

**\*\*\*This document is a generalized discussion of coverage. At all times, and in all instances, the coverage afforded by your policy is as described on your policy declaration and within the applicable policy wordings.\*\*\***

#### Things we need you to tell us:

**An insurance policy can be void if certain changes occur and are not agreed to by your insurer. Some examples of such changes include:**

- **There are any changes to your business operations** - any changes to the nature of your business, including additions or removals to the operations, products or services offered must be declared. It is important to ensure your policy documents accurately describe all aspects of your business.
- **There are changes to the use or occupancy of your business premises** - any use or occupancy of any building or business premises insured must be declared to your insurance company. This includes occupancy or operations completed by other occupants in the premises.
- **If your business revenue changes substantially** - Liability insurance premiums are based on your annual gross revenue, when gross revenue changes from what was last reported to your insurer it must be declared.
- **If you make significant acquisitions, renovations, or changes to your property** - This may mean the limits of coverage need to change.
- **If you have items which leave your business premises** - Your business contents coverage applies only at the business location shown on your policy. Mobile equipment and tools must be insured under a floater and will be shown as a separate item on your policy.

**Your coverage is contingent upon all of the information on file with your insurer being accurate. This includes the occupancy of your location(s)/building(s), the nature of all business activities (ie: products sold, services offered), and your annual business revenue. Operations outside of Canada, new lines of work, changes in volume of work, changes to the use or occupancy of your premises, must be known to your insurer in order for coverage to be valid.**

#### Types of losses where coverage may not apply:

Property insurance policies contain exclusions. It is important to refer to your policy and its' applicable wording to understand your coverage. In general, the following are some of the property losses that are not insured:

- Any building that is vacant
- Loss from damages caused by vermin
- Smoke from agricultural or industrial process
- Loss from terrorism, civil commotion, riot or nuclear incident
- Wear and tear as well as deterioration
- Mould, fungi, spores, or communicable diseases
- Damage from snow slide, mudslide, earth movement, settling contraction or expansion
- Dampness or dryness of atmosphere, extremes of change in temp, including shrinkage, freezing, contraction
- Pollution- damage from actual or alleged spill, discharge, emissions or leakage of pollutants
- Delay, loss of use or occupancy
- Seepage and leakage of water
- Damage from earthquake\*
- Damage from flood / over-land water\*
- Damage from sewer back up\*
- Loss of Income / Business Interruption\*

\* Asterisk means not covered unless an endorsement is present on policy

**Liability insurance policies contain exclusions. It is important to refer to your policy and its' applicable wording to understand your coverage. In general, the following are some of the liability losses that are not insured:**

- Injury that is expected or anticipated
- Contractual liability\*
- Obligations under Workers' Compensation
- The use of aircraft or watercraft\*
- The use of an automobile (auto insurance required)
- Damage to property which you own
- Damage to your product arising from use of product
- Blasting, vibration, or removal or weakening of support structures
- Damage to your work
- Product Recall\*
- Participants (sporting exclusion)\*
- Abuse\*
- Knowingly violating the rights of others
- Breach of contract
- Falsely published material
- Copyright infringement\*
- Employer's liability- damage to an employee arising out of their employment
- Damage to impaired property- resulting from deficiency, inadequacy or dangerous conditions of your work
- Rendering of Professional Services\*
- Criminal Acts

**\* Asterisk means not covered unless an endorsement is present on policy**

### **Optional coverage endorsements:**

**The following are some of the common optional coverages available; these coverages apply only if explicitly stated on your policy or in your policy wording. Note: In some cases, a limit of coverage may apply as shown within your policy documents.**

- Building
- Contents
- Business Interruption
- Sewer Backup
- Flood
- Earthquake
- Contractor's Equipment
- Mobile Tools
- Equipment Breakdown
- Installation Floater
- Crime- Dishonesty, Disappearance & Destruction
- Motor Truck Cargo
- Commercial General Liability
- Professional/ Errors & Omissions Liability
- Non Owned Auto
- Directors & Officers Liability
- Cyber Liability (1<sup>st</sup> Party)
- Cyber Liability (3<sup>rd</sup> Party)
- Cyber Crime
- Pollution Liability
- Rip & Tear
- Medical Malpractice
- Aviation Liability
- Tenants' Legal Liability

**\*Definitions on following pages**

Your policy contains a co-insurance clause, which applies when the limit of coverage on your policy is less than the value of the property which is being insured. If you have replacement cost coverage, then the coverage limit should be the full cost of replacement. This clause does not apply when guaranteed replacement coverage is explicitly stated on your policy. More information can be found at the end of this document.

### Did you know?

- Certain updates to your property can reduce your premium
  - Age of roofing material (ie. Shingles)
  - Age and type of plumbing
  - Age and type of electrical
  - Age of your heating system
  - Age of your water heater

Please contact us to discuss any of the above to see how it may benefit you.

**IMPORTANT!** If you use wood, coal, or oil as a primary or auxiliary heating source anywhere on your premises, the heating appliance and its use must be reviewed and approved by your insurer. Unapproved heat sources will void coverage, whether the heat source causes the loss or not. If you use such heat sources it is imperative that you have and maintain a record of your heating system's approval. If you are unsure if your system is approved please discuss this with us.

