



James K. Ruble Seminar

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Section 10

Insurance Valuation Problems

Insurance Valuation Problems

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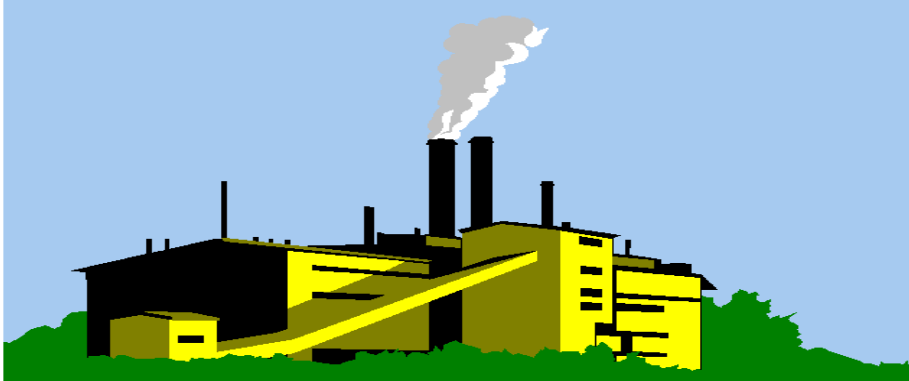
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I. Valuation Problems

A. Buildings



1. Market Value

The price for which something would sell, especially the value of certain types of assets, such as stocks and bonds. It is based on what they would sell for under current market conditions. For example, common stock market value would be the price of stock as of a specified date.

Merritt's Glossary of Insurance Terms

The market value of an article or piece of property is the price which it might be expected to bring if offered for sale in a fair market; not the price which might be obtained on a sale at public auction or a sale forced by the necessities of the owner, but such price as would be fixed by negotiation and mutual agreement, after ample time to find a purchaser, as between a vendor who is willing (but not compelled) to sell and a purchaser who desires to buy but is not compelled to take the particular article or piece of property.

Winnepisogee Lake, etc., Co. v. Guilford, 67 N.H. 514, 35 A. 945; *Muser v. Magone*, 155 U.S. 240, 15 S.Ct. 77, 39 L.Ed. 135; *Little Rock Junction Ry. Woodruff*, 49 Ark. 381, 5 S.W. 792, 4 Am.St.Rep. 51; *William H. Lowe Estate Co. v. Lederer Realty Corporation*, 35 R.I.352, 86 A. 881, 883, Ann.Cas.1916A, 341.

2. Book Value

Refers to the value of assets as shown in the official accounting records of the company.
Merritt's Glossary of Insurance Terms

"Book value" of a business is based upon actual costs of a stock of merchandise and accounts on hand less depreciation.

Mills v. Rich, 249 Mich. 489, 229 N.W. 462, 463

a) *Straight line depreciation*

b) *Accelerated Depreciation*

3. Actual Cash Value

An amount equivalent to the replacement cost of lost or damaged property at the time of loss, less depreciation. With regard to buildings, there is a tendency for the actual cash value to closely parallel the market value of the property.

Merritt's Glossary of Insurance Terms

What property is worth in money, allowing for depreciation.

Glen Falls Ins. Co. of New York v. Garner, 229 Ala. 39, 155 So. 533, 536.

The basis of loss settlement in property insurance policies, which takes into consideration such factors as replacement value less depreciation, market value, rental value, the use of the building, the area in which it is located, obsolescence, assessed valuation and any other factor which would have an effect on value. A working rule-of-thumb definition, however, is "replacement cost new at the time of loss, less depreciation."

Insurance Words And Their Meanings

a) *Generally 50% to 60% maximum depreciation due to age and condition*

b) *Economic value may be considered*

4. Replacement Value

The cost of replacing property without a reduction for depreciation. By this method of determining value, damages for a claim would be the amount needed to replace the property using new materials.
Merritt's Glossary of Insurance Terms

- a) *Debris Removal*
- b) *Site Preparation*
- c) *Underground Property*
- d) *Contractor's Bid*
- e) *Architect Fees*
- f) *Insurance Costs*
- g) *Permit Costs*
- h) *Building Code Compliance*

B. Equipment

- 1. Market Value**
- 2. Book Value**
- 3. Actual Cash Value/Utility Value**
- 4. Replacement Value**
- 5. Like kind and quality**
- 6. Obsolescence**
- 7. Salvage Value**



C. Stock In Progress

Raw Materials



\$100,000

In Process



\$180,000

Finished Goods



\$250,000

Selling Price



\$500,000

D. Inventory



1. FIFO (First In – First Out)

Method of valuing inventories and cost of goods sold. Under inflationary conditions the method overstates ending inventory, understates cost of goods sold, and hence overstates profits.

Introduction to Accounting and Finance

2. LIFO (Last In – First Out)

Alternative method of valuing inventories and cost of goods sold. A company may switch to the LIFO method for tax purposes only if it uses LIFO for reporting purposes.

Introduction to Accounting and Finance

3. Replacement Cost

a) *No reduction in value for obsolescence, shop wear, minor damage*

b) *Need to indicate Replacement Cost on "Stock" on the Declarations*

OPTIONAL COVERAGES

APPLICABLE ONLY WHEN ENTRIES ARE MADE IN THE SCHEDULE BELOW

PREM NO	BLDG. NO.	AGREED VALUE EXPIRATION DATE	COVERAGE	AMOUNT	REPLACEMENT COST (X)			PERSONAL PROPERTY OF OTHERS
					BUILDING	PERSONAL PROPERTY	INCLUDING "STOCK"	
1	1	N/A	--	--	X	X	X	
2	1	12/31/05	Building	\$250,000	X			

	2011	2015
# of Units	100,000	100,000
Price Per Unit	\$5.00	\$10.00
Value	\$500,000	\$1,000,000

2016 Loss – 50,000 Units of Inventory	
FIFO	50,000 @ \$5.00 = \$250,000
LIFO	50,000 @ \$10.00 = \$500,000
Replacement Value	50,000 @ \$12.00 = \$600,000

4. Profit



Inventory Value

\$7,500



Inventory Value

\$7,500

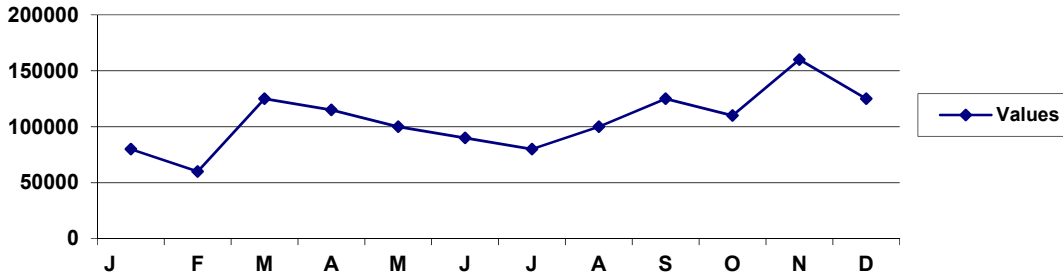


Selling Price Value

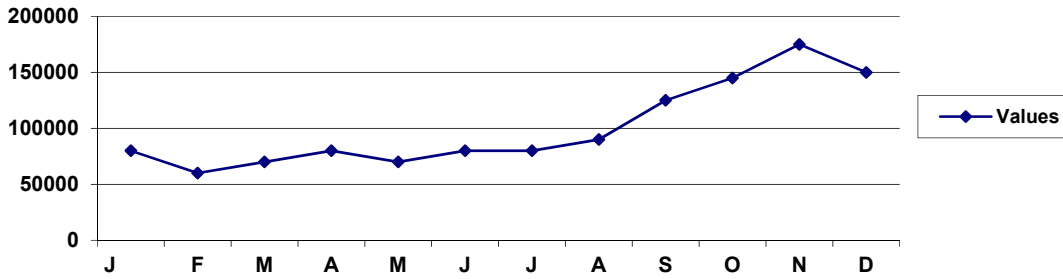
\$15,000

E. Fluctuating Values

1. Values fluctuate throughout the year



2. Values increase during predictable time periods



3. Values fluctuate from one location to another



Location 1
\$100,000



Location 2
\$200,000



Location 3
\$150,000

II. Policy Language

A. Actual Cash Value

1. Commercial Property – CP 00 10

We will determine the value of Covered Property in the event of loss or damage as follows:

