces.
- 2) The Government shall define damage caused by fire and natural forces by ordinance.

Article 5

*Scope and benefit thresholds for insurance against natural forces*

The Government shall issue more detailed provisions on the scope of coverage against natural forces and its benefit thresholds.

### **III. Insurance values**

#### Article 6

##### *Principle and exceptions*

- 1) Buildings shall be insured at their replacement value.
- 2) In the case of new buildings and substantial increases in value in existing buildings, an insurance policy shall be concluded at the rising value, beginning with the start of construction work.
- 3) The buildings may only be insured at current value if:
  - a) the current value at the time of valuation amounts to less than half of the replacement value;
  - b) it must be assumed that a building will not be rebuilt after a loss event; or
  - c) the owner of the building asserts important grounds that justify this exception.
- 4) Buildings intended for demolition may only be insured at their demolition value.

#### Article 7

##### *Assessment of insurance values*

- 1) The values determined by a recognized valuation expert shall be used as the basis for assessing the insurance values. The Government shall provide further details by ordinance.
- 2) For purposes of preventing underinsurance, the supervisory authority shall be authorized to demand an adjustment of insurance values for all buildings subject to the insurance requirement if construction costs have changed considerably.
- 3) In the case of insurance at the rising value, the probable construction costs shall be used in determining the insurance value.

## **IV. Implementation of insurance**

### Article 8

#### *Guarantee of insurance protection*

1) Through conclusion of a contract with the insurance undertakings engaging in compulsory buildings insurance in Liechtenstein, the Government shall be responsible for implementation of compulsory buildings insurance. Insurance undertakings engaging in compulsory buildings insurance in Liechtenstein shall be required to sign this contract.

2) The scope of coverage and the scale of premiums for insurance against natural forces shall be uniform and binding with respect to insurance undertakings. The Government shall issue more detailed provisions concerning the bases of calculation and their review by the supervisory authority.

3) The Government may take the necessary measures to achieve adjustment of the burden of losses among insurance undertakings, especially by ordering membership in an organization under private law run by the insurance undertakings themselves.

### Article 9

#### *Information requirement vis-à-vis insurance undertakings*

The building values established by a recognized valuation expert shall be communicated to the insurance undertaking by which the building is insured according to information provided by the owner.

### Article 10

#### *Underinsurance*

If the insurance sum of a building is found to be insufficient in comparison with the estimate, then the insurance undertaking shall be entitled to adjust the insurance sum to the actual circumstances. If the policyholder does not agree with the adjustment made, the insurance undertaking shall be required to notify the supervisory authority.

## Article 11

*Insufficient insurance protection*

1) If the insufficient insurance protection cannot be remedied upon review and hearing the views of the policyholder, then the supervisory authority may order sufficient insurance coverage.

2) Moreover, a fine of up to 5,000 francs may be imposed upon the defaulting policyholder. This fine may be imposed repeatedly until the insufficient insurance protection has been remedied.

## Article 12

*Information requirement; statistics*

1) Upon request, the insurance undertakings and the recognized valuation experts must provide the supervisory authority with all necessary information, including necessary statistical data, and must submit their books and business documents for examination.

2) By ordinance, the Government shall regulate the type and scope of the statistics to be compiled by the insurance undertakings.

## Article 13

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

1) The insurance undertakings shall pay a contribution for the prevention of damage caused by fire and natural forces.

2) The contributions by all insurance undertakings may not exceed the total amount of 150,000 francs. The Government shall lay down the total amount by ordinance, taking into account the expenses for the prevention of damage caused by fire and natural forces.

3) The total amount pursuant to paragraph 2 shall be divided proportionally among the individual insurance undertakings. The contribution of each insurance undertaking shall be calculated according to the proportion of its fire insurance sum to the total fire insurance sum of all insurance undertakings in Liechtenstein.

4) The contributions shall be used in accordance with their purpose. The Government shall provide further details concerning the use of the contributions by ordinance.

## **V. Supervision and legal protection**

### Article 14

#### *Supervisory authority*

For purposes of this Act, the supervisory authority shall be the Financial Market Authority (FMA).

### Article 15

#### *Complaints*

1) Decisions and orders of the supervisory authority may be appealed within 14 days of service to the FMA Complaints Commission.

2) Decisions and orders of the FMA Complaints Commission may be appealed within 14 days of service to the Administrative Court.

### Article 16

#### *Legal protection under civil law*

Disputes between insurance undertakings and policyholders shall be decided by the regular courts.

## **VI. Transitional and final clauses**

### Article 17

#### *Existing insurance contracts*

Insurance contracts that do not meet the requirements of this Act and the ordinances issued in conjunction therewith shall be adapted to the new law upon their renewal, but at the latest within five years of entry into force of this Act.

## Article 18

*Execution contract*

The contract pursuant to article 8 for the implementation of compulsory buildings insurance shall be concluded within three months of entry into force of this Act.

## Article 19

*Repeal of existing law*

The Law of 13 December 1973 on Insurance Protection against Damage caused by Fire and Natural Forces, Liechtenstein Law Gazette LGBl. 1974 No. 43, is hereby repealed.

## Article 20

*Change of terminology*

In laws and ordinances, the title "Law of 13 December 1973 on Insurance Protection against Damage caused by Fire and Natural Forces, Liechtenstein Law Gazette LGBl. 1974 No. 43" shall be replaced by the new title "Buildings Insurance Act" in the grammatically correct form.

## Article 21

*Implementing ordinances*

The Government shall issue the ordinances necessary to implement this Act.

Article 22

*Entry into force*

This Act shall enter into force on the day of its publication.

Representing the Reigning Prince:

signed *Alois*

Hereditary Prince

signed *Otmar Hasler*

Prime Minister