Court of King's Bench of Alberta

Citation: Alberta Hot Line Inc and Intact Insurance v Liberty Mutual Insurance, 2026 ABKB 788

Date: 20261106
Docket: 2103 00295
Registry: Edmonton

2026 ABKB 788 (CanLII)

Between:

Alberta Hot Line Inc. and Intact Insurance Company

Applicant

- and -

Liberty Mutual Insurance Company

Respondent

Reasons for Decision
of the
Honourable Justice E.M. Adams

Introduction

[1] A construction project in which a new pipeline crosses an existing one requires planning, precision, and, in case of an accident, insurance to cover damages that may occur. Unfortunately, in the winter of 2017, industrial equipment damaged a pipeline during the building of just such a crossing. This application concerns a dispute about the nature and coverage of the insurance triggered by that incident.

[2] Alberta Hot Line Inc. ("AHL") provides oilfield services in Alberta. In April 2014, Enbridge Pipelines Inc. ("Enbridge") entered into the first of a series of Master Services Agreements ("MSA") with AHL. Under the MSA, AHL operated as a Field Representative with

respect to Enbridge's various pipeline operations. The MSAs stipulated that AHL worked as an independent contractor of Enbridge.

[3] In November 2016, Enbridge entered into a contract with Grand Rapids Pipeline GP Ltd. in its capacity as general partner of Grand Rapids Pipeline Limited Partnership (collectively "Grand Rapids") granting Grand Rapids a licence to install new pipelines that crossed existing pipelines operated by Enbridge (the "Crossing Agreement"). The Crossing Agreement designated AHL as Enbridge's Field Representative for the project.

[4] During the term of the Crossing Agreement, AHL and Grand Rapids both possessed commercial general liability insurance from their respective insurers. AHL carried a policy with Intact Insurance Company ("Intact"). Grand Rapids had an insurance policy with Liberty Mutual Insurance Company ("Liberty").

[5] On 17 February 2017, while Grand Rapids was installing a pipeline near Edmonton, Alberta under the Crossing Agreement, drilling equipment operated by one of Grand Rapids' contractors punctured one of Enbridge's pipelines. After the incident, Enbridge initiated an action claiming damages against various defendants, including AHL.

[6] In this application, AHL and Intact argue that Grand Rapids' insurance policy with Liberty covered AHL in respect of damages alleged in the Enbridge claim. Liberty, by contrast, argues that AHL is not covered as an insured under its policy.

[7] Resolving this dispute involves an application of the principles of contractual interpretation to the Crossing Agreement and relevant insurance policies. That means giving effect to "the mutual and objective intentions of the parties as expressed in the words of the contract" mindful of "the relevant surrounding circumstances," including practical commercial realities: ***IFP Technologies (Canada) Inc. v EnCana Midstream and Marketing***, 2017 ABCA 157 at paras 81 and 82.

[8] Properly interpreted according to these principles, neither the Crossing Agreement nor insurance policy between Grand Rapids and Liberty provides coverage for AHL in these circumstances. The insurance policy between Grand Rapids and Liberty covers the actions and omissions of Grand Rapids and its contractors but does not reach across the contractual divide of the Crossing Agreement to also cover the actions and omissions of contractors retained and supervised by Enbridge, such as AHL. Accordingly, Liberty has no duty to defend AHL in the Enbridge claim and is not liable for damages agreed to or imposed upon AHL resulting from that claim.

The Law of Contractual Interpretation

[9] As the leading text on Canadian insurance law puts it, "insurance contracts are subject to interpretation by the courts in accordance with basic rules of contractual interpretation": Barbara Billingsely, *General Principles of Canadian Insurance Law*, 4th ed (Toronto: LexisNexis Canada Inc, 2026) at 3.02.

[10] The Supreme Court of Canada has recently described those basic rules as avoiding "[t]echnical and legalistic formulations and complex doctrines ... in favour of an interpretive approach that focuses on the objective intention of the parties, how the words used were reasonably understood by the parties, and how ... the parties sought to allocate contractual risk." The Court describes the need for a "practical, common-sense approach" to contractual

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interpretation with particular attention to the "actual words" of the contract as expressions of "how the parties chose to capture and convey their contractual objectives": ***Earthco Soil Mixtures Inc. v Pine Valley Enterprises Inc.***, 2024 SCC 20 at paras 61-63 [***Earthco***].

[11] The Supreme Court also stresses that the words of the contract are not the end but the means "to demonstrate, discern and determine the true intention of the parties." "When seeking the meaning of a document," the Court explains, "the focus ... is properly on what the parties objectively intended and what they reasonably understood their words to mean": ***Earthco*** at para 64. As the Supreme Court held in ***Sattva Capital Corp. v Creston Moly Corp.***, 2014 SCC 53 at para 47, that interpretive endeavour is often aided by situating the contract in its larger factual context.

[12] Both parties argue that the common-sense approach to the interpretation of the relevant contracts at issue supports their position. AHL and Intact argue that the intention of the parties was to require insurance coverage in the widest possible terms, while Liberty counters that the language and commercial realities of the contracts convey that coverage was limited to the contractors hired by each party to the Crossing Agreement.

[13] Resolving that disagreement requires attention to the words, objective intentions, and context of the relevant contracts at issue.

The MSA

[14] To establish an ongoing services relationship, Enbridge and AHL first entered an MSA in April 2014 for the period from 1 May 2014 to 1 April 2016. They extended the MSA to 31 August 2016. Enbridge and AHL then entered a subsequent MSA operating between 1 January 2017 and 31 December 2017. The MSA provided the overarching structure of the contractual relationship between Enbridge and AHL.

[15] Section 13.1 and 13.2(b) of the MSA obligated AHL to obtain insurance, including "Commercial General Liability insurance".

The Intact Policy

[16] AHL obtained a Commercial General Liability policy with Intact in effect between 26 April 2016 and 22 April 2017 (the "Intact Policy").

The Crossing Agreement

[17] The Crossing Agreement set out the terms of the project by which Grand Rapids would construct pipelines to cross Enbridge's existing pipelines. AHL was not a party to the Crossing Agreement.

[18] Section 13 of the Crossing Agreement obligated Enbridge and Grand Rapids to both obtain "comprehensive general liability insurance covering liability for bodily injury and property damage arising from operations contemplated by this Agreement."

[19] Schedule "B" of the Crossing Agreement further stipulated that Grand Rapids and Enbridge would carry general liability insurance coverage for "contractor's protective liability ... cross liability or severability of interest clause". Section 11(c) of Schedule "B" of the Crossing Agreement provided that: "All policies of insurance carried by Policy Holder shall contain

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endorsements stating that Policy Holder's coverage is primary to any coverage that [Enbridge] may elect for its own account."

[20] The Crossing Agreement also specified that AHL would function as Enbridge's Field Representative for the purposes of the project. Schedule "C" of the Crossing Agreement indicated that an AHL employee "must be on site and monitoring the activity" and "has the authority to direct the contractor to 'Stop Work' at any time."

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The Liberty Policy

[21] Grand Rapids obtained a commercial general liability policy from Liberty for the period of 23 October 2014 to 31 December 2017 (the "Liberty Policy"). The Liberty Policy expressly covered Grand Rapids, as well as the following additional insureds:

> Project management consultants and/or engineering contractors and/or construction contractors and/or licensor and any other company, firm, person or party (including but not limited to contractors and subcontractors of any tier) with whom the named insureds ... have, or in the past had, entered into written agreement(s) in connection with the project, and/or any works, activities, and preparations connected therewith.

The Crossing Agreement Did Not Require Grand Rapids to Purchase Insurance to Cover AHL

[22] AHL and Intact argue that the Crossing Agreement required Grand Rapids to carry "wrap-up" insurance covering all entities, contractors, and subcontractors connected to the construction project. The contractually required insurance coverage of Grand Rapids, they argue, extended to contractors retained by Enbridge.

[23] AHL and Intact argue that the nature and scale of the potential damages involved in the crossing of pipelines supports that broad interpretation of the Crossing Agreement. AHL and Intact further argue that the priority provision in s. 11(c) of Schedule "B" of the Crossing Agreement clearly envisions that AHL would be simultaneously covered by overlapping insurance policies, including the Liberty Policy carried by Grand Rapids.

[24] Liberty counters that the Crossing Agreement contemplates that each party to the contract carry insurance to cover its own acts and omissions and those of its contractors. As set out in s. 12 of the Crossing Agreement, Grand Rapids:

> shall ... be liable to [Enbridge] for all loss, damages, and expenses which [Enbridge] may suffer, sustain, pay or incur by reason of any matter or thing arising out of or attributable to any act or omission of [Grand Rapids], <u>its</u> servants, agents, contractors or employees in respect of [Grand Rapids's] use of the Crossing Area..." [emphasis added].

[25] The Crossing Agreement, likewise, committed Enbridge to liability for damages which Grand Rapids may incur "arising out of or attributable to any act or omission of [Enbridge], <u>its</u> servants, agents, contractors or employees in respect of [Enbridge's] use of the Crossing Area..." [emphasis added].

[26] Schedule "B" of the Crossing Agreement establishes further terms and conditions of the contract. Crucially, s. 11(a) specifies that Grand Rapids must obtain "General Liability Insurance covering damages resulting from ... property damage ... arising out of or related to this Agreement." Moreover, s. 11(c) provides that Grand Rapids must add Enbridge as an additional insured and "have its insurer waive its right to subrogate against Enbridge ... but only in respect of operations performed by [Grand Rapids] ... or any of their collective employees, agents or servants under this Agreement, and not in respect of any act or omission or operation of [Enbridge]."

[27] Liberty points out that s. 11(c) in Schedule "B" clarifies that the Liberty Policy takes priority over an overlapping policy acquired by Enbridge only in cases where Enbridge faces a claim for damages as a result of an act or omission by Grand Rapids or its contractors. Liberty otherwise relies on the language of the Crossing Agreement that provides that each party would be responsible for obtaining insurance in respect of its own acts and omissions and those of its contractors to support its interpretation of the Crossing Agreement.

[28] That each party was responsible for acquiring insurance to cover its own acts and omissions and those of its contractors is apparent both in the language used throughout the Crossing Agreement and given the construction context of the Crossing Agreement. An insurer provides insurance and sets its premiums premised on the allocation of risk it assesses on the basis of the nature of the party being insured and the activity undertaken. An insurer is less capable of assessing and pricing the risks of unknowns, namely the *other* party to a contract and any contractors that party may subsequently retain. Unless the parties used express language to indicate a contrary intention, the Crossing Agreement should be interpreted to accord with the general understanding that insurance is intended to cover acts and omissions of the party being insured, not the contractors hired by the party on the other side of the construction contract.

[29] The Crossing Agreement, properly interpreted according to its words, intention, and context did not require Grand Rapids to purchase insurance that would provide coverage for the acts and omissions of Enbridge and its contractors, including AHL. The best interpretation of the Crossing Agreement is the straightforward one: each party agreed to obtain insurance to cover its acts and omissions and those of its contractors in relation to the construction project being undertaken.

AHL is Not an Insured Under the Liberty Policy

[30] AHL and Intact argue that even if the Crossing Agreement did not require it, AHL falls within the definition of insured entities under the Liberty Policy held by Grand Rapids.

[31] There is no dispute that the Liberty Policy covers Grand Rapids and its contractors. Whether it also covers AHL in these circumstances is also a question of contractual interpretation.

[32] The Liberty Policy does not expressly include the contractors retained by Enbridge in its definition of additional insureds. Both the definition of "Additional Insureds" at the outset of the Liberty Policy and the definition of "Insured" set out in s. 5(b) of the Liberty Policy limit the extension of insurance to entities that have a direct contractual relationship with Grand Rapids. The definition of "Additional Insureds" expresses that necessary contractual relationship as entities "with whom [Grand Rapids] ... have ... entered into a written agreement(s) in connection

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with the project". The s. 5(b) definition of "Insured" limits the definition to entities "to whom ... [Grand Rapids] has contracted to effect insurance".

[33] AHL and Intact argue that the proper interpretation of the Liberty Policy includes AHL since, as a Field Representative of Enbridge during the pipeline crossing, AHL qualifies as an entity that Grand Rapids has "entered into written agreement(s) in connection with the project".

[34] The principal difficulty with this interpretation of the Liberty Policy is that AHL has not entered into a written agreement with Grand Rapids. The objective and common-sense intention of requiring a contractual relation between Grand Rapids and the additional insureds under the Liberty Policy is to limit coverage to the contractors Grand Rapids retains to assist its operations. Grand Rapids and AHL had no contractual relationship. AHL was not a party to the Crossing Agreement. As was contemplated in the Crossing Agreement, the Liberty Policy provided general liability insurance to Grand Rapids and its contractors, but not to contractors retained by Enbridge.

[35] It would have been possible, of course, for Enbridge and Grand Rapids to convey in express words or contractual intentions that the insurance acquired by Grand Rapids would stretch to include the acts or omissions of entities hired and supervised by Enbridge. Neither the Crossing Agreement nor the Liberty Policy did so.

[36] Accordingly, the application by AHL and Intact seeking a declaration that AHL is entitled to coverage under the Liberty Policy must fail.

[37] As a final matter, AHL and Intact argue that s. 544 of the *Insurance Act*, RSA 200, c-i-3, provides an independent ground to support a declaration that Intact is entitled to contribution and indemnity from Liberty. That argument cannot succeed. Section 544 authorizes apportioning rateable contributions in the event of more than one contract covers the loss or damage. As set out above, that is not the case here and so s. 544 does not apply.

[38] If the parties cannot agree on costs, they may make written submissions to me, limited to three pages each, excluding any attachments, within 30 days of this decision being released.

Heard on the 13th day of August, 2026.
Dated at the City of Edmonton, Alberta this 6th day of November, 2026.

E.M. Adams
J.C.K.B.A.

Appearances:

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