- a. At actual cash value as of the time of loss or damage, except as provided in **b.**, **c.**, **d.**, and **e.** below:

2. Homeowners – HO 00 03

a) *Buildings*

2.b. If, at the time of loss, the amount of insurance in this policy on the damaged building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this policy that applies to the building;

- (a) The actual cash value of that part of the building damaged; or
- (b) That proportion of the cost to repair or replace, without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this policy bears to 80% of the replacement cost of the building.

b) Contents

D. Loss Settlement

In this Condition **D.**, the terms “cost to repair or replace” and “replacement cost”, do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in **E.11. Ordinance or Law** under Section **I – Property Coverages**. Covered property losses are settled as follows:

1. Property of the following types:

- a. Personal property;
- b. Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings;
- c. Structures that are not buildings; and
- d. Grave markers, including mausoleums;

at actual cash value at the time of loss but not more than the amount required to repair or replace.

3. “Actual Cash Value” is not defined in the policy

4. Accepted definition

An amount equivalent to the replacement cost of lost or damaged property at the time of loss, less depreciation. With regard to buildings, there is a tendency for the actual cash value to closely parallel the market value of the property.

Merritt's Glossary of Insurance Terms

5. Depreciation

- a) *Wear and tear*
- b) *Age and Condition*
- c) *Obsolescence*
- d) *Economic Value*

The fair or reasonable cash price for which the property could be sold in the market, in the ordinary course of business, and not a forced sale; the price it will bring in a fair market after reasonable efforts to find a purchaser who will give the highest price.

Black's Law Dictionary

e) *Broad Evidence Rule*

Ordinarily, “actual cash value,” “fair market price,” and “market value” are synonymous terms.
Butler v. Aetna Ins. Co. of Hartford, Conn., 64 N.D. 764, 256 N.W. 214, 218

- (1) Market Value
- (2) Income Potential
- (3) Rental Value
- (4) Functional Value
- (5) Utility or Salvage Value

6. Valuation Considerations at Loss Time

<i>Manufacturer's equipment is outdated and similar equipment is no longer available</i>	
<i>Elevated highway is built next to an apartment complex</i>	
<i>Vacant school building is scheduled for demolition</i>	
<i>Vacant school building is scheduled for demolition when it is destroyed by fire in a state that has a Valued Policy Law with respect to fire</i>	
<i>Major industrial plant closes which results in a substantial reduction in the business of a nearby shopping center</i>	
<i>Four story brick building would be replaced with a more modern semi-fire resistive building</i>	

Broad Evidence Rule Jurisdictions

- | | | |
|-------------|----------------|----------------|
| Colorado | Massachusetts | Oklahoma |
| Connecticut | Michigan | Rhode Island |
| Florida | Minnesota | South Carolina |
| Idaho | Montana | South Dakota |
| Indiana | New Hampshire | Tennessee |
| Iowa | New Jersey | Vermont |
| Kentucky | New York | Virginia |
| Maryland | North Carolina | Wisconsin |

B. Replacement Cost Option

1. New for Old

The cost of replacing property without a reduction for depreciation. By this method of determining value, damages for a claim would be the amount needed to replace the property using new materials.

Merritt's Glossary of Insurance Terms

2. Commercial Property Policy

a. Replacement Cost (without deduction for depreciation) replaces Actual Cash Value in the Loss Condition, Valuation, of this Coverage Form.

a) *Excepted Property*

b. This Optional Coverage does not apply to:

- (1) Personal property of others;
- (2) Contents of a residence;
- (3) Works of art, antiques or rare articles, including etchings, pictures, statutory, marbles, bronzes, porcelains and bric-a-brac; or
- (4) "Stock", unless the including "Stock" option is shown in the Declarations.

Under the terms of this Replacement Cost Optional Coverage, tenant's improvements and betterments are not considered to be the personal property of others.

b) *Application of Coinsurance*

c. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage this Optional Coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.

ACTUAL CASH VALUE VS. REPLACEMENT COST

ACTUAL CASH VALUE INSURANCE	REPLACEMENT COST COVERAGE
\$100,000 Replacement Value -\$20,000 Depreciation \$80,000 ACV <u>X 80% Coinsurance</u> \$64,000 Amount Needed to Comply	\$100,000 Replacement Value <u>X 80% Coinsurance</u> \$80,000 Amount Needed to Comply
LOSS WITH \$40,000 COVERAGE	
\$10,000 ACV Loss $\$40,000 \div \$64,000 \times \$10,000 =$ \$6,250 Paid	\$12,000 RC Loss $\$40,000 \div \$80,000 \times \$12,000 =$ \$6,000 Paid

c) Replacement Cost Requirements

- d.** We will not pay on a replacement cost basis for any loss or damage:
- (1)** Until the lost or damaged property is actually repaired or replaced; and
 - (2)** Unless the repair or replacement is made as soon as reasonably possible after the loss or damage.

d) Replacement Cost Payment Options

- e.** We will not pay more for loss or damage on a replacement cost basis than the least of **(1)**, **(2)** or **(3)**, subject to **f.** below::
- (1)** The Limit of Insurance applicable to the lost or damaged property;
 - (2)** The cost to replace, on the same premises, the lost or damaged property with other property:
 - (a)** Of comparable material and quality; and
 - (b)** Used for the same purpose; or
 - (3)** The amount you actually spend that is necessary to repair or replace the lost or damaged property.

e) *Ordinance or Law Exclusion*

f. The cost of repair or replacement does not include the increased cost attributable to enforcement of or compliance with any ordinance or law regulating the construction, use or repair of any property.

f) *Selling Price Clause*

c. "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.

(1) Property of Others

b. Personal Effects and Property of Others.

You may extend the insurance that applies to Your Business Personal Property to apply to:

- (1) Personal effects owned by you, your officers, your partners or members, your managers or your employees. This extension does not apply to loss or damage by theft.
- (2) Personal property of others in your care, custody or control.

The most we will pay for loss or damage under this Extension is \$2,500 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.



