



# MORTGAGE IMPAIRMENT INSURANCE FOR PRIVATE LENDERS

*Tailored to meet the needs of MBABC Members*

**mbabc.ca** | mortgage brokers association of bc

## What is it?

An All Risk Comprehensive Property insurance policy protecting the private lender's mortgage interest against physical loss or property damage. Until now, this type of protection was only affordable to the largest banks and trust companies lending in Canada.

## Who is eligible to purchase the product?

The Mortgage Impairment insurance policy is **available exclusively to MBABC members**. Mortgage administrators, individual private lenders, Mortgage Investment Corporations and mortgage brokers arranging private mortgages can all purchase this policy.

### **PART 1: Mortgage Impairment – Protecting the Mortgagee's Interest**

The Mortgage Impairment policy should be considered **contingent** coverage for private lenders/mortgagees. The policy protects insured mortgagees against losses on properties in their portfolio that were believed to have valid primary insurance at the time of the loss but after the loss were found to have:

- a) **NO** valid insurance in force; or
- b) The amount or type of valid insurance in force was insufficient to cover the mortgagee's interest.

The policy covers all commercial and residential properties funded by a particular mortgagee (*i.e., private investor*) within the mortgage portfolio managed or administered by the lender or administrator listed on the policy.

### **Mortgage Impairment Coverage Limits**

Mortgage Lenders and Administrators can select one of the following options for Mortgage Impairment Losses under the program:

- a) Total policy limits from **\$500,000 to \$4,000,000** for residential and commercial losses;
- b) Typical limits selected are **\$500,000, \$1,000,000, \$2,000,000, \$3,000,000 or \$4,000,000**.

### **PART 2: Primary Property Damage Coverage**

This policy provides All Risk Comprehensive primary property insurance prior and subsequent to title passing to the insured mortgagee in which there is:

- a) No other property insurance;
- b) Inadequate insurance exists (*the limit of coverage is less than the mortgage amount outstanding*); or
- c) Evidence of insurance has not been received from the mortgagor.

Properties on which the Insured mortgagee holds a mortgage or other security interest are eligible.

***For more information about this program please contact:***

**MBABC Program Manager | PROLINK Insurance Group Inc.**

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**Online:** [bit.ly/MBABCInsurance](https://bit.ly/MBABCInsurance)



## How is Primary Property Insurance put in Effect?

Individual properties (*residential and commercial*) are listed under the policy with primary property insurance for the exact number of days coverage is required. Every three months the policyholder provides PROLINK with an updated list of properties for which primary property insurance is in effect. There is **NO additional cost** to cover properties that require primary property insurance. The premium you pay at the beginning of the policy term will cover all of your primary property insurance requirements for the 12 month policy. This is a **major** advantage over having to purchase individual policies through high-risk insurers where policies will start at **\$1,500** for three months of coverage.

### Primary Property Insurance Coverage Limits

The limit of coverage you purchase for Primary Property insurance is separate and distinct from the limit of coverage available for Mortgage Impairment losses (*see Part 1*).

Coverage limit options for properties under Power of Sale or Repossessed:

- \$500,000 limit per loss; or**
- \$1,000,000 limit per loss; or**
- \$2,000,000 limit per loss.**

In the event of a claim, the Insurer will pay the lesser of:

- a) The limit of coverage purchased;
- b) The insured's mortgage interest in the damaged or destroyed property; or
- c) The amount it would cost the Insured, at the time of loss or damage, to repair or replace the property with similar materials.

### What Does the Policy Cost?

This unique and valuable product is available for only **\$1,600** per year if the total mortgage portfolio being insured is valued at less than **\$3,000,000** as of the application date. The premium increases on a gradual scale if the total value of the mortgage portfolio being insured is greater than **\$3,000,000**.

### General Exclusions:

An All Risk property policy insures against direct physical loss or damage to the insured property unless excluded in the policy. The exclusions in the **Chubb Insurance** Mortgage Impairment policy are typical of most All Risk Property insurance policies.

Notable exclusions include:

- a) Land;
- b) Money, securities, jewelry and other valuable papers;
- c) Losses due to mould and fungus;
- d) Losses due to drug activity.

### Mortgage Impairment Policy Administration:

This policy will **reduce** the hours your firm spends administering insurance for borrowers. Once the mortgage impairment policy is purchased, the policy holder (*mortgage administrator or lender*) simply notifies PROLINK with an updated list of properties that require primary coverage every quarter via a spreadsheet.

## PART 3: Optional Premises Liability for Repossessed Properties

Premises Liability insurance protects the lender in a Power of Sale because they are in effect the mortgagee in position and have assumed liability related to their property. If someone is injured on the property then the lawsuit will likely name the mortgagee in possession. Premises Liability coverage can be added to the policy starting at **only \$500 per year** for all properties insured. The limits of coverage available **range from \$500,000 to \$2,000,000 per policy term**. Liability insurance can also be added to the following types of high-risk properties under Power of Sale or repossession: under construction, vacant, boarding houses and multi-family dwellings.

**No additional application** is required to add premises liability insurance to any residential or commercial property.

