

## **LANYARD INSURANCE REQUIREMENTS**

### **PROPERTY UNDER CONSTRUCTION**

It is clearly understood and agreed that the insurance requirements contained herein are a minimum guide and, although they must be adhered to throughout the duration of the Mortgage, they in no way represent the Lender's opinion or advice as to the full scope of insurance coverage a prudent Borrower would arrange to adequately protect its interest.

If the Borrower fails to take out or to keep in force or provide the Lender with evidence of such minimum insurance as is required hereunder, then the Lender may, but shall not be obligated to, take out and keep in force such insurance for the benefit of the Lender, at the immediate sole cost and expense of the Borrower.

#### **A - GENERAL CONDITIONS:**

1. All insurance policies shall be in a form and with insurers reasonably acceptable to the Lender. Deductibles, where used, will be allowed only as they may be reasonably acceptable to the Lender.
2. The Borrower will provide the Lender with satisfactory evidence that the required insurance coverage is in place.
3. The Lender retains the right to update and change these Insurance Requirements at any time during the term of the mortgage agreement.
4. The Borrower shall be a Named Insured on all policies.
5. All losses will be payable to the Lender as First Mortgagee and the policies will include an Insurance Bureau of Canada Standard Mortgage Clause.

If there is currently a first mortgage on the Property, then the policies will show losses payable to the Lender as Mortgagee as their interest may appear, until the insurer has received a release of interest from the prior lender at which time the policies will be endorsed to show losses payable to the Lender as First Mortgagee.

6. The policy shall contain a clause that the Insurer will neither terminate nor alter the policy to the prejudice of the Lender except by registered letter to the Lender giving notification of at least thirty (30) days. The Borrower will replace any terminated policy providing similar coverage with no cessation in coverage.
7. In no event shall the amount of insurance under Section B or C be less than the full contract price of the project including reasonable soft costs.
8. The Borrower shall provide the Lender evidence of renewal of all policies and certificates at least thirty (30) days prior to their respective expiry.

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9. In the event the Borrower intends to change insurance carrier(s) and/or the terms of insurance coverage subsequent to the funding of the Loan, the Borrower agrees to first provide replacement certificates of insurance to the Lender confirming that the proposed coverage meets the provisions of these insurance Requirements.

**B - PROPERTY INSURANCE:**

The Borrower will insure and keep insured for the full term of the construction period:

1. All-Risk Builder's Risk Form in the full amount of the estimated completed construction cost, and to include Flood, Earthquake and Sewer Back Up.
2. The policy shall allow for partial or complete occupancy.

**C – EQUIPMENT BREAKDOWN INSURANCE (BOILER AND MACHINERY)**

The Borrower will also maintain Equipment Breakdown Insurance to cover all building equipment and machinery (and production machinery, if applicable) for explosion, electrical loss or damage and mechanical breakdown. Such coverage shall include testing.

**D – BUSINESS INTERRUPTION INSURANCE:**

The Borrower will maintain Business Interruption Insurance on the form known as Delayed Income (or its equivalent) for loss resulting from those perils covered by the insurance described above in Sections (B) and (C). The period of indemnity will not be less than twelve months. The coverage will provide for not less than 100% of such loss of profits or rent.

**E – LIABILITY:**

The Borrower will maintain Public Liability Insurance in an amount of not less than \$5,000,000 per occurrence, on either a Comprehensive General Liability or Commercial General Liability basis. The policy will name the Lender as an Additional Insured (but only in respect to liability arising out of the operations of the Borrower).