Inventory Value
\$7,500

Limits
\$7,500

Inventory Value
\$7,500

Limits
\$7,500

Selling Price Value
\$15,000

Limits
\$2,500

3. Homeowner's Policy

(1) Actual cash value for personal property

- UNLESS REPLACEMENT COST IS ADDED, PROPERTY OF OTHERS IS ACV

D. Loss Settlement

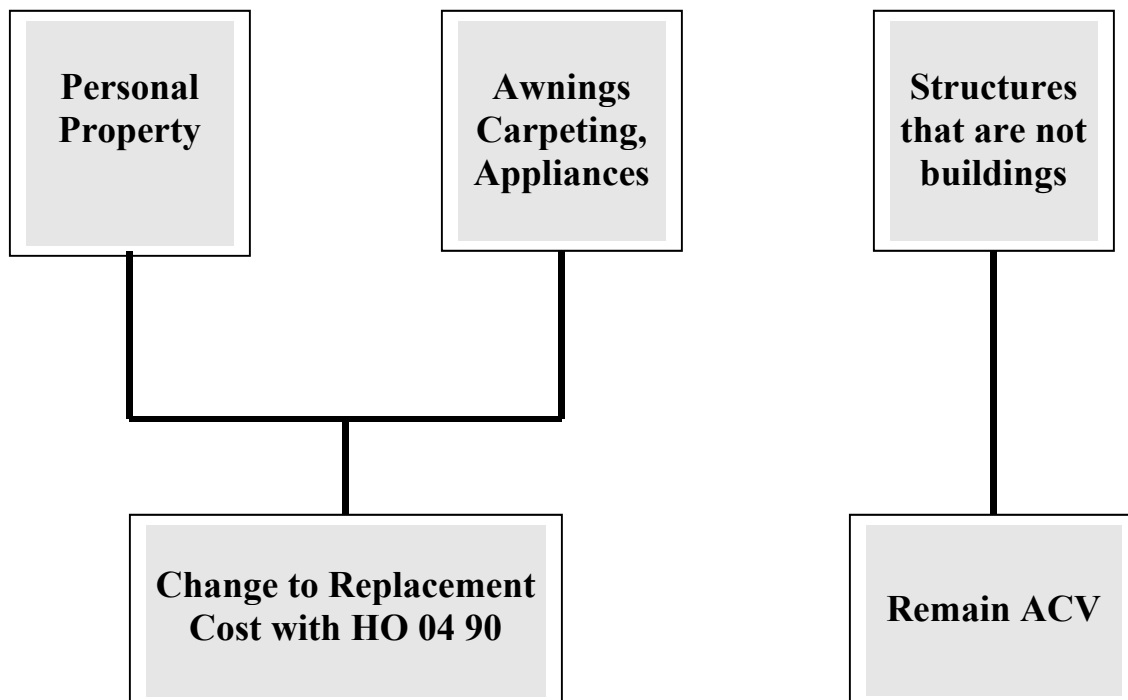
In this Condition **D.**, the terms “cost to repair or replace” and “replacement cost”, do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in **E.11. Ordinance or Law under Section I – Property Coverages**. Covered property losses are settled as follows:

1. Property of the following types:

- a. Personal property;**
- b. Awnings, carpeting, household appliances, outdoor antennas and outdoor equipment, whether or not attached to buildings; and**
- c. Structures that are not buildings; and**
- d. Grave markers, including mausoleums;**

at actual cash value at the time of loss but not more than the amount required to repair or replace.

Actual Cash Value



THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**PERSONAL PROPERTY REPLACEMENT COST
LOSS SETTLEMENT****A. Eligible Property**

1. Covered losses to the following property are settled at replacement cost at the time of the loss:

- a. Coverage **C**

- b. If covered in this policy:

- (1) Awnings, outdoor antennas and outdoor equipment, and

- (2) Carpeting and household appliances;

- whether or not attached to buildings.

2. This method of loss settlement will also apply to the following articles or classes of property if they are separately described and specifically insured in this policy and not subject to agreed value loss settlement:

- a. Jewelry;

- b. Furs and garments:

- (1) Trimmed with fur; or

- (2) Consisting principally of fur;

- c. Cameras, projection machines, films and related articles of equipment;

- d. Musical equipment and related articles of equipment;

- e. Silverware, silver-plated ware, goldware, gold-plated ware and pewterware, but excluding:

- (1) Pens or pencils;

- (2) Flasks;

- (3) Smoking instruments; or

- (4) Jewelry; and

- f. Golfer's equipment meaning golf clubs, golf clothing and golf equipment.

Personal Property Replacement Cost coverage will not apply to other classes of property separately described and specifically insured.

B. Ineligible Property

Property listed below is not eligible for replacement cost settlement. Any loss will be settled at actual cash value at the time of loss but not more than the amount required to repair or replace.

1. Antiques, fine arts, paintings and similar articles of rarity or antiquity, which cannot be replaced.

2. Memorabilia, souvenirs, collectors items and similar articles, whose age or history contribute to their value.

3. Articles not maintained in good or workable condition.

4. Articles that are outdated or obsolete and are stored or not being used.

C. Replacement Cost Loss Settlement Condition

The following loss settlement procedure applies to all property described in **A.** above:

1. We will pay no more than the least of the following amounts:

- a. Replacement cost at the time of loss without deduction for depreciation;

- b. The full cost of repair at the time of loss;

- c. The limit of liability that applies to Coverage **C**, if applicable;

- d. Any applicable special limits of liability stated in this policy; or

- e. For loss to any item described in **A.2.a. – f.** above, the limit of liability that applies to the item.

2. If the cost to repair or replace the property described in **A.** above is more than \$500, we will pay no more than the actual cash value for the loss until the actual repair or replacement is complete.

3. You may make a claim for loss on an actual cash value basis and then make claim for any additional liability in accordance with this endorsement provided you notify us, within 180 days after the date of the loss, of your intent to repair or replace the damaged property.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**REPLACEMENT COST LOSS SETTLEMENT
FOR CERTAIN NON-BUILDING STRUCTURES
ON THE RESIDENCE PREMISES**

SECTION I – CONDITIONS

With respect to structures that are covered by this endorsement, Section I – Condition **D. Loss Settlement** is replaced by the following:

D. Loss Settlement

1. Covered losses to the following structures located on the “residence premises” are subject to the replacement cost loss settlement conditions described in **2.** below:

- a. Reinforced- masonry walls;
- b. Metal or fiberglass fences;
- c. Fences made of plastic/resin materials such as polyvinylchloride;
- d. Patios, walks (not made of wood or wood products);
- e. Driveways; and
- f. Inground or semi-inground:

- (1) Swimming pools;
- (2) Therapeutic baths; or
- (3) Hot tubs;

with walls and floors made of reinforced masonry, cement, metal or fiberglass. However, this does not include their accessories or equipment.

2. The terms “cost to repair or replace” and “replacement cost” do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in **E.11. Ordinance or Law** under Section I – Property Coverages.

- a. We will pay the cost to repair or replace a structure described in **1.** above after application of the deductible and without deduction for depreciation. However, we will not pay more than the least of the following amounts:

- (1) The limit of liability under the policy that applies to Coverage **B.**, or if the structure is specifically insured under this policy, the amount for which that structure is insured;
- (2) The replacement cost of that part of the structure damaged with material of like kind and quality and for like use; or
- (3) The necessary amount actually spent to repair or replace the damaged structure.

- b. When the repair or replacement cost for the entire loss under this endorsement is more than \$2,500, we will pay no more than the actual cash value for the loss until the actual repair or replacement is complete.

- c. You may disregard Paragraphs **a.** and **b.** above and make a claim for loss on an actual cash value basis and then make claim for any additional liability in accordance with this endorsement, provided you notify us, within 180 days after the date of loss, of your intent to repair or replace the damaged structure.

All other provisions of this policy apply.

