

POLICY OF TITLE INSURANCE

The TitlePLUS Policy is issued and underwritten by Lawyers' Professional Indemnity Company (the "Company").

COVERAGE STATEMENT

Subject to the EXCLUSIONS, the exceptions from coverage contained in Schedule B and the CONDITIONS, this Policy insures, as of the Policy Date shown in Schedule A (or, to the extent expressly stated below, after the Policy Date) against loss or damage, not exceeding one hundred twenty-five percent (125%) of the Policy Amount stated in Schedule A, sustained or incurred by the Insured by reason of:

COVERED RISKS

1. Title to the estate or interest described in Schedule A being held other than as stated therein;
2. Any defect in or charge, lien or encumbrance on the Title, including but not limited to loss or damage from:
 - a. Fraud, forgery, impersonation, undue influence, duress, incompetency or incapacity;
 - b. A document upon which the Title is based is invalid, impaired or unenforceable because it is not properly created, executed, witnessed, commissioned, notarized, signed, sealed, acknowledged, authorized, delivered, or registered, recorded or indexed in the Public Records, in accordance with the requirements authorized by law;
 - c. A document executed under a falsified, revoked, expired or otherwise invalid power of attorney;
 - d. A defective judicial or administrative proceeding;
 - e. A judgment, tax (including assessments of supplemental realty tax not previously assessed against the Land for any period before the Policy Date), special assessment or public utility account, or a charge by a condominium corporation.
3. Unmarketability of the Title;
4. Lack of a right of pedestrian and vehicular access to and from the Land, based upon a legal right;
5. Invalidity or unenforceability of the Insured Mortgage upon the Title, including but not limited to loss or damage from any of the following:
 - a. Fraud, forgery, impersonation, undue influence, duress, incompetency, or incapacity;
 - b. A document upon which the Title is based is invalid, impaired or unenforceable because it is not properly created, executed, witnessed, commissioned, notarized, signed, sealed, acknowledged, authorized, delivered, or registered, recorded or indexed in the Public Records, in accordance with the requirements authorized by law;
6. The priority of any defect, lien or encumbrance over the Insured Mortgage on or after the Policy Date;
7. Lack of priority of the Insured Mortgage as to each and every advance of proceeds of the indebtedness secured by the Insured Mortgage, which as of the Policy Date the Insured has made or is obligated to make, over any statutory lien for services, labour or material arising from an improvement or work related to the Land, whether or not:
 - a. The lien or liens arise prior to, on or after the Policy Date; or
 - b. The improvement or work is contracted for or commenced prior to, on or after the Policy Date.
8. Any assessments for local improvements under construction or completed as of the Policy Date which gain or may gain priority over the Insured Mortgage prior to, on, or after the Policy Date;
9. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens;
10. The invalidity or unenforceability of the Insured Mortgage upon the Title based upon a violation of the usury laws of the jurisdiction where the Land is located;
11. The failure of the Land to have the municipal address shown in Schedule A;
12. The failure of the Land to contain at least one single family residence or condominium (if indicated in the legal description in Schedule A) with the municipal address shown in Schedule A;
13. The failure of the existing improvements with the municipal address shown in Schedule A to be located on the Land;
14. The exercise of a right of expropriation if a notice of the exercise, describing any part of the Land, is registered in the Public Records;
15. Any expropriation that has occurred and is binding on the rights of a purchaser for value without Knowledge;