## DEFINITIONS

**Aviation Liability:** Provides coverage for the use/ownership of an aircraft.

**Building:** Provides coverage for a building structure, used in whole or in part for your business operations.

**Business Interruption:** Provides coverage for lost profits/earnings, due to a necessary interruption of business, relating to a loss to your physical premises insured by your policy.

**Commercial General Liability:** Provides coverage for bodily injury or property damage to third parties, arising from your business activities. Excluding damage caused due to the rendering of a professional service.

**Contents:** Provides coverage for business contents while located at the business premises shown on your policy.

**Contractor's Equipment:** Provides coverage for mobile equipment, with values in excess of \$2,500.

**Crime:** Provides coverage for loss of money or securities, resting from employee dishonesty, theft, or destruction of cash.

**Cyber Crime:** Protects against direct financial losses due to malicious acts, employee fraud, or social engineering.

**Cyber Liability 1st Party:** Provides coverage for the business' own expenses, which may become necessary for restoration / response to a cyber attack on the insured business.

**Cyber Liability 3rd Party:** Provides coverage for the insured business, should the business be sued by its' customers following the release of their information from the business relating to a cyber attack.

**Directors & Officers Liability:** Management liability for directors and officers for the personal liability incurred based on allegations of negligence, errors or omissions and defined as a "wrongful act" in managing corporate affairs.

**Earthquake:** Extends coverage to include loss caused by earthquake shock.

**Equipment Breakdown:** Extends coverage to include damage from breakdown or electronic circuit impairment to insured property.

**Flood:** Extends coverage to include loss caused by the breaking out or overflow of water including surface water.

**Installation Floater:** Provides coverage for material which will form part of your project from the point of pick up to site, and while awaiting installation. Coverage ceases when the material is actually installed and becomes part of the project.

**Medical Malpractice:** Covers a professional's negligence in providing healthcare related services.

**Mobile Tools:** Provides coverage for mobile misc. items including tools, with individual values under \$2,500.

**Motor Truck Cargo:** Provides coverage for the legal liability of the policy holder acting as a carrier, who has care and custody of the cargo of others.

**Non Owned Auto:** Provides liability coverage for the business (not the vehicle owner) resulting from the use of vehicles not owned by the business, for business purposes.

**Pollution Liability:** Provides coverage for bodily injury and property damage to third parties, relating to the escape or release of pollutants. Coverage applies when loss is sudden and accidental, not continuous. Your coverage will have a reporting period of time in which an incident must be reported to your insurer for coverage to apply.

**Professional/ Errors & Omissions Liability:** Provides coverage for error's and omissions made, causing damage to a third party, in the course of rendering a professional service.

**Rip & Tear:** Covers the cost to remove a contractor's faulty work, if such work makes the project unsafe.

**Sewer Backup:** Extends coverage to include loss caused by the backflow of waste water into the insured property.

**Tenants' Legal Liability:** Provides liability coverage for property damage to rented premises.

## What is Co-insurance?

Co-insurance is an important condition contained within virtually all property insurance policies and is a condition that you need to understand. Co-insurance pertains to property coverage, including but not limited to, buildings, contents, stock, equipment, business interruption, tools, equipment, recreational properties, rental properties, as well as recreational items (boats, motors, ATVs, etc.).

The condition of co-insurance exists when a limit of coverage is less than the required amount of insurance, as stipulated by the co-insurance clause.

When a property is deemed to be co-insured, a formula determines the amount of reimbursement that a policyholder will receive in the event of a claim. The co-insurance amount is usually specified as a percentage on your policy declaration pages.

The co-insurance formula is:

$(\text{Actual Amount of Insurance}) \times \text{Amount of Loss} = \text{Amount payable by your policy} (\text{Required Amount of Insurance})$

### Example #1

Building's Current Replacement Value \$1,000,000 Co-insurance Requirement 90%

Required Amount of Insurance \$900,000 Actual Amount of Insurance \$600,000 Amount of Loss \$300,000

Inserting the amounts above in the formula produces the following calculation:  $(\$600,000) \times \$300,000 = \$200,000$   
 $(\$900,000)$

In this situation, the insurance company paid \$200,000 of the loss and the policyholder absorbs a \$100,000 co-insurance penalty, since they underinsured the building by one-third.

If the building had been insured to the amount required by the co-insurance clause (in this case, 90%), the co-insurance calculation would look like this:

### Example #2

Building's Current Replacement Value \$1,000,000 Co-insurance Requirement 90%

Required Amount of Insurance \$900,000 Actual Amount of Insurance \$900,000 Amount of Loss \$300,000

$(\$900,000) \times \$300,000 = \$300,000$   $(\$900,000)$

In the second example, since the owner met the co-insurance requirement (90% or more of the calculated value) the claim is paid without penalty. As you can see from the examples above, ensuring your policy's limits are adequate can significantly impact the claims payouts and your internal cost in the event of a claim.

**Still curious about co-insurance?**

**Access our [co-insurance video](#) and other videos on our YouTube channel.**

**If you would like to review your current policy limits and discuss co-insurance, please contact your broker and ensure your limits are adequate.**