(2) Replacement cost for Coverage A and B

2. Buildings under Coverage **A** or **B** at replacement cost without deduction for depreciation, subject to the following:

a. If, at the time of loss, the amount of insurance in this policy on the damaged building is 80% or more of the full replacement cost of the building immediately before the loss, we will pay the cost to repair or replace without deduction for depreciation, but not more than the least of the following amounts:

(a) The limit of liability under this policy that applies to the building;

(b) The replacement cost of that part of the building damaged for like construction and use on the same premises; or

(c) The necessary amount actually spent to repair or replace the damaged building

If the building is rebuilt at a new premises, the cost described in (2) above is limited to the cost which would have been incurred if the building had been built at the original premises.

(3) Actual Cash Value

HO 04 81 05 11

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.
ACTUAL CASH VALUE LOSS SETTLEMENT

SECTION I – CONDITIONS

Paragraph **D**. Loss Settlement is replaced by the following:

D. Loss Settlement

Covered property losses shall be settled at actual cash value at the time of loss but shall not be settled at more than the amount required to repair or replace.

All other provisions of this policy apply.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ACTUAL CASH VALUE LOSS SETTLEMENT WINDSTORM OR HAIL LOSSES TO ROOF SURFACING

A. SECTION I - CONDITIONS

This endorsement modifies the Section I loss settlement condition in the policy form with respect to a covered loss for roof surfacing caused by the peril of windstorm or hail. Such loss will be subject to actual cash value loss settlement. Therefore, the loss settlement conditions that pertain to "repair or replacement cost without deduction for depreciation" are changed as noted below:

D. Loss Settlement

1. In all forms except **HO 00 06** and **HO 00 08** and the Special Loss Settlement endorsement:

- a. Paragraph 1.c. is replaced by the following:
 - c. Structures that are not buildings, including their roof surfacing;
- b. The following is added to Paragraph 1.:

- e. Roof surfacing on structures that are buildings if a loss to the roof surfacing is caused by the peril of windstorm or hail.
- c. In Paragraph 2., the introductory statement "Buildings covered under Coverage A or B at replacement cost without deduction for depreciation, subject to the following:" is replaced by the following:
 2. Buildings covered under Coverage A or B, except for their roof surfacing if the loss to the roof surfacing is caused by the peril of windstorm or hail, at replacement cost without deduction for depreciation, subject to the following:

2. In Form **HO 00 06**, Condition D. Loss Settlement is replaced by the following:

D. Loss Settlement

Covered property losses are settled as follows:

1. Property of the following types:
 - a. Personal property and grave markers, including mausoleums; and
 - b. Roof surfacing if the loss is caused by the peril of windstorm or hail;

at actual cash value at the time of loss but not more than the amount required to repair or replace.

2. Coverage A, except for roof surfacing if loss is caused by the peril of windstorm or hail:

- a. If the damage is repaired or replaced within a reasonable time, at the actual cost to repair or replace;
- b. If the damage is not repaired or replaced within a reasonable time, at actual cash value but not more than the amount required to repair or replace.

In this provision, the terms "repaired" or "replaced" do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in D.10. Ordinance Or Law under Section I – Property Coverages.

3. In Form **HO 00 08**:

- a. Paragraph 1.c. is replaced by the following:
 - c. Structures that are not buildings, including their roof surfacing;
 - b. The following paragraph is added to Paragraph 1.:
- d. Roof surfacing on structures that are buildings if a loss to the roof surfacing is caused by the peril of windstorm or hail.
- c. In Paragraph 2. the introductory statement "Buildings under Coverage A or B:" is replaced by the following:
 2. Buildings under Coverage A or B, except for their roof surfacing if the loss to the roof surfacing is caused by the peril of windstorm or hail;

The provisions of this endorsement do not apply to structures insured under either the Coverage B – Other Structures Away From the Residence Premises endorsement or the Specific Structures Away From The Residence Premises endorsement, if made a part of the policy.

All other provisions of this policy apply.

(4) Repair required

d. We will pay no more than the actual cash value of the damage until actual repair or replacement is complete. Once actual repair or replacement is complete, we will settle the loss according to the provisions of **2.a.** and **b.** above.

However, if the cost to repair or replace the damage is both:

(a) Less than 5% of the amount of insurance in this policy on the building; and

(b) Less than \$2500;

we will settle the loss according to the provisions of **b.(1)** and **b.(2)** above whether or not actual repair or replacement is complete.

(5) Basis of replacement cost

c. To determine the amount of insurance required to equal 80% of the full replacement cost of the building immediately before the loss, do not include the value of:

(1) Excavations, foundations, piers or any supports which are below the undersurface of the lowest basement floor;

(2) Those supports in **(1)** above which are below the surface of the ground inside the foundation walls, if there is no basement; and

(3) Underground flues, pipes, wiring and drains.

(6) If coverage is less than 80% to value

- b.** If, at the time of loss, the amount of insurance in this policy on the damage building is less than 80% of the full replacement cost of the building immediately before the loss, we will pay the greater of the following amounts, but not more than the limit of liability under this policy that applies to the building:
- (a)** The actual cash value of that part of the building damaged; or
 - (b)** That proportion of the cost to repair or replace, without deduction for depreciation, that part of the building damaged, which the total amount of insurance in this policy on the damaged building bears to 80% of the replacement cost of the building.

LOSS SETTLEMENT COMPARISON	
Limit of insurance 80% or more of replacement cost	Limit of insurance less than 80% of replacement cost
Pays the least of:	Pays the greater of:
<ol style="list-style-type: none"> 1. Limit of liability 2. Replacement cost 3. Amount actually spent 	<ol style="list-style-type: none"> 1. Actual Cash Value 2. Valuation Formula 3. Won't exceed Limit of Liability

$$\left(\frac{\text{Amount of Insurance}}{80\% \text{ or Replacement Cost}} \times \text{Loss} \right) - \text{Deductible}$$

(7) Rejection of replacement cost

- e.** You may disregard the replacement cost loss settlement provisions and make claim under this policy for loss or damage to buildings on an actual cash value basis. You may then make claim within 180 days after loss for any additional liability, according to the provisions of this Condition **D**. Loss Settlement, provided you notify us, within 180 days after the date of loss, of your intent to repair or replace the damaged building.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

SPECIAL LOSS SETTLEMENT

SCHEDULE*

Percentage Amount Of Full Replacement Cost:	%
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.	

SECTION I – CONDITIONS

Paragraph **D. Loss Settlement** is deleted and replaced by the following:

D. Loss Settlement. In this Condition **D.**, the terms “cost to repair or replace” and “replacement cost” do not include the increased costs incurred to comply with the enforcement of any ordinance or law, except to the extent that coverage for these increased costs is provided in Additional Coverage **E.11. Ordinance or Law**. Covered property losses are settled as follows:

1. Property of the following type:
 - a. Personal property;
 - b. Awnings, carpeting, household appliances, outdoor antennas, and outdoor equipment, whether or not attached to buildings;
 - c. Structures that are not buildings; and
 - d. Grave markers, including mausoleums;

at actual cash value at the time of loss but not more than the amount required to repair or replace.

2. Buildings covered under Coverage **A** or **B** at replacement cost without deduction for depreciation, subject to the following:
 - a. If, at the time of loss, the amount of insurance in this policy on the damaged building is equal to or more than the percentage amount of the full replacement cost of the building immediately before the loss, shown in the Schedule above, we will pay the cost to repair or replace, without deduction for depreciation, but not more than the least of the following amounts:
 - (1) The limit of liability under this policy that applies to the building;

- (2) The replacement cost of that part of the building damaged for like construction and use on the same premises; or
- (3) The necessary amount actually spent to repair or replace the damaged building.

