Personal Guarantee Insurance: what lenders ask us

The policy sits entirely with the director who signed the guarantee. It does not change the guarantee, the loan, or the lender's rights, and the lender has no role in it.

Does the policy affect the guarantee's enforceability?

NO

The personal guarantee stands exactly as signed. The policy is a separate contract between the insurer and the director. It does not amend, release, condition or delay the guarantee, and it needs no consent or notice from the lender.

The director remains fully liable to the lender for the whole amount demanded, whether or not a claim is ever paid.

Is the lender a party or a beneficiary?

NO

The lender is not a party to the policy, not a named or loss payee, and receives no certificate or assignment of proceeds. Any payment goes only to the insured director, who then pays the lender.

The policy is not credit enhancement and is not designed to be relied on in a lender's credit decision.

What is the borrower's skin in the game?

20%

- **Your Contribution:** the director bears 20% of the final amount demanded on every claim.
- Any documented amount the director owes the company is also deducted.
- Cover is capped at the sum insured, up to CAD $1,000,000.
- Excluded: guarantees where the director knew or should have known of insolvency before cover started, deliberate or dishonest acts, and money taken from the company improperly.
- Cover ends if the director becomes personally bankrupt or stops being a director.

How do claims actually work?

4 CONDITIONS

The insurer pays the director only when all four have happened:

1. The company has entered a formal insolvency procedure.
2. That procedure has concluded, including distributions.
3. The office holder has realised the assets and distributed the proceeds.
4. After negotiation, the lender has issued a final settlement request under the guarantee.

The insurer then pays the director, who pays the lender. The payment is the final amount demanded, up to the sum insured, less the director's 20% contribution. Earlier, before any insolvency, the director can use a Support Desk and a Demand Mitigation Response Service (reasonable costs reimbursed up to CAD $10,000) for professional help to weather financial pressure while the business is still trading. The policy is claims-made: claims must be first made and reported while the policy is active and premiums are paid.

More for lenders, and how commercial teams refer clients https://pgicover.com/for-lenders/

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