



# COMMERCIAL MORTGAGE TRANSACTIONS 2013

## How to Manage Insurance Requirements in Mortgages

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# **How to Manage Insurance Requirements in Mortgages**

Rory Roberts, Chairman, *INTECH Risk Management Inc.*

## **1. The “must haves” – Property insurance**

All risks property and business interruption

Replacement Cost

Stated Amount clause – coinsurance conditions

Building by-laws

Canadian Standard Mortgage Clause

Loss Payee Clause

30 days notice of cancellation to the Lender

Insurers licensed in the Province

Properly rated insurers

## **2. The “should haves” – Property insurance**

Earthquake

Flood

Collapse

Sewer back-up

Removal of “same site” clause

Automatic reinstatement clause

### **3. The “must haves” – Boiler & Machinery insurance**

Broad form and Business Interruption

Appropriate values declared

Building by-laws

Mortgagee and Loss Payee clause

30 days notice of cancellation to the Lender

Insurers licensed in the Province

Properly rated insurers

**4. The “should haves” – Boiler & Machinery insurance**

No exclusion for Pollution

**5. The “must haves” – Liability insurance**

Commercial General Liability and Umbrella/Excess Liability

Appropriate Limits of Liability

IBC 2313 – Sudden & Accidental Pollution

Lender as an Additional Insured

Waiver of Subrogation in favor of the Lender

30 days notice of cancellation to the Lender

Insurers licensed in the Province

Properly rated insurers

**6. The “should haves – Liability insurance**

Blanket contractual liability

Contingent employers’ liability

Cross liability & severability of interest

No XCU exclusion (Explosion, Collapse and Underground risks)

Liquor liability (where applicable)

Professional Liability (where applicable)

**7. The “must haves” – ALL classes of insurance**

Satisfactory proof

No exclusionary language in the Certificate of Insurance

For US companies operating in Canada, with insurance supplied by their US insurers, satisfactory evidence of compliance with Bill C80 (documents countersigned by licensed Canadian insurance brokers arranged with Canadian licensed insurers)