If the building is rebuilt at a new premises, the cost described in (2) above is limited to the cost which would have been incurred if the building had been built at the original premises.

- b. If, at the time of loss, the amount of insurance in this policy on the damaged building is less than the percentage amount of the full replacement cost of the building immediately before the loss, shown in the Schedule, we will pay the greater of the following amounts, but not more than the limit of liability under this policy that applies to the building:

- (1) The actual cash value of that part of the building damaged; or
- (2) That proportion of the cost to repair or replace, without deduction or depreciation, that part of the building damaged, which the total amount of insurance in this policy bears to the percentage cost of the building shown in the schedule.

c. To determine the amount of insurance required to equal the percentage amount of the full replacement cost of the building immediately before the loss, shown in the Schedule, do not include the value of:

- (1) Excavations, footings, foundations, piers or any other structures or devices that support all or part of the building, which are below the undersurface of the lowest basement floor; or
- (2) Those supports in (1) above which are below the surface of the ground inside the foundation walls, if there is no basement; and
- (3) Underground flues, pipes, wiring and drains.

d. We will pay no more than the actual cash value of the damage until actual repair or replacement is complete. Once actual repair or replacement is complete, we will settle the loss according to the provisions of **2.a.** and **b.** above.

However, if the cost to repair or replace the damage is both:

- (1) Less than 5% of the amount of insurance in this policy on the building; and
- (2) Less than \$2,500;

we will settle the loss according to the provisions of **2.a.** and **b.** above whether or not actual repair or replacement is complete.

e. You may disregard the replacement cost loss settlement provisions and make claim under this policy for loss or damage to buildings on an actual cash value basis. You may then make claim for any additional liability according to the provisions of this Condition **D.** Loss Settlement, provided you notify us, within 180 days after the date of loss, of your intent to repair or replace the damaged building.

All other provisions on this policy apply.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LIMITATIONS ON COVERAGE FOR ROOF SURFACING

This endorsement modifies insurance provided under the following:

- BUILDERS RISK COVERAGE FORM
- BUILDING AND PERSONAL PROPERTY COVERAGE FORM
- CONDOMINIUM ASSOCIATION COVERAGE FORM
- CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
- STANDARD PROPERTY FORM

SCHEDULE

Premises Number	Building Number	Indicate Applicability (Paragraph A. and/or Paragraph B.)

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

A. The following applies with respect to loss or damage by a **Covered Cause of Loss (including wind and hail if covered)** to a building or structure identified in the Schedule as being subject to Paragraph **A.**:

Replacement Cost coverage (if otherwise applicable to such property) does not apply to roof surfacing. Instead, we will determine the value of roof surfacing at actual cash value as of the time of loss or damage.

B. The following applies with respect to loss or damage by **wind and/or hail** to a building or structure identified in the Schedule as being subject to this Paragraph **B.**:

We will not pay for cosmetic damage to roof surfacing caused by wind and/or hail. For the purpose of this endorsement, cosmetic damage means that the wind and/or hail caused marring, pitting or other superficial damage that altered the appearance of the roof surfacing, but such damage does not prevent the roof from continuing to function as a barrier to entrance of the elements to the same extent as it did before the cosmetic damage.

C. For the purpose of this endorsement, roof surfacing refers to the shingles, tiles, cladding, metal or synthetic sheeting or similar materials used in securing the roof surface and all materials applied to or under the roof surface for moisture protection, as well as roof flashing.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**INCREASE IN REBUILDING EXPENSES FOLLOWING
DISASTER (ADDITIONAL EXPENSE COVERAGE ON
ANNUAL AGGREGATE BASIS)**

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Additional Expense Coverage Percentage
		%
		%
		%
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.		

- A.** This endorsement applies with respect to a covered loss to a building identified in the Schedule.

Coverage for the loss is determined in accordance with all applicable policy provisions except as otherwise provided in this endorsement.
- B.** The Covered Causes of Loss (including related endorsements, if any) otherwise applicable to a building listed in the Schedule will apply to the coverage provided under this endorsement with respect to that building.
- C.** The Additional Expense Coverage provided under this endorsement applies if all of the following conditions are met, subject to all limitations of this endorsement:
 - 1.** The event that caused the loss covered loss:
 - a.** Results in declaration of a state of disaster by federal or state authorities;
 - b.** Occurs in close temporal proximity to the event that resulted in declaration of disaster by federal or state authorities;
 - 2.** Expenses for labor and/or building materials for repair or replacement of the damaged property increase as a result of the disaster and the total cost of repair or replacement exceeds the applicable Limit of Insurance due to such increase in expenses;
 - 3.** You elect to repair or replace the damaged building; and
 - 4.** You notified us, within 30 days of completion, of any improvements, alterations or additions to the building which increase the replacement cost of the building by 5% or more, and allowed us to adjust the Limit of Insurance, if necessary, to maintain the required insurance-to-value level.
- D.** When the cost of repair or replacement increases in accordance with the terms of this endorsement, we will pay the increased expenses actually incurred, up to the maximum amount of Additional Expense Coverage.

E. The maximum amount of Additional Expense Coverage available for the extra expense of repair or replacement of a building listed in the Schedule is determined in accordance with the following provisions:

1. Apply the applicable percentage indicated in the Schedule for that building to:

a. The Limit Of Insurance shown in the Declarations as applicable to the building (adjusted first for inflation if the Inflation Guard option applies), when such Limit covers only that building (exclusive of contents); or

b. The value of the building (as shown in the most recent statement of values in this policy or on file with us) adjusted by the policy's Coinsurance percentage, when insurance is written on a blanket basis. (For the purpose of this endorsement, blanket insurance covers two or more building, or a building(s) and its contents, under a single Limit of Insurance.)

However, if the building is subject to a lower Limit of Insurance (sub-limit) for the Covered Cause of Loss that caused the loss, then the applicable percentage indicated in the Schedule will be applied to that sub-limit.

2. If a Coinsurance penalty or similar penalty for inadequate insurance (or underreporting of values) applies to the covered loss to the building in accordance with the terms of this policy, then the maximum amount of Additional Expense Coverage will be decreased in the same proportion. (In determining compliance with the policy's Coinsurance or similar requirement, the increase in expenses attributable to the disaster will be disregarded.)

F. Annual Aggregate

The following applies when payments are made under this endorsement as a result of one or more covered events in an annual policy term:

1. When payments reach the maximum amount of Additional Expense Coverage, such coverage will not apply to a subsequent event which occurs in the same annual policy term.

2. When Payments total less than the maximum amount of Additional Expense Coverage, the balance will be available for additional expenses incurred in a subsequent event which occurs in the same annual policy term.

G. Debris Removal

Up to 20% of the amount payable for Additional Expense Coverage may be used to cover debris removal expense associated with the covered loss. This does not increase the maximum amount of Additional Expense Coverage.

H. Ordinance Or Law

When a building listed in the Schedule is also covered for Coverage C under the ordinance Or Law Coverage Endorsement (if a part of this policy), up to 20% of the amount payable for Additional Expense Coverage may be used to cover costs payable under Coverage C. This does not increase the maximum amount of Additional Expense Coverage.

