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WHITE PAPER

A Plumbing and HVAC Buyer Matches His Cover to the Life of His Guarantee

By **PGicover Editorial** · September 2026 · 7 min read

SUMMARY

- Marc Tremblay-Ross bought a plumbing and HVAC services company in Kelowna, British Columbia, two years ago using a bank acquisition loan and a seller note.
- Both the acquisition loan and the seller note carry his personal guarantee, and the seller earnout has about 18 months left to run.
- A slowing housing market and rising costs made him uneasy about a guarantee that will outlast the earnout period tied to the deal.
- He liked that the policy renews yearly on a claims-made basis, so he can carry it through the earnout and stop once the exposure ends rather than paying for cover he no longer needs.
- The business paid the annual premium in full, and Marc says he got back to running the company instead of watching the loan.

The business

Marc Tremblay-Ross is 52 and bought a plumbing and HVAC services company in Kelowna, British Columbia, two years ago. The business had been operating in the Okanagan for close to twenty years before Marc took it over, with a steady base of residential and light commercial service contracts. He kept the existing team in place through the transition and has focused since on retaining long-standing customer relationships while gradually expanding into new-build HVAC installation work.

The acquisition was structured with a bank loan covering most of the purchase price, plus a seller note from the previous owner to bridge the remainder. The seller note comes with an earnout arrangement, tied to the business hitting certain performance targets over a defined period, with roughly 18 months left before that arrangement completes.

The guarantee

Both the bank acquisition loan and the seller note carry Marc's personal guarantee. That is typical for an acquisition of this size and structure. The 2026 research found that every lender surveyed requires a personal guarantee at least sometimes, and 59 percent said they always require one. Among the reasons lenders gave, internal policy accounted for 18 percent and loan amount accounted for another 18 percent, both relevant to an acquisition loan where the bank is financing a change of ownership rather than lending against a long operating track record under the new owner.

Marc had bought and sold assets before in a different line of work, but this was his first time personally guaranteeing a loan of this size. Like most founders, he moved through the closing process quickly. The 2026 research found 74 percent of founders had signed a personal guarantee, and a quarter, 25 percent, said no one explained the guarantee to them before they signed. Marc puts himself close to that group. His lawyer flagged the guarantee clause during the closing review, but the conversation was brief, focused on the deal closing on schedule rather than what the guarantee would mean years down the road.

> *I stopped watching the loan and got back to running the company.*

What kept them up at night

Two things weighed on Marc as the deal settled in. The first was the housing market itself. New-build HVAC work depends heavily on construction activity, and a slower housing market in the Okanagan meant fewer new installation contracts than he had budgeted for in his first year of ownership. Material and labour costs were also higher than he had planned for, squeezing margins on jobs he had already priced.

The second was more specific to how the deal was structured. The seller earnout has a defined end date about 18 months out, but the guarantee on both the bank loan and the seller note does not automatically end when the earnout does. Marc realized his personal exposure would keep running well past the point where the deal itself was considered complete, for as long as the underlying loans remained outstanding. That mismatch, between an earnout with a clear finish line and a guarantee without one, was what he found hardest to stop thinking about.

How they found out

Marc came across Personal Guarantee Insurance while researching how other acquisition buyers had structured their financing, a search prompted partly by conversations with his lawyer about the guarantee's open-ended nature. He was not surprised to learn most people in his position had never heard of it. The 2026 research found that 61 percent of founders were not aware personal guarantee insurance exists at all, and Marc had been in that group himself until he went looking specifically for ways to manage the guarantee's timeline.

What drew him in was the way the policy is structured. Cover is written on a claims-made basis and renews annually, which meant he was not committing to a fixed multi-year term regardless of how his situation changed. He liked that he could match the cover to the actual life of his exposure, carrying it through the earnout and the loan guarantee, and stopping renewal once both are behind him, rather than paying for protection that outlasts the risk it is meant to address.

74%	25%	61%
of founders had signed a personal guarantee	said no one explained the guarantee before they signed	were not aware personal guarantee insurance exists

Source: PGicover and Venture for Canada research, 2026.

What the policy does, and does not do

WHAT THE POLICY DOES

- Reimburses the director for part of what they pay under a called guarantee, up to the policy limit.
- Pays after the company's formal insolvency process has concluded.
- Applies while the policy is active and premiums are paid.
- Pays the director, never the lender.
- Leaves the loan and the guarantee exactly as signed.
- Covers guarantees of $50,000 or more for private Canadian companies outside Quebec.

WHAT THE POLICY DOES NOT DO

- Cover the whole guaranteed amount.
- Pay at the first demand, or before the insolvency process ends.
- Cover a guarantee reported after the policy has lapsed.
- Pay the lender or change the lender's rights.
- Remove the guarantee or stop a business from failing.
- Apply in Quebec.

The decision

Marc reviewed the terms with his lawyer, focusing on the claims-made structure and how renewal would work as the earnout approached its end date. Satisfied that both the bank loan guarantee and the seller note guarantee qualified, he decided to proceed. The business paid the annual premium in full at the outset, rather than spreading it monthly, a choice that suited the company's cash position at the time.

> *I can carry the cover through the earnout and stop when the exposure is gone.*

Eighteen months later

With the earnout period now close to finishing, Marc says the biggest change has been less about any single event and more about where his attention goes day to day. He stopped watching the loan and got back to running the company. He describes the renewal structure as a genuine fit for his situation: I can carry the cover through the earnout and stop when the exposure is gone, rather than paying for something that outlasts the risk. He also sleeps better, and says the housing market and cost pressures that used to keep him up now feel like ordinary business problems rather than personal ones.

> *No one explained the guarantee to me before I signed.*

For business owners

- A personal guarantee on an acquisition loan often outlasts other parts of the deal, including an earnout. Check the guarantee's own end point, not just the transaction's.
- A claims-made, annually renewable structure lets you match cover to how long the exposure actually lasts, rather than locking into a term that does not fit the deal.
- Ask your lawyer to walk through the guarantee clause specifically, separate from the rest of the closing documents, before you sign.

For advisors, brokers and lenders

- Lenders in the 2026 research cited internal policy and loan amount, each at 18 percent, as reasons for requiring a guarantee on deals like an acquisition loan, alongside collateral and credit history concerns.
- Eighty-eight percent of advisors surveyed said they would explore an insurance option for a client facing a personal guarantee, suggesting the topic is welcome when an advisor raises it during deal structuring.
- For acquisition deals with an earnout or seller note, flagging the mismatch between the earnout timeline and the guarantee timeline early gives the buyer room to plan for it before closing, not after.

Where to start

Before you sign any guarantee, the checklist at questions to ask before you close is worth reading first.

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This paper describes a hypothetical case. Names, businesses and figures are illustrative.