



**Partners
Indemnity**

Insurance Brokers Ltd.

Established 1923

Managing Insurance and other Obligations for leased Office Space

Are you a tenant or subtenant?

The first question you should ask yourself – one that is often overlooked – is: “What are the insurance requirements under my lease agreement with my landlord?”

It is important you read and understand all the terms of your lease, particularly the sections setting out the obligations of the landlord and yours as a tenant. We highly recommend that you have the lease reviewed by a lawyer prior to signing.

Indemnification

This section of your lease spells out your obligations to the landlord for various matters including liabilities and tenant’s improvements.

Liabilities. This section sets out your obligation as the tenant to protect the landlord against claims made against them due to your negligence. For example; if a patient enters your leased premises, slips and injure themselves and makes a claim against both you and your landlord, your landlord would expect you to defend them, should it be determined that you were negligent.

The Indemnity section should also contain a reciprocal condition that requires the landlord to indemnify *you* (the tenant) in the case of a liability claim made against you due to the landlord’s negligence. For example: if a patient approaching the clinic slips and falls on the sidewalk leading up to the clinic because the landlord has not repaired an uneven piece of concrete. If this clause does not appear in the lease it should be added following consultation with your lawyer.

Tenant’s improvements. This is often the most misunderstood condition in a lease. It is important to clearly understand whether you are responsible for replacing any pre-existing improvements, or if the requirement is limited to the improvements you personally added to the premises before, upon moving in, or during the term of your lease. Examples of tenant improvements include interior wall finishing (including exterior and inner office partitions, fixtures, and in some cases HVAC systems). Replacement costs for tenant’s improvements range between \$50 and \$60 per foot.

Insurance requirements for indemnities and tenants improvements

Liability Insurance. Your lease will contain a requirement that you insure for commercial general legal liability insurance. This covers you for any third party bodily injury and property damage claims for specified limits, usually ranging between \$2,000,000 and

\$5,000,000. The insurance clause will state that you hold the landlord harmless from liability arising due to your negligence. It requires you to add the landlord's name to your liability policy as an additional insured to cover the landlord in the case of a negligence claim such as a slip-and-fall claim. Again, your negligence must be proven for this section to apply.

Tenant's Improvements insurance. As a tenant you will be required to insure for the replacement value of any tenant's improvements. This clause may also request that you add the landlord as an additional named insured in case of an insurance related direct physical loss or damage to the tenant improvements. This is usually addressed by adding "loss payable to the Landlord as their respective interest may appear" to the loss payee clause in your insurance policy.

If you have any questions please contact Partners Indemnity Insurance Brokers Ltd. at 1.877.427.8683 or email cand@partnersindemnity.com.

We have you covered!

Contact Us

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Are there particular questions you have or topics you would like to see covered in our article series? If so please e-mail them to insurance@cand.ca.