I. Newly Acquired Or Constructed Buildings

When a newly acquired or constructed building is covered under the terms of the Newly Acquired Or Constructed Property Coverage Extension, then the highest percentage shown in the Schedule for any building will be applied to the applicable Limit of Insurance for newly acquired or constructed building, subject to all other terms of this endorsement.

J. In determining the expenses payable under this endorsement, we will deduct any expenses recovered under a Business Income and/or Extra Expense Coverage Form, if any, in this policy.

4. Outdoor Property

- All SORTS of OUTDOOR PROPERTY

- ARE COVERED FOR NOTHING THAT WILL HAPPEN TO THEM

- Up to \$1,000

- NEIGHBOR'S TREE

e. Outdoor Property

You may extend the insurance provided by the Coverage Form to apply to your outdoor fences, radio and television antennas (including satellite dishes), trees, shrubs and plants (other than trees, shrubs or plants which are "stock" or are part of a vegetated roof), including debris removal expense, caused by or resulting from any of the following causes of loss if they are Covered Causes of Loss:

- (1) Fire;
- (2) Lightning;
- (3) Explosion;
- (4) Riot or Civil Commotion; or
- (5) Aircraft.

The most we will pay for loss or damage under this Extension is \$1,000, but not more than \$250 for any one tree, shrub or plant. These limits apply to any one occurrence, regardless of the types or number of items lost or damaged in that occurrence.

Subject to all aforementioned terms and limitations of coverage, this Coverage Extension includes the expense of removing from the described premises the debris of trees, shrubs and plants which are the property of others, except in the situation in which you are a tenant and such property is owned by the landlord of the described premises.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

OUTDOOR TREES, SHRUBS AND PLANTS

This endorsement modifies insurance provided under the following:

- BUILDERS' RISK COVERAGE FORM
- BUILDING AND PERSONAL PROPERTY COVERAGE FORM
- CONDOMINIUM ASSOCIATION COVERAGE FORM
- CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
- STANDARD PROPERTY POLICY

SCHEDULE

Premises Number:		Building Number:	
Limit Of Insurance			
Each Tree	Each Shrub	Each Plant	All Items
\$	\$	\$	\$
Causes Of Loss Form Applicable:		Vehicle Exclusion: <input type="checkbox"/>	
Premises Number:		Building Number:	
Limit Of Insurance			
Each Tree	Each Shrub	Each Plant	All Items
\$	\$	\$	\$
Causes Of Loss Form Applicable:		Vehicle Exclusion: <input type="checkbox"/>	
Premises Number:		Building Number:	
Limit Of Insurance			
Each Tree	Each Shrub	Each Plant	All Items
\$	\$	\$	\$
Causes Of Loss Form Applicable:		Vehicle Exclusion: <input type="checkbox"/>	
Additional Premium: \$			
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.			

A. The following is added to Covered Property:

Outdoor trees, shrubs and plants at locations described in the Schedule.

B. The most we will pay for loss or damage (including debris removal expense) to covered trees, shrubs and plants in any one occurrence is the Limit of Insurance for All Items, subject to the separate limit applicable to Each Tree, Shrub or Plant, shown in the Schedule.

C. Outdoor trees, shrubs and plants are subject to all applicable provisions of the Causes of Loss form indicated in the Schedule, as well as to the following exclusions:

We will not pay for loss or damage to outdoor trees, shrubs or plants, caused by or resulting from any of the following:

1. Dampness or dryness of atmosphere;

2. Changes in or extremes of temperature; or

3. Rain, snow, ice or sleet.

D. If the Vehicle Exclusion option is designated in the Schedule by an "X", we will not pay for loss or damage caused by vehicles to outdoor trees, shrubs or plants.

E. The Coverage Extension – Outdoor Property and the Additional Coverage – Debris Removal do not apply to the property covered under this endorsement.

SAMPLE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

OUTDOOR SIGNS

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

SCHEDULE

Premises Number:		Building Number:	
Description of Sign:			
Construction of Sign:	<input type="checkbox"/> Entirely Metal	<input type="checkbox"/> Other	
Limit of Insurance	\$		
Coinsurance Percentage	%		
Additional Premium:	\$		
Premises Number:		Building Number:	
Description of Sign:			
Construction of Sign:	<input type="checkbox"/> Entirely Metal	<input type="checkbox"/> Other	
Limit of Insurance	\$		
Coinsurance Percentage	%		
Additional Premium:	\$		

Premises Number:		Building Number:	
Description of Sign:			
Construction of Sign:	<input type="checkbox"/> Entirely Metal	<input type="checkbox"/> Other	
Limit of Insurance	\$		
Coinsurance Percentage	%		
Additional Premium:	\$		

With respect to the outdoor signs described in the Schedule, the provision in the Limits Of Insurance section which pertains to signs does not apply. The limit applicable to each sign is shown in the Schedule. The limit applicable to each sign is the most we will pay for loss or damage to the sign in any one occurrence.

- *CLM Rule 31.C.(4)*
- *Applies to signs attached or detached from buildings*
- *Increases the \$2,500 limitation*

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

RADIO OR TELEVISION ANTENNAS

This endorsement modifies insurance provided under the following:

- BUILDING AND PERSONAL PROPERTY COVERAGE FORM
- BUILDERS RISK COVERAGE FORM
- CONDOMINIUM ASSOCIATION COVERAGE FORM
- CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
- STANDARD PROPERTY POLICY

SCHEDULE*

Prem. No.	Bldg. No.	Limit Of Insurance	Causes Of Loss Form Applicable	Coinsurance Percentage	Additional Premium
* Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.					

A. The following is added to Covered Property:

Radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, as described in the Schedule.

B. The following is deleted from Property Not Covered:

“Radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers”.

C. Property covered under this endorsement is subject to all applicable provisions of the Causes of Loss form indicated in the Schedule, as well as to the following exclusions:

We will not pay for loss or damage caused by or resulting from any of the following:

1. Dampness or dryness of atmosphere;
2. Changes in or extremes of temperature; or
3. Rain, snow, ice or sleet.

- *CLM Rule 30.C*
- *Increases the \$1,000 limitation and covered causes of loss*

III. Alternative Methods of Valuation

A. Buildings

1. Agreed Value

- Suspends COINSURANCE

1. Agreed Value

a. The Additional Condition, Coinsurance, does not apply to Covered Property to which this Optional Coverage applies. We will pay no more for loss of or damage to that property than the proportion that the Limit of Insurance under this Coverage Part for the property bears to the Agreed Value shown for it in the Declarations.

b. If the expiration date for this Optional Coverage shown in the Declarations is not extended, the Additional Condition, Coinsurance, is reinstated and this Optional Coverage expires.

c. The terms of this Optional Coverage apply only to loss or damage that occurs:

(1) On or after the effective date of this Optional Coverage; and

(2) Before the Agreed Value expiration date shown in the Declarations or the policy expiration date, whichever occurs first.

