

Co-insurance

Your policy contains a “co-insurance clause.” The “co-insurance clause” is important in determining what amount is paid to you if there is a partial loss to your property. By purchasing only the minimum amount of insurance required in the co-insurance clause, you are taking on some financial responsibility for the risk of loss to your property.

For example, this year, your appraiser determines that your property would cost \$1,000,000 to replace. If the co-insurance clause requires you to maintain 90% co-insurance, you must carry at least \$900,000 worth of insurance coverage on your property. If there was a \$600,000 loss to your property, and you had purchased at least the \$900,000 coverage that the co-insurance clause requires, we would pay \$600,000 to you.

If you only purchased \$700,000 worth of coverage, and had a \$600,000 loss, there would be a penalty because you chose to only insure to 78% of the required minimum. This would result in only 78% of the \$600,000 loss (\$468,000) being paid by the insurance company. You would be required to cover the remaining \$132,000 yourself.

In the event that your property was a total loss, we would look at the insurance limits that you purchased to determine the maximum amount we would pay. If your co-insurance clause required you to carry \$900,000 worth of coverage, and you chose to carry only that minimum, we would pay you \$900,000 though the building would actually cost \$1,000,000 to replace. For this reason, we strongly recommend that you insure to 100% of the replacement cost value of your property.

Building Values and Insurance Policy Limits

At The Co-operators, our goal is to make sure that you have the right coverage in the right amounts for your needs. Higher labour costs and a strong market for building construction mean that replacement costs change rapidly and leave you at risk of inadequate coverage if you have a loss.

You have choices and responsibilities to ensure that your insurance coverage meets your needs. It is your responsibility to establish what your property would cost to replace and to review this value annually. You must also ensure that you are buying enough coverage to diminish your risk of financial loss. The software we use can estimate the replacement costs of your building, but we strongly recommend that you obtain a professional appraisal of your property before deciding how much insurance coverage to buy.

You must choose:

- How you determine the current replacement value of your property
 - Rely on the software estimation
 - Obtain a professional appraisal
 - Rely on your own knowledge

- What limit of insurance you wish to purchase
 - The minimum coverage that the co-insurance clause requires
 - More than the minimum coverage, up to 100% of the replacement value of your property

I wish to base the limit(s) of insurance on my building(s) on the following:

- I have provided you with a current professional replacement cost appraisal at today's meeting. I understand that it is still my responsibility to comply with the provisions of the co-insurance clause under this policy.

- I will insure my building(s) based on the valuation calculated by the Commercial Express Software. I understand and agree that a current professional replacement cost appraisal is the preferred method and that I may be faced with a co-insurance penalty on a future claim by using this method. I have signed the Commercial Express Disclaimer form PC-CGG188.

- I will insure my building(s) based upon my own knowledge of construction costs, or knowledge provided to me by others, such as local builders. I understand and agree that a current professional replacement cost appraisal is the preferred method and that I may be faced with a co-insurance penalty on a future claim by using this method.

Client's Signature

Date

Policy Number