16. a. Any outstanding work orders, notices of violation or deficiency notices against the Land;
 - b. The failure of the Land to comply with the applicable zoning by-laws;
 - c. The failure of the Land to be zoned to permit at least one single family residence or condominium (if indicated in the legal description in Schedule A); or
 - d. The existing structures or any part of them are located on land under the jurisdiction of conservation or similar Governmental Authority without approval.
17. The failure of the Land to be a lawfully created parcel according to provincial, territorial or municipal legislation governing subdivision of land and zoning by-laws adopted pursuant thereto;
 18. Any violation of a subdivision, development or related agreement;
 19. Failure of the existing residential structure or any portion thereof, or a modification thereto or replacement thereof constructed after the Policy Date, to have been constructed with a valid building permit from the proper Governmental Authority;
 20. Any violation, variation, or adverse circumstance affecting the Land that would have been disclosed by an up-to-date Survey, including, but not limited to, any encroachment of existing improvements located on the Land onto adjoining land and any encroachment onto the Land of existing improvements located on adjoining land;
 21. The inability to use the existing residential structure or any portion thereof, or any replacement thereof constructed after the Policy Date for residential purposes because that use violates any covenants, conditions or restrictions referred to in paragraph 5 of the EXCLUSIONS;
 22. Encroachment onto the Land of an improvement constructed after the Policy Date by someone other than the then owner of the estate or interest referred to in Schedule A;
 23. Any existing improvements, or those constructed after the Policy Date, encroaching upon any easement or right of way referred to in paragraph 5 of the EXCLUSIONS, or the use of any easement or right of way for the purpose granted or reserved interfering with or damaging the improvements, including lawns, shrubbery and trees;
 24. Any use of the Land for single family residential purposes being affected or impaired by reason of any lease, grant, exception or reservation of minerals or mineral rights referred to in paragraph 5 of the EXCLUSIONS or damage to existing or future improvements, including lawns, shrubbery and trees resulting from the future exercise of any right to use the surface of the Land for the extraction or development of minerals, water or any other substance, or the minerals or mineral rights referred to in paragraph 5 of the EXCLUSIONS;
25. The invalidity, unenforceability or lack of priority of the Insured Mortgage resulting from any provisions therein which provide for (i) interest on interest, (ii) changes in the rate of interest, or (iii) the addition of unpaid interest to the principal balance of the loan;
 26. Impersonation or other fraudulent act after the Policy Date, as the result of which someone other than you claims to have an interest in the Title;
 27. Forgery after the Policy Date of:
 - a. any assignment, release, discharge (partial or full), postponement or modification of the Insured Mortgage; or
 - b. any instrument purporting to convey or encumber the Title.
 28. The invalidity, unenforceability or lack of priority of the Insured Mortgage as to:
 - a. Advances made after the Policy Date pursuant to the terms of the Insured Mortgage existing as of the Policy Date; and
 - b. Advances made and/or changes in the rate of interest charged subsequent to any modification to the terms of the Insured Mortgage made after the Policy Date which are by the terms of the Insured Mortgage, as modified, secured thereby.
 29. Any covenants, conditions or restrictions, appearing in the Public Records, on or after the Policy Date, under which the Insured Mortgage can be divested, subordinated or extinguished, or its validity, priority or enforceability impaired;
 30. Any violations on the Land of any enforceable covenants, conditions or restrictions appearing in the Public Records;
 31. Any future violations on the Land of any existing covenants, conditions or restrictions appearing in the Public Records, occurring prior to the acquisition of title to the estate or interest in the Land by the Insured, provided the violations result in:
 - a. invalidity, loss of priority, or unenforceability of the Insured Mortgage; or
 - b. loss of title to the estate or interest in the Land if the Insured acquires Title in satisfaction of the indebtedness secured by the Insured Mortgage.
 32. Any covenants, conditions or restrictions, appearing in the Public Records, providing for:
 - a. A lien for liquidated damages;

- b. A private charge or assessment; or
 - c. An option to purchase, a right of first refusal or the prior approval of a future purchaser or occupant.
33. Any adverse circumstance affecting the Land which would have been disclosed by a Local Authority Search of the Land as of the Policy Date;
 34. Any rights arising as of or after the Policy Date from tenancies, leases, contracts, options, or rights of possession under applicable provincial or territorial legislation dealing with family law;
 35. Anyone else having the right to limit the use of the Land, whether the right affects Title to the Land on or after the Policy Date;
 36. The invalidity of any easement benefiting the Land which is included in the Legal Description section of Schedule A;
 37. Any order by a court or other authority after the Policy Date resulting from failure of the Land, as of the Policy Date, to comply with a property standards by-law or the building code of a Governmental Authority having jurisdiction;
 38. Any incorrectness in a written statement from a Governmental Authority indicating that there are no defects relating to the Land's compliance with applicable building or zoning by-laws as of the Policy Date;
 39. If the Land contains one or more new residential dwelling(s) purchased from a builder by the owner described in Schedule A, with respect to improvements to the Land which the builder was contractually obligated to construct as of the Policy Date, any of COVERED RISKS 7, 8, 17, 18, 19, 20, 21, 23, 24, 30, 32 and 38, if the risks affect the Land before or on a date 365 days after the date that the transfer from the builder to the said owner was registered in the Public Records;
 40. The unenforceability of the Insured Mortgage, or any guarantee contained in the Insured Mortgage, because of a lack of, or inadequate, independent legal advice;
 41. The validity, enforceability or priority of the Insured Mortgage or any other document required by the Insured being impaired as a result of being obtained by Remote Signing;

42. Legal Service Coverage

The lawyer acting for the Insured with respect to the Insured Mortgage:

- a. Failing to register, or ensure the registration of, any document required with respect to the Insured Mortgage, so that the validity, priority or enforceability of the Insured Mortgage may be impaired;
- b. Failing to remove an encumbrance or lien that exists as of the Policy Date against any chattel included as part of the security for the Insured Mortgage; or

- c. Committing an error or omission in providing legal services for the Insured Mortgage for which liability is imposed by law.

43. Any defect in or lien or encumbrance on the Title or other matter included in COVERED RISKS 1 through 42 above registered or created subsequent to the Policy Date and prior to the date and time of registration of the Insured Mortgage in the Public Records.

The Company will also pay the costs, legal fees and expenses incurred in the defence of any matter insured against by this Policy but only to the extent provided in the CONDITIONS.

EXCLUSIONS

The following matters are expressly excluded from the coverage of this Policy and the Company will not pay loss or damage, costs, legal fees or expenses which arise by reason of:

1. a. Any law, by-law, ordinance, order, code or governmental regulation (including but not limited to building and zoning by-laws) restricting, regulating, prohibiting or relating to:
 - i. the occupancy, use, or enjoyment of the Land;
 - ii. the character, dimensions or location of any improvement now or hereafter erected on the Land;
 - iii. a separation in ownership or a change in the dimensions or area of the Land or any parcel of which the Land is or was a part; or
 - iv. environmental protection or conservation;

or the effect of any violation of these laws, by-laws, ordinances, codes or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, charge or encumbrance resulting from a violation or alleged violation affecting the Land has been registered in the Public Records as of the Policy Date. This exclusion does not limit the coverage provided under COVERED RISKS 14, 15, 16, 17, 18, 19, 21, 37, 38, 39 and 42 of this Policy.
- b. Any governmental power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien, charge or encumbrance resulting from a violation or alleged violation affecting the Land has been registered in the Public Records as of the Policy Date. This exclusion does not limit the coverage provided under COVERED RISKS 14, 15, 16, 17, 18, 19, 21, 37, 38, 39 and 42 of this Policy.
2. Defects, liens, encumbrances, adverse claims or other matters:
 - a. created, allowed, suffered, assumed or agreed to by the Insured Claimant;

- b. not Known to the Company, not registered in the Public Records as of the Policy Date, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this Policy;
 - c. resulting in no loss or damage to the Insured Claimant;
 - d. attaching or created subsequent to the Policy Date – this paragraph (d) does not limit the coverage provided under COVERED RISKS 2(d), 6, 7, 8, 19, 21, 22, 23, 24, 26, 27, 28, 29, 31, 34, 35, 37 and 39 of this Policy; or
 - e. resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
3. Unenforceability of the Insured Mortgage because of the inability or failure of the Insured as of the Policy Date, or the inability or failure of any subsequent owner of the indebtedness secured by the Insured, the failure of the mortgage or the Insured to comply with any consumer protection laws or laws regulating its ability to carry on business in the province where the Land is located. This exclusion does not limit the Mortgage Coverage provided in COVERED RISK 10 and 25;
 4. Taxes or assessments of any taxing or assessment authority which become a lien on the Land subsequent to the Policy Date, other than assessments of supplemental realty tax not previously assessed against the Land for any period before the Policy Date;
 5. Any covenants, conditions, restrictions, easements, rights of way, statutory building schemes, and regarding minerals and mineral rights, any lease, grant, exception or reservation, appearing in the Public Records. This exclusion does not limit the coverage provided under COVERED RISKS 4, 21, 23, 24, 29, 30, 31, 32 and 36 of this Policy;
 6. Environmental concerns or matters of any kind on or relating to the Land, including but not limited to: any law, by-law, order, code, ordinance, rule or regulation relating to environmental protection or waste water management including sewage ejector systems, the existence of a hazardous substance, underground fuel tanks, underground oil or gas wells, mould, asbestos, urea formaldehyde, termites, infestations, water leakage, and water quality or quantity. This exclusion does not limit the coverage described in COVERED RISK 42 or the Water Potability Endorsement, if applicable;
 7. Any native or aboriginal land claim affecting the Land. This exclusion does not limit the coverage described in COVERED RISK 42.
- a. "Consumer Protection Law": Any law designed or intended to give protection to a borrower in respect of the terms and conditions of the loan including without limitation, any laws requiring disclosure of interest rates, any laws specifying a maximum rate of interest and any laws relating to unconscionability, misleading advertising or consumer protection.
 - b. "Governmental Authority": Any department or division of the government of Canada, or of any province or territory, or of the municipality in which the Land is located, which has jurisdiction.
 - c. "Insured": The Insured named in Schedule A. The term "Insured" also includes:
 - i. the owner of the indebtedness secured by the Insured Mortgage and each successor in ownership of the indebtedness, including a corporate transferee of the Insured Mortgage from an Insured corporation, except a successor who is an obligor under the provisions of Section 12(c) of these CONDITIONS (subject to any rights or defences the Company may have against any predecessor Insured unless the successor acquired the indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by this Policy as affecting title to the estate or interest in the Land); or
 - ii. any governmental agency or crown corporation or private corporation which is an insurer or guarantor under an insurance contract or guarantee insuring or guaranteeing the indebtedness secured by the Insured Mortgage, or any part thereof.
 - d. "Insured Claimant": An Insured claiming loss or damage.
 - e. "Insured Mortgage": The mortgage, charge or other security instrument described in Schedule A.
 - f. "Knowledge" or "Known": Actual knowledge or notice, but not knowledge or notice which may be imputed to an Insured by reason of the Public Records as defined in this Policy or any other records which impart actual notice of matters affecting the Land.
 - g. "Land": The land described in Schedule A to this Policy and any improvements on the land which are real property.
 - h. "Local Authority Search": Any search of local government records or other search or verifications pertaining to the Land which would customarily be required by a solicitor qualified to practise law in the province or territory where the Land is located, in the normal course of a real estate transaction.
 - i. "Policy": This policy of insurance, together with Schedules A and B, and endorsements, if any. This Policy is not complete without Schedules A and B.

CONDITIONS

1. DEFINITIONS

The following terms when used in this Policy mean:

- j. "Policy Date": The Policy Date described in Schedule A.
- k. "Public Records": Records established and maintained under the applicable provincial or territorial legislation in which the Land is located dealing with the registration of title to an interest in land.
- l. "Remote Signing": A process whereby a party and a lawyer use physical or electronic means authorized by law to create, execute, witness, commission, notarize, sign, seal, acknowledge, authorize, deliver or register documents, where the lawyer is not in the same location as the party signing.
- m. "Survey": A plan of survey, building location certificate, real property report or certificate of localization prepared by a surveyor qualified to survey land in the province or territory where the Land is located.
- n. "Title": The estate or interest in the Land described in Schedule A, which would customarily be registered in the Public Records.
- o. "Unmarketability of the Title": An alleged or apparent matter affecting the Title to the Land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A or the Insured Mortgage to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title. Unmarketability of the Title is not created by matters relating only to the physical condition of any improvements on the Land.

2. CONTINUATION OF COVERAGE

The coverage of this Policy shall continue in force as of the Policy Date in favour of an Insured after acquisition of the Title by an Insured or after conveyance by an Insured, but only so long as the Insured retains an estate or interest in the Land, or holds an obligation secured by a purchase money mortgage or vendor take back mortgage given by a purchaser from the Insured, or only so long as the Insured shall have liability by reason of warranties or covenants in any transfer or conveyance of the Title. This Policy shall not continue in force in favour of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an obligation secured by a purchase money mortgage or vendor take back mortgage given to the Insured.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing by filing a Proof of Loss form on titleplus.ca (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case knowledge shall come to an Insured hereunder of any claim of title or interest which is adverse to the Title to the estate or interest of the Insured Mortgage, as Insured, and which might cause loss or damage for which the Company may be liable by virtue of this Policy, or (iii) if

Title to the estate or interest of the Insured Mortgage, as insured, is rejected due to Unmarketability of the Title. If prompt notice shall not be given to the Company, then as to the Insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required, provided, however, that failure to notify the Company shall in no case prejudice the rights of any Insured under this Policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENCE AND PROSECUTION OF ACTIONS, DUTY OF INSURED CLAIMANT

a. Upon written request by the Insured and subject to the options contained in Section 6 of these CONDITIONS, the Company, at its own cost and without unreasonable delay, shall provide for the defence of an Insured in litigation in which any third party asserts a claim adverse to the Title or interest as insured, but only as to those stated causes of action alleging a defect, lien, charge or encumbrance or other matter insured against by this Policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object for reasonable cause) to represent the Insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the Insured in the defence of those causes of action which allege matters not insured against by this Policy.

b. The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the Title to the estate or interest of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this Policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this Policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

c. Whenever the Company shall have brought an action or filed a defence as required or permitted by the provisions of this Policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

d. In all cases where this Policy permits or requires the Company to prosecute or provide for the defence of any action or proceeding, the Insured shall secure to the Company the right to so prosecute or provide defence in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses,

prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the Title to the estate or interest of the Insured Mortgage, as Insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the Policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE

In addition to and after the notices required under Section 3 of these CONDITIONS have been provided to the Company, a proof of loss or damage signed by the Insured Claimant shall be furnished to the Company within ninety (90) days after the Insured Claimant ascertains the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien, charge or encumbrance on the Title, or other matter insured against by this Policy which constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the Insured Claimant to provide the required proof of loss or damage, the Company's obligations to the Insured under the Policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the Insured Claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, cheques, correspondence and memoranda, whether bearing a date before or after the Policy Date, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, cheques, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this Policy as to that claim.

6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this Policy, the Company shall have the following options:

- a. i. To pay or tender payment of one hundred twenty-five percent (125%) of the Policy Amount under this Policy together with any costs, legal fees and expenses incurred by the Insured Claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay; or
- ii. To purchase the indebtedness secured by the Insured Mortgage for the amount owing thereon together with any costs, legal fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of purchase and which the Company is obligated to pay.

If the Company offers to purchase the indebtedness as herein provided, the owner of the indebtedness shall transfer, assign and convey the indebtedness and the Insured Mortgage, together with any collateral security, to the Company upon payment therefor. Upon the exercise by the Company of either of the options provided for in paragraph (a) (i) or (ii), all liability and obligations to the Insured under this Policy, other than to make the payment required in those paragraphs, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation.

- b. i. To pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim Insured against under this Policy, together with any costs, legal fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or
- ii. To pay or otherwise settle with the Insured Claimant the loss or damage provided for under this Policy, together with any costs, legal fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraph (b) (i) or (ii), the Company's obligations to the Insured under this Policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION AND EXTENT OF LIABILITY

This Policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant, who has suffered loss or damage by reason of matters insured

against by this Policy and only to the extent herein described.

a. The liability of the Company under this Policy shall not exceed the least of:

- i. One hundred twenty-five percent (125%) of the Policy Amount stated in Schedule A;
- ii. The amount of the principal indebtedness secured by the Insured Mortgage, interest thereon, expenses of foreclosure or other enforcement, amounts advanced pursuant to the Insured Mortgage to assure compliance with laws or to protect the Insured Mortgage and secured thereby and reasonable amounts expended to prevent deterioration of improvements, but reduced by the amount of all payments made or as limited or provided under Section 8 of these CONDITIONS or as reduced under Section 9 of these CONDITIONS, at the time the loss or damage insured against by this Policy occurs;
- iii. The amount paid by a governmental agency or crown corporation or private corporation, if the agency or corporation is the Insured Claimant, in the acquisition of the estate or interest in satisfaction of its insurance contract or guarantee; or
- iv. The difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien, charge or encumbrance insured against by this Policy; provided, however, that this Section 7(a)(iv) shall not apply when the defect, lien, charge, encumbrance or other matter insured against by this Policy results in a total failure of the Insured Mortgage to attach to the insured estate or interest.

b. In the event the Insured has acquired title to the estate or interest in the manner described in Section 2 of these CONDITIONS or has conveyed the Title, then the liability of the Company shall continue as set forth in Section 7(a) of these CONDITIONS.

c. The Company will pay only those costs, legal fees and expenses incurred in accordance with Section 4 of these CONDITIONS.

8. LIMITATION OF LIABILITY

a. If the Company establishes good and marketable title, or removes the alleged defect, lien, charge or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketability of the Title, or otherwise establishes the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

b. In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction and disposition of all appeals therefrom, adverse to the Title or interest of the Insured or to the Insured Mortgage, as insured.

c. The Company shall not be liable for loss or damage to any Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.

d. The Company shall not be liable for:

- i. any indebtedness created subsequent to the Policy Date except for advances covered under COVERED RISK 28 and those made to protect the Insured Mortgage and secured thereby and reasonable amounts expended to prevent deterioration of improvements; or
- ii. construction loan advances made subsequent to the Policy Date, except for construction loan advances made subsequent to the Policy Date for the purpose of financing in whole or in part the construction of an improvement to the Land which as of the Policy Date were secured by the Insured Mortgage and which the Insured was and continued to be obligated to advance at and after the Policy Date.

9. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY

a. All payments under this Policy, except payments made for costs, legal fees and expenses, shall reduce the Policy Amount accordingly. However, any payments made prior to the acquisition of Title to the estate or interest as provided in Section 2 of these CONDITIONS shall not reduce accordingly the Policy Amount afforded under this Policy except to the extent that the payments reduce the amount of the indebtedness secured by the Insured Mortgage.

b. Payment in part by any person of the principal of the indebtedness, or any other obligation secured by the Insured Mortgage, or any voluntary partial satisfaction or release of the Insured Mortgage, to the extent of the payment, satisfaction or release of the Insured Mortgage, shall reduce the Policy Amount accordingly. The Policy Amount may thereafter be increased by accruing interest and advances made pursuant to the terms of the Insured Mortgage and secured thereby, with interest thereon, provided in no event shall the Policy Amount be greater than one hundred twenty-five percent (125%) of the Policy Amount stated in Schedule A.

c. Payment in full by any person or the voluntary satisfaction or release of the Insured Mortgage shall terminate all

liability of the Company except as provided in Section 2 and Section 9(b) of these CONDITIONS.

10. LIABILITY NONCUMULATIVE

If the Insured acquires Title to the estate or interest in satisfaction of the indebtedness secured by the Insured Mortgage, or any part thereof, it is expressly understood that the Policy Amount under this Policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject, or which is hereafter executed by an Insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this Policy.

11. PAYMENT OF LOSS

When liability and the extent of loss or damage has been definitely fixed in accordance with these CONDITIONS, the loss or damage shall be payable within thirty (30) days thereafter.

12. SUBROGATION UPON PAYMENT OR SETTLEMENT

a. Whenever the Company shall have settled and paid a claim under this Policy, all rights of subrogation shall vest in the Company unaffected by any act of the Insured Claimant. The Company shall be subrogated to and be entitled to all rights and remedies which the Insured Claimant would have had against any person or property in respect to the claim had this Policy not been issued. If requested by the Company, the Insured Claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The Insured Claimant shall permit the Company to sue, compromise or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights or remedies. If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall be subrogated to all rights and remedies of the Insured Claimant after the Insured Claimant shall have recovered its principal, interest, and costs of collection.

b. Notwithstanding the foregoing, the owner of the indebtedness secured by the Insured Mortgage, provided the priority of the Insured Mortgage or its enforceability is not affected, may release or substitute the personal liability of any debtor or guarantor, or extend or otherwise modify the terms of payment, or release a portion of the estate or interest from the Insured Mortgage or release any collateral security for the indebtedness. When the acts permitted by the preceding paragraph occur and the Insured has knowledge of any claim of title or interest adverse to the Title to the estate or interest or the priority or enforceability of the Insured Mortgage, as insured, the Company shall be required

to pay only that part of any losses Insured against by this Policy which shall exceed the amount if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.

c. The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the Insured to indemnities, guarantees, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this Policy. The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in subsection (i) of the definition of "Insured" in Section 1 of these CONDITIONS) who acquires the Insured Mortgage as a result of an indemnity, guarantee, other policy of insurance, or bond and the obligor will not be an Insured under this Policy, notwithstanding subsection (i) of the definition of "Insured" in Section 1 of these CONDITIONS.

13. ARBITRATION

Unless prohibited by applicable law, either the Company or the Insured may request arbitration in accordance with the arbitration legislation of the province or territory in which the Land is situated. All arbitrable matters shall be arbitrated only when agreed to by both the Company and the Insured. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this Policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. Arbitration pursuant to this Policy shall be binding upon the parties. The award may include legal fees. The law of the province or territory in which the Land is situated shall apply to an arbitration under this Policy.

14. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT

a. This Policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the Insured and the Company. In interpreting any provision of this Policy, this Policy shall be construed as a whole.

b. Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the Insured Mortgage or of the Title to the estate or interest covered hereby or by any action asserting such claim, shall be restricted to this Policy.

c. No amendment of, or endorsement to, this Policy can be made except in writing agreed to by the Company.

d. Each endorsement to this Policy issued at any time is made a part of this Policy and is subject to all of its terms and provisions, including any other endorsement. Except

as the endorsement expressly states, it does not (i) modify any of the terms and provisions of the Policy, (ii) modify any prior endorsement, (iii) extend the Policy Date, or (iv) increase the Policy Amount stated in Schedule A.

15. **COMPLIANCE WITH PROCEEDS OF CRIME AND ANTI-TERRORIST FINANCING LEGISLATION**

The Company shall not be deemed to provide coverage and shall not be liable to pay any claim or provide any benefit under this Policy to the extent that the provision of such coverage, payment of such claim or provision of such benefit would result in a violation of law or expose the Company to any penalty, prohibition or restriction under United Nations resolutions or trade or economic sanctions, or under the laws or regulations of Canada.

16. **SEVERABILITY**

In the event any provision of this Policy is held invalid or unenforceable under applicable law, the Policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

17. **NOTICES, WHERE SENT**

All notices required to be given the Company and any statement in writing required to be furnished to the Company shall include the number of this Policy and shall be addressed to the Company at:

LAWYERS' PROFESSIONAL INDEMNITY COMPANY
Attn: TitlePLUS Claims
3101-250 Yonge Street
Toronto, Ontario M5B 2L7

By email to: titleplus@lawpro.ca

INSURANCE LEGISLATION STATEMENT

The following applies only to policies issued in the province of Manitoba, British Columbia or Alberta: Every action or proceeding against an insurer for the recovery of insurance money payable under the contract is absolutely barred unless commenced within the time set out in the *Insurance Act*.

Signed on behalf of Lawyers' Professional Indemnity Company

Daniel E. Pinnington

Daniel E. Pinnington

President and Chief Executive Officer

Lawyers' Professional Indemnity Company (LAWPRO®)
250 Yonge Street
Suite 3101, P.O. Box 3
Toronto, Ontario M5B 2L7
416-598-5899
1-800-410-1013

Schedule A

Lender Policy

Mortgage Reference Number:

Lawyer's Name:

Lawyer's File No.:

Policy Amount:

Premium:

(not including processing fee or taxes)

Policy Date:

(Upon registration of the insured interest in the Land in the Public Records, the Policy Date shall be deemed to be amended to the date of registration.)

1. Name of Insured:
2. The estate or interest in the Land which is covered by this Policy:

Fee Simple

3. Title to the estate or interest in the Land is held by:

[Sample]

4. The Insured Mortgage and assignments thereof (if any) are described as follows:

First [or sample priority] mortgage in favour of [Name of lender], securing the principal sum of \$[Amount].

Where Assignment(s) of Rents is/are being registered in conjunction with the Insured Mortgage, coverage is provided for said Assignment(s) of Rent as if it/they were included in Schedule A, Paragraph 4.

5. The Land is described as follows:

Municipal Address:

PIN:

Legal Description:

Together with any benefiting easements registered on Title to the Land

This Policy is valid only if Schedule B is attached.

Schedule B

Lender Policy

Mortgage Reference Number:

Lawyer's Name:

Lawyer's File No.:

Policy Amount:

Premium:

(not including processing fee or taxes)

Policy Date:

(Upon registration of the insured interest in the Land in the Public Records, the Policy Date shall be deemed to be amended to the date of registration.)

This Policy does not insure against loss or damage (and the Company will not pay costs, legal fees, or expenses) sustained or incurred by the Insured by reason of:

1. Condominium declaration, description and by-laws registered on Title. [if condo]
2. Endorsement [sample] is attached to this Policy.

Specific Risk(s) Insured Over

This Policy insures against loss or damage, and any costs, legal fees and expenses provided under this Policy, sustained or incurred by the Insured by reason of the following risk(s) as of the Policy Date:

1. [sample]

Septic System Endorsement

Lender Policy

The Policy is hereby amended as follows:

1. This Policy insures against loss or damage sustained or incurred by the Insured by reason of any outstanding notice of violation, deficiency notice or work order issued as of the Policy Date affecting the septic system which services the Land.
2. This Policy insures against loss or damage if a Local Authority Search, as of the Policy Date, would have disclosed that:
 - a. a certificate of approval and/or use permit or other required approval or permit was not issued for the septic system servicing the Land, provided that such approval and/or permit would have been required at the time of construction of the septic system; or
 - b. the certificate of approval and/or use permit or other required approval or permit, issued for the septic system servicing the Land, does not conform with the improvement(s) on the Land existing as of the Policy Date.
3. This Policy does not insure against any loss or damage related to the functionality and/or age of the septic system, unless such loss or damage arises from an issue covered under the septic system coverage set out above.
4. Coverage under this Policy only applies provided that the Governmental Authority having jurisdiction over the regulation of septic systems would have provided written confirmation as of the Policy Date as to the existence of (or lack of) work orders, certificates of approval, use permits and/or other required approvals or permits, if requested.
5. Coverage under this Policy and Endorsement applies only if the septic system services residential dwelling(s) of 1-6 units or vacant land.

This endorsement is part of the Policy and is subject to all of the terms and provisions of the Policy, including any other endorsements. This endorsement does not:

- *modify any of the terms and provisions of the Policy, including any other endorsement;*
- *extend the effective date of the Policy, including any other endorsement; or*
- *increase the face amount of the Policy;*

unless expressly stated above.

Private Water System and Potability Endorsement

Lender Policy

This Policy insures against loss or damage sustained or incurred by the Insured by reason of:

1. Any outstanding notice of violation, deficiency notice or work order issued as of the Policy Date affecting the non-municipal water system which services the Land; or
2. The non-municipal water supplying the Land not being sufficiently potable, according to the standards of the applicable provincial or territorial government, to service the Land as of the Policy Date.

Nothing in this Policy or Endorsement covers loss or damage sustained or incurred by reason of health issues related to the potability of the water supplied to the Land.

This endorsement is part of the Policy and is subject to all of the terms and provisions of the Policy, including any other endorsements. This endorsement does not:

- *modify any of the terms and provisions of the Policy, including any other endorsement;*
- *extend the effective date of the Policy, including any other endorsement; or*
- *increase the face amount of the Policy;*

unless expressly stated above.

Condominium/Strata Endorsement

Lender Policy

Notwithstanding the exceptions set out in Schedule B, and in addition to the COVERED RISKS in the Policy, this Policy insures against loss or damage sustained or incurred by the Insured because of any of the risks listed below, provided they affect the Title as of the Policy Date:

1. The failure of the unit(s) identified in Schedule A and its/their interest in the common elements to be part of a condominium/strata corporation created under the applicable condominium/strata legislation.
2. The failure of the condominium/strata complex as a whole to comply with building and zoning by-laws and/or registered municipal covenants and restrictions.
3. The failure of the documents required by applicable condominium/strata legislation to comply with the requirements of the legislation to the extent that such failure affects the Title to the unit(s) and its/their common elements.
4. Violations of any restrictive covenants which restrict the use of the unit and its common elements and which are contained in the condominium/strata documents required by the applicable condominium/strata legislation.
5. Failure of the condominium/strata corporation governing the Land to disclose in the Status Certificate/Estoppel Certificate/Information Certificate/Certificate of Payment obtained in this transaction any situation that would give rise to the condominium/strata corporation's right to levy an increase in the monthly common/strata expenses or a special assessment against the unit.
6. The failure of the unit(s) identified in Schedule A and its/their interest in the common elements to be entitled by law to be assessed for real property taxes as a separate parcel.
7. The condominium/strata corporation, a court or other authority forcing the removal or remediation of any:
 - a. improvements existing as of the Policy Date because of (i) encroachments, or (ii) future unintentional encroachments of the common elements upon any unit or of any unit upon the common elements or another unit that is not excepted in Schedule B; or
 - b. unauthorized alteration or improvement of the common elements in existence as of the Policy Date.
8. The failure of the Title to include the parking, storage, locker or other units appurtenant to the Land, which were inadvertently omitted from the legal description of the Land.
9. The owner of the dominant tenement of any easement that the Land is subject to having, prior to the Policy Date, claimed a legal interest in the Land that is greater than the legal interest provided for in the easement.
10. Violations on the Land of any enforceable terms, conditions, covenants, restrictions, obligations or reservations contained within registered instruments to which the municipality, a utility company, the developer, the builder, or the condominium/strata corporation are parties, as of the Policy Date, other than those specifically excepted in Schedule B.

This endorsement is part of the Policy and is subject to all of the terms and provisions of the Policy, including any other endorsements. This endorsement does not:

- *modify any of the terms and provisions of the Policy, including any other endorsement;*
- *extend the effective date of the Policy, including any other endorsement; or*
- *increase the face amount of the Policy;*

unless expressly stated above.