OPTIONAL COVERAGES

APPLICABLE ONLY WHEN ENTRIES ARE MADE IN THE SCHEDULE BELOW

PREM NO	BLDG. NO.	AGREED VALUE EXPIRATION DATE	COVERAGE	AMOUNT	REPLACEMENT COST (X)			PERSONAL PROPERTY OF OTHERS
					BUILDING	PERSONAL PROPERTY	INCLUDING "STOCK"	
1	1	N/A	--	--	X	X	X	
2	1	12/31/05	Building	\$250,000	X			

3. Ordinance or Law Coverage • CP 04 05

SCHEDULE

Building Number/ Premises Number	Coverage A	Coverage B Limit Of Insurance	Coverage C Limit Of Insurance	Coverages B And C Combined Limit Of Insurance
/	<input type="checkbox"/>	\$	\$	\$ *
/	<input type="checkbox"/>	\$	\$	\$ *
/	<input type="checkbox"/>	\$	\$	\$ *
Post-Loss Ordinance Or Law Option: Yes <input type="checkbox"/> No <input type="checkbox"/>				
*Do not enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverages B and C , or if one of these Coverages is not applicable.				
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.				

a) *Three Coverages provided*

(1) Coverage A - Coverage For Loss to the Undamaged Portion of the Building

- TURNS PARTIAL LOSS INTO TOTAL LOSS
- INCLUDED, NOT ADDITIONAL INSURANCE

1. Coverage A – Coverage For Loss to the Undamaged Portion of the Building

With respect to the building that has sustained covered direct physical damage, we will pay under Coverage **A** for the loss in value of the undamaged portion of the building as a consequence of a requirement to comply with an ordinance or law that requires demolition of undamaged parts of the same building.

Coverage **A** is included within the Limit Of Insurance applicable to such building as shown in the Declarations or addressed elsewhere in this policy. Coverage **A** does not increase the Limit of Insurance.

- ◆ Coverage A becomes part of the building coverage
- ◆ No additional amount of insurance is needed

(2) Coverage B - Demolition Cost

- UNDAMAGED PORTION OF THE BUILDING
- NO COINSURANCE

2. Coverage B – Demolition Cost Coverage

With respect to the building that has sustained covered direct physical damage, we will pay the cost to demolish and clear the site of undamaged parts of the same building, as a consequence of a requirement to comply with of an ordinance or law that requires demolition of such undamaged property.

The Coinsurance Additional Condition does not apply to Demolition Cost Coverage.

(3) Coverage C - Increased Cost of Construction

- INCREASED COST TO REPAIR OR REPLACE
- DAMAGED AND UNDAMAGED PORTIONS
- LIMITED TO MINIMUM REQUIREMENTS OF THE ORDINANCE
- SIMILAR OCCUPANCY
- NO COINSURANCE
- ADDED BACK AS COVERED PROPERTY FOR COVERAGE C ONLY

3. Coverage C – Increased Cost of Construction Coverage

a. With respect to the building that has sustained covered direct physical damage, we will pay for the increased cost to:

- (1) Repair or reconstruct damaged portions of that building; and/or
- (2) Reconstruct or remodel undamaged portions of that building, whether or not demolition is required;

when the increased cost is a consequence of a requirement to comply with enforcement of the minimum standards of the ordinance or law.

However:

- (1) This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law.
- (2) We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.

The Coinsurance Additional Condition does not apply to Increased Cost of Construction Coverage.

b. When a building is damaged or destroyed and Coverage C applies to that building in accordance with Paragraph C.3.a. above, coverage for the increased cost of construction also applies to repair or reconstruction of the following, subject to the same conditions stated in Paragraph C.3.a.:

- (1) The cost of excavations, grading, backfilling and filling;
- (2) Foundation of the building;
- (3) Pilings; and
- (4) Underground pipes, flues and drains.

The items listed in **b.(1)** through **b.(4)** above are deleted from Property Not Covered, but only with respect to the coverage described in this provision, **3.b.**

- DESCRIPTION of types of laws
- IN FORCE AT TIME of loss
- Post-loss option 1.02 SURCHARGE
- MINIMUM REQUIREMENTS
- UNDERLYING CLAIM MAY INVOLVE BOTH COVERED AND EXCLUDED PERILS
- NO COVERAGE UNLESS COVERED PERIL INVOLVED
- CROSS REFERENCE TO PROPORTIONATE LOSS PAYMENT
- EXCEPTION TO PROPORTIONATE LOSS PAYMENT

B. Application Of Coverage(s)

The Coverage(s) provided by this endorsement applies with respect to an ordinance or law that regulates the demolition, construction or repair of buildings, or establishes zoning or land use requirements at the described premises, subject to the following:

1. The requirements of the ordinance or law are in force at the time of loss. But if the Post-Loss Ordinance Or Law Option is indicated in the Schedule as being applicable, then Paragraph **B.2.** applies instead of this Paragraph **B.1.**
2. The requirements of the ordinance or law are in force at the time of loss; or the ordinance or law is promulgated or revised after the loss but prior to the commencement of reconstruction or repair and provided that such ordinance or law requires compliance as a condition precedent to obtaining a building permit or certificate of occupancy.
3. Coverage under this endorsement applies only in response to the minimum requirements of the ordinance or law. Losses and costs incurred in complying with recommended actions or standards that exceed actual requirements are not covered under this endorsement.
4. Coverage under this endorsement applies only if:
 - a. The building sustains direct physical damage that is covered under this policy and as a result of such damage, you are required to comply with the ordinance or law; or
 - b. The building sustains both direct physical damage that is covered under this policy and direct physical damage that is not covered under this policy, and as a result of the building damage in its entirety, you are required to comply with the ordinance or law.

However, there is no coverage under this endorsement if the building sustains direct physical damage that is not covered under this policy, and such damage is the subject of the ordinance or law, even if the building has also sustained covered direct physical damage.

5. If coverage applies under this endorsement based on the terms of Paragraph **B.4.b.** above, we will not pay the full amount of loss otherwise payable under the terms of Coverages **A**, **B**, and/or **C** of this endorsement. Instead, we will pay a proportion of such loss; meaning the proportion that the covered direct physical damage bears to the total direct physical damage.

(Paragraph **F.** of this endorsement provides an example of this procedure.)

However, if the covered direct physical damage, alone, would have resulted in a requirement to comply with the ordinance or law, then we will ay the full amount of loss otherwise payable under the terms of Coverages **A**, **B**, and/or **C** of this endorsement.

c) *Proportionate loss example*

- Applies to COVERAGES A, B AND C

F. Example of proportionate loss payment for Ordinance or Law Coverage Losses (procedure as set forth in Paragraph **B.5.**).

a Assume:

- Wind is a Covered Cause of Loss; Flood is an excluded Cause of Loss
- The building has a value of \$200,000
- Total direct physical damage to building: \$100,000
- The ordinance or law in this jurisdiction is enforced when building damage equals or exceeds 50% of the buildings value
- Portion of direct physical damage that is covered (caused by wind): \$30,000
- Portion of direct physical damage that is not covered (caused by flood): \$70,000
- Loss under Ordinance or Law Coverage **C** of this endorsement: \$60,000

Step 1: Determine the proportion that the covered direct physical damage bears to the total direct physical damage.

$$\$30,000 \div \$100,000 = .30$$

Step 2: Apply that proportion to the Ordinance or Law loss.

$$\$60,000 \times .30 = \$18,000$$

In this example, the most we will pay under this endorsement for the Coverage **C** loss is \$18,000, subject to the applicable Limit of Insurance and any other applicable provisions.

