

FUNCTIONAL REPLACEMENT COST LOSS SETTLEMENT

THIS ENDORSEMENT CHANGES THE POLICY, PLEASE READ IT CAREFULLY

This endorsement provides the terms of coverage if coverage is selected on the Declarations Page.

To the extent a provision of the policy or a previous endorsement is inconsistent with an express provision of this endorsement, this endorsement controls. This endorsement does not change any other provision of the insurance policy to which it is affixed. This endorsement is a part of this insurance policy and takes effect on the effective date of this insurance policy unless another effective date is shown.

Words and phrases that appear in *italics* in the remainder of this form have special meaning. Refer to Section I. Definitions of the policy form and / or this endorsement.

I. Definitions

The following subparagraph is added to Definitions:

Functional Replacement Cost means the amount which it would cost to repair or replace the damaged building with less costly common construction materials and methods which are functionally equivalent to obsolete, antique or custom construction materials and methods used in the original construction of the building.

H. Property Loss Conditions

The following subparagraphs d., e., f., g. and h. are added to 15. Loss Settlement Conditions:

- d. If, at the time of loss, the applicable Limit of Insurance shown on the Declarations page for the damaged building is 80% or more of the **Functional Replacement Cost** of the building immediately before the loss and you contract for repair or replacement of the loss or damage to restore the damaged building for the same occupancy and use, within 180 days of the damage unless we and you otherwise agree, we will pay after the application of any deductible the smallest of the following, 1) or 2):
 - 1) The applicable Limit of Insurance shown on the Declarations page for the damaged building;
 - 2) The necessary amount actually spent to repair or replace the damaged building on a **Functional Replacement Cost** basis;
- e. If you do not make a claim under subparagraph d. above, we will pay after application of any deductible the smallest of the following 1), 2), or 3):
 - 1) The applicable Limit of Insurance shown on the Declarations page for the damaged building;
 - 2) The *actual cash value* of the damaged part of the building; or
 - 3) The amount it would cost to repair or replace the damaged building on a **Functional Replacement Cost** basis.
- f. If, at the time of loss, the applicable Limit of Insurance shown on the Declarations page for the damaged building is less than 80% of the **Functional Replacement Cost** of the building immediately before the loss, we will pay that proportion of the cost to repair or replace that part of the building damaged:

- 1) After application of any deductible; and
- 2) Without deduction for depreciation;

Which the total Limit of Insurance for the damaged building bears to 80% of the **Functional Replacement Cost** of the building, but not more than the applicable Limit of Insurance shown on the Declarations page.

- g. To determine the amount of insurance required to equal 80% of the **Functional Replacement Cost** of the building immediately before the loss, do not include the value of:
 - 1) Excavations, footings, foundations, piers or any structures that support all or part of the building, which are below the lowest basement floor or the surface of the ground, if there is no basement;
 - 2) Supports in 1) above which are below the surface of the ground inside the foundation walls, if there is no basement; and
 - 3) Underground pipes, flues, drains or tanks.
- h. If the *actual cash value* of the damage is less than the **Functional Replacement Cost** of the then:
 - 1) We will pay no more than the *actual cash value* of the damage until replacement is complete. Once replacement is complete, we will settle the loss according to the provisions of **15 d.** and **f.** above.
 - 2) You may disregard the **Functional Replacement Cost** Loss Settlement Conditions and make claim under this policy for loss to buildings on an *actual cash value* basis. You may then make claim for any additional liability according to the provisions of **15. Loss Settlement Conditions** provided you notify us of your intent to do so within 180 days of the date of loss. Any additional liability will be settled according to provisions **15 d., e.** and **f.** above.

All other terms and conditions, insured coverage, and exclusions of this insurance policy remain unchanged, including applicable limits, sublimits, and deductibles, and apply in full force and effect to the coverage provided by this policy.