AuFort

AUFORT CAPITALSHIELD™

FOR GUARANTORS & BORROWERS

What happens if there's a default

This Personal Guarantee Insurance policy is designed to reduce personal guarantee exposure after a covered default, subject to the policy's terms and conditions.

HOW IT WORKS

If your business defaults, the lender first recovers what it can from the business and collateral. The remaining covered loss is then calculated, the guarantor pays the required 20% self-insured retention, and the insurer pays the rest **to the lender**.

THE STEP-BY-STEP

STEP 1 Your business defaults on the loan
If the borrower misses payments and defaults on the loan, that may trigger a loss under the policy.

STEP 2 The lender first recovers what it can
Before the policy pays, the lender must recover what it can from the business and the collateral.

STEP 3 The remaining loss is calculated
After those recoveries are applied, the remaining covered amount is determined under the policy.

STEP 4 The guarantor pays their required portion
The guarantor must pay the required **self-insured retention** directly to the lender.

⚠ This is not first-dollar coverage. The policy responds **after** these recoveries.

STEP 5 The insurer pays the covered remaining loss
Once the policy requirements are met, the insurer pays the remaining covered loss amount **to the lender**, not directly to the borrower or guarantor.

CLAIMS EXAMPLE

LOAN BALANCE AT DEFAULT
$2.0M

LESS COLLATERAL RECOVERY
–$500K

REMAINING DEFICIENCY
$1.5M

GUARANTOR PAYS · 20% SIR
–$300K

INSURER PAYS · 80%
$1.2M

✓ The insurer pays **$1.2M** to the lender. The loan is paid off, with **no further obligation** on the guarantee.

Who pays what in a claim

BORROWER / BUSINESS
Defaults on the loan and cooperates with recovery.

BORROWER / GUARANTOR
Pays the required self-insured retention to the lender.

INSURER
Pays the remaining covered loss amount to the lender.

Important things to know

- ✓ This policy pays the **lender**, not the borrower.
- ✓ The lender must first recover what it can from the business and collateral.
- ✓ The guarantor must pay the required **20% self-insured retention**.
- ✓ Coverage applies only if the default happens during an active policy period.
- ✓ Certain exclusions and other policy terms apply.

Important: This infographic is a simplified summary for general informational purposes only. It does not amend, extend, or replace the policy. Coverage is subject to all terms, conditions, limitations, and exclusions in the policy.