Note: The same procedure applies to losses under Coverages **A** and **B** of this endorsement.

d) Coverage A can be replacement cost or ACV

(1) Replacement at a new premises

- CROSS REFERENCE TO PROPORTIONATE LOSS PAYMENTS

- THIS OR ANOTHER PREMISES

- LESSER OF

- COST AT SAME PREMISES

- LIMIT

D. Loss Payment

1. All following loss payment Provisions, **D.2.** through **D.5.**, are subject to the apportionment procedures set forth in Paragraph **B.5.** of this endorsement.
2. When there is a loss in value of an undamaged portion of a building to which Coverage **A** applies, the loss payment for that building, including damaged and undamaged portions, will be determined as follows:
 - a. If the Replacement Cost Coverage Option applies and such building is being repaired or replaced, on the same or another premises, we will not pay more than the lesser of:
 - (1) The amount you would actually spend to repair, rebuild or reconstruct the building, but not for more than the amount it would cost to restore the building on the same premises and to the same height, floor area, style and comparable quality of the original property insured; or
 - (2) The Limit Of Insurance applicable to such building as shown in the Declarations or addressed elsewhere in this policy. (If this policy is endorsed to cover Earthquake and/or Flood as a Covered Cause of Loss, the Limit of Insurance applicable to the building in the event of damage by such Covered Cause of Loss may be lower than the Limit of Insurance that otherwise would apply.)

- ◆ Coverage C will pay the increased cost at a new location

(2) Actual Cash Value settlement if the building is not replaced or Replacement Cost not selected

- NOT REPLACED
- Did NOT PURCHASE REPLACEMENT COST
- NOT MORE THAN
 - ACV
 - Limit

b. If the Replacement Cost Coverage Option applies and such building is **not repaired or replaced**, or if the Replacement Cost Coverage Option does not apply, we will not pay more than the lesser of:

- (1) The actual cash value of such building at the time of loss; or
- (2) The Limit Of Insurance applicable to such building as shown in the Declarations or addressed elsewhere in this policy. (If this policy is endorsed to cover Earthquake and/or Flood as a Covered Cause of Loss, the Limit of Insurance applicable to the building in the event of damage by such Covered Cause of Loss may be lower than the Limit of Insurance that otherwise would apply.)

e) If Coverage C is chosen, replacement cost must be activated

- CONSTRUCTION BEYOND TWO YEARS NOT COVERED, UNLESS EXTENDED IN WRITING
- MAY BE ON SAME OR ANOTHER PREMISES

4. Unless paragraph **D.5.** applies, loss payment under Coverage **C** – Increased Cost Of Construction Coverage will be determined as follows:

- a.** We will not pay under Coverage **C**:
 - (1) Until the building is actually repaired or replaced, at the same or another premises; and
 - (2) Unless the repairs or replacement is made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.
- b.** If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay under Coverage **C** is the lesser of:
 - (1) The increased cost of construction at the same premises; or
 - (2) The applicable Limit Of Insurance shown for Coverage **C** in the Schedule.
- c.** If the ordinance or law requires relocation to another premises, the most we will pay under Coverage **C** is the lesser of:
 - (1) The increased cost of construction at the new premises; or
 - (2) The applicable Limit Of Insurance shown for Coverage **C** in the Schedule.

f) *Two exclusions added*

(1) Pollution and fungus

6. We will not pay under this endorsement for:

- a.** Enforcement of or compliance with any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by “pollutants” or due to the presence, growth, proliferation, spread or any activity of “fungus”, wet or dry rot or bacteria; or
- b.** The costs associated with the enforcement of or compliance with any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of “pollutants”, “fungus”, wet or dry rot or bacteria.

(2) Prior requirements to fix

7. We will not pay under this endorsement for any loss in value or any cost incurred due to an ordinance or law that you were required to comply with before the time of the current loss, even in the absence of building damage, if you failed to comply.

g) *No coverage for Coverages B or C unless scheduled on the endorsement*

A. Each Coverage – Coverage **A**, Coverage **B** and Coverage **C** – is provided under this endorsement only if that Coverage(s) is chosen by entry in the above Schedule and then only with respect to the building identified for that Coverage(s) in the Schedule.

(1) Limits are Per Building

E. The terms of this endorsement apply separately to each building to which this endorsement applies.

(2) Demolition Cost

3. Unless paragraph **D.5.** applies, loss payment under Coverage **B** – Demolition Cost Coverage will be determined as follows:

We will not pay more than the lesser of the following:

- a.** The amount you actually spend to demolish and clear the site of the described premises; or
- b.** The applicable Limit Of Insurance shown for Coverage **B** in the Schedule above.

h) Coverages B and C may be combined

- May be preferable due to the flexibility in the event of a loss

5. If a **Combined** Limit Of Insurance is shown for Coverages **B** and **C** in the Schedule, paragraphs **D.3.** and **D.4.** do not apply with respect to the building that is subject to the Combined Limit, and the following loss payment provisions apply instead:

The most we will pay, for the total of all covered losses for Demolition Cost and Increased Cost of Construction, is the Combined Limit Of Insurance shown for Coverages **B** and **C** in the Schedule. Subject to this Combined Limit of Insurance, the following loss payment provisions apply:

a. For Demolition Cost, we will not pay more than the amount you actually spend to demolish and clear the site of the described premises.

b. With respect to the Increased Cost of Construction:

(1) We will not pay for the increased cost of construction:

(a) Until the building is actually repaired or replaced, at the same or another premises; and

(b) Unless the repairs or replacement is made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

(2) If the building is repaired or replaced at the same premises, or if you elect to rebuild at another premises, the most we will pay for the increased cost of construction is the increased cost of construction at the same premises.

(3) If the ordinance or law requires relocation to another premises, the most we will pay for the increased cost of construction is the increased cost of construction at the new premises.

i) Coverage example:

(1) Assume the following:

- (a) Current replacement cost of building of masonry construction is \$400,000
- (b) This building is located in an area now zoned for superior construction. The local ordinance defines substantial damage as 50%, requiring the entire building to be destroyed.
- (c) Estimated cost of demolition of 50% of the structure is \$30,000
- (d) Estimated increased cost of construction to meet the current building code is \$200,000

(2) Coverage would be provided as follows:

- (a) Coverage A would be included in the building amount on the declarations page and subject to the coinsurance condition. Replacement cost amount would be \$400,000
- (b) Coverage B would be on the schedule on the endorsement for \$30,000
- (c) Coverage C would be on the schedule on the endorsement for \$200,000

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ORDINANCE OR LAW COVERAGE FOR TENANT'S INTEREST IN IMPROVEMENTS AND BETTERMENTS (TENANT'S POLICY)

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
STANDARD PROPERTY FORM

SCHEDULE

Building Number/ Premises Number	Coverage A	Coverage B Limit Of Insurance	Coverage C Limit Of Insurance	Coverages B And C Combined Limit Of Insurance
/	<input type="checkbox"/>	\$	\$	\$ *
/	<input type="checkbox"/>	\$	\$	\$ *
/	<input type="checkbox"/>	\$	\$	\$ *
Description Of Tenant's Improvements And Betterments				
At Building Number/Premises Number				
At Building Number/Premises Number				
At Building Number/Premises Number				
Post-Loss Ordinance Or Law Option: Yes <input type="checkbox"/> No <input type="checkbox"/>				
<small>*Do not enter a Combined Limit of Insurance if individual Limits of Insurance are selected for Coverages B and C, or if one of these Coverages is not applicable.</small>				
<small>Information required to complete this Schedule, if not shown above, will be shown in the Declarations.</small>				

A. Introduction

Each Coverage – Coverage **A**, Coverage **B**, and Coverage **C** – is provided under this endorsement only if that Coverage(s) is chosen by entry in the above Schedule and then only with respect to the improvements and betterments identified with that Coverage(s) in the Schