

Looking beyond the last cause: insurance coverage for multi- cause losses

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Key Takeaways

- The case centres on a greenhouse loss due to carbon monoxide, where multiple failures led to crop destruction.
- Analysis of insurance coverage should consider the entire causal chain, not just the final damaging event.
- Businesses should thoroughly analyze loss causes and avoid oversimplifying when facing insurance denials.

Green Rise Foods Inc. v. N.V. Hagelunie, 2026 ONCA 334, is a recent decision of the Ontario Court of Appeal about insurance coverage for a business loss caused by a series of related events.

The decision is important for businesses with complex operations. In many commercial settings, loss does not have one obvious cause. A piece of equipment may fail. A monitoring system may not respond. A substance may escape. Inventory or production may then be lost. In that kind of case, the coverage analysis should not stop at the final event in the sequence.

The practical takeaway is that in a complex business loss, the event that appears to have caused the damage may not be the event that determines coverage. Policyholders should look carefully at the full causal chain before accepting a denial.

The loss

Green Rise operates a greenhouse tomato business. Its greenhouse used a natural gas boiler to heat the greenhouse and to generate carbon dioxide, which was purposely introduced into the greenhouse to promote crop growth. The boiler also produced small amounts of carbon monoxide. A monitor was intended to detect unsafe carbon monoxide levels and trigger an alarm.

The loss occurred after both systems malfunctioned. The boiler began to emit excessive levels of carbon monoxide. The monitor did not detect the unsafe levels of carbon monoxide. As a result, carbon monoxide entered the greenhouse through the flue-gas distribution

system and ultimately destroyed 23 acres of tomato plants.

Green Rise claimed under its greenhouse insurance policy. The insurer denied coverage, relying on several policy provisions, including an exclusion for loss or damage caused by exhaust gas.

Green Rise sued. The motion judge accepted the insurer's position, dismissed Green Rise's application for partial summary judgment and granted judgment in favour of the insurer.

The Court of Appeal reverses

The Court of Appeal allowed the appeal and sent the matter back for trial.

The Court did not decide the coverage issue. Rather, it held that the motion judge had erred in his coverage analysis. The motion judge treated carbon monoxide as the cause of the loss because it was the final mechanism of damage. The Court of Appeal held that this was too narrow.

The Court emphasized that causation in a multi-cause loss must be decided by asking "what is in substance the cause" of the loss. It also cautioned that the immediate cause of a loss is "not necessarily the effective cause." Those statements are the core of the decision.

The loss did not arise from carbon monoxide in isolation. It followed a series of events: a boiler malfunction, a monitor malfunction, excessive carbon monoxide entering the greenhouse, and crop destruction. In those circumstances, the motion judge needed to determine if the loss was caused by a single effective cause in a chain of events or by multiple concurrent causes operating together. As the Court put it, "The effective cause or causes of the loss will determine coverage."

That is the key point for commercial policyholders. A final damaging event may point to an exclusion, while an earlier or concurrent cause may point to a different coverage outcome. The analysis cannot begin with the visible damage and work backward only far enough to find an exclusion. In a complex business loss, the full causal chain matters.

Exhaust gas vs. pollution

The Court also concluded that the exhaust gas exclusion was not as straightforward as the insurer had suggested.

The policy excluded loss or damage caused by exhaust gas. It also excluded loss or damage caused by pollution, but that exclusion had an important exception: pollution was not excluded if caused by an event that was otherwise covered by the policy.

That created a significant interpretation issue. If the carbon monoxide could be characterized as both exhaust gas and pollution, the Court had to consider how those provisions worked together. In other words, the exhaust gas exclusion could not simply be applied in isolation.

The Court of Appeal held that it was not enough to say that carbon monoxide is exhaust gas in the abstract. The policy had to be read as a whole. That included considering how the carbon monoxide entered the greenhouse — namely, through a flue-gas distribution system that was part of the ordinary crop-production process, rather than through ordinary exhaust venting. It also required the Court to consider what work the pollution exclusion and its exception were meant to do if the exhaust gas exclusion automatically excluded the same loss.

The point is practical. Labels matter less than policy language. In a complex operational loss, the same substance may be described in more than one way: it may be exhaust gas, a pollutant, a contaminant or part of a production process that went wrong. The coverage outcome depends on how the policy treats those possibilities, not simply on the broadest available label.

The Court also tied this issue back to causation. If carbon monoxide was not the effective cause of the loss, the exhaust gas exclusion may not apply at all. If carbon monoxide was only one of several effective causes, the Court would still need to decide if the policy clearly excluded coverage in that multi-cause scenario.

Business takeaway

This decision is a reminder that coverage analysis should not be reduced to a search for the last event before the loss.

For business policyholders, it is prudent to quickly assess and understand the full causal chain after a complex loss. That may require preserving failed equipment, reviewing maintenance and alarm records, interviewing operators and contractors, retaining technical experts and avoiding overly narrow descriptions of the loss in early claim communications.

The same point applies when a denial is received. A denial based on one apparent cause should be tested against the full sequence of events and the policy as a whole. The relevant question is not simply whether an exclusion can be attached to one part of the loss. The question is what, in substance, caused the loss and how the policy responds to that cause or combination of causes.

Green Rise confirms that the last event in the chain may not be the event that determines coverage. If a loss has several potential causes, insureds should be cautious to accept a simple coverage answer to a complex factual loss.

Osler acted for Green Rise Foods Inc. on the appeal.