

## IMPORTANT NOTICE

### Commercial Damage Insurance

An insurance policy is an important document. We strongly recommend you read through your policy carefully to fully understand the coverage it contains as well as the exclusions and limitations which may restrict the extent of the coverage it provides.

### Insured's Obligations

The insured is required to promptly declare, to the insurer, any circumstances that could increase the risks stipulated in the policy. This is especially true if these circumstances could influence the insurer in the assessment of risk, the establishment of premium or the decision to maintain coverage. Here are some examples of circumstances that could aggravate the risk:

- activities other than those detailed in your contract
- renovations or the purchase of new equipment affecting the value of the insured property
- the temporary or long-term vacancy of the insured premises
- the sale or increase of sales to a foreign country

### Coinsurance Clause

The coinsurance clause is found in most commercial damage insurance policies. This clause stipulates that the amount of insurance subscribed by the insured must equal the actual or replacement cost value of the property, in a proportion of 80, 90 or 100%. If the amount of insurance is not determined following the specified percentage, the insured will be considered as a coinsurer of the property and will therefore need to absorb part of the loss in the event of a claim. Using the appropriate formula, we have provided two examples of how the insurance company would calculate the indemnity to be paid in the event of a partial loss:

$$\text{Claim amount to be paid} = \frac{\text{Actual Amount of Insurance}}{\text{Required Amount of Insurance}^*} \times \text{Amount of the Loss}$$

*\*Required Amount of Insurance = % of the coinsurance clause X Actual Property Value*

### Examples

#### Client is underinsured

- Actual property value: \$100,000
- Coinsurance clause: 80%
- Required amount of insurance: \$80,000
- Actual amount subscribed: \$60,000
- Amount of loss claimed: \$50,000
- Calculation of the indemnity to be paid:  
 $(\$60,000 \div \$100,000 \times 80\%) \times \$50,000 = \$37,500$

The insured would absorb the \$12,500 difference between the amount claimed and the amount paid.

#### Client is adequately insured

- Actual property value: \$100,000
- Coinsurance clause: 80%
- Required amount of insurance: \$80,000
- Actual amount subscribed: \$80,000
- Amount of loss claimed: \$50,000
- Calculation of the indemnity to be paid:  
 $(\$80,000 \div \$100,000 \times 80\%) \times \$50,000 = \$50,000$

The indemnity paid by the insurer would coincide with the complete amount claimed, \$50,000.

**To be fully protected, it may be warranted to obtain a professional assessment of the replacement cost value of your property every three (3) years.**

## Main Exclusions in Commercial Damage Insurance

### Property Insurance

- computer data
- terrorism and the risk of war
- drought, humidity, temperature variations
- scratches, dents, and discoloration
- earthquakes\*
- ground movements, landslides, and avalanches
- flood\*
- backflow from sewers or sumps\*
- consequences of a nuclear incident
- vacancy or inoccupation of the premises for a period of more than 30 days\*
- normal wear and tear
- consequences of legal provisions\*
- property illegally acquired or held
- goods loaned or rented to third parties
- losses discovered during an inventory
- any dishonest act or criminal offence on the part of the insured or its employees\*
- direct or indirect damages caused by and to electrical appliances or pressure equipment\*
- direct or indirect damages caused by asbestos
- direct or indirect damages caused by the presence of spores or fungi
- cyber risks

### Liability Insurance

- pollution risks\*
- terrorism and cyber risks
- punitive and/or exemplary damages
- professional liability\*
- intentional damages caused by, or instigated by the insured
- damages for which the insured, by contract, has assumed all responsibility
- injuries sustained by an employee of the insured
- responsibility for any vehicle, aircraft, boat, and premises used as an airport
- deterioration and destruction of property under the care, custody, or control of the insured
- direct or indirect damages caused by asbestos
- direct or indirect damages caused by the presence of spores or fungi\*

*\*All exclusions marked with an asterisk may be changed or cancelled by endorsement or by subscribing to a separate, complimentary policy.*

**It is important to read your insurance policy to identify and understand the exclusions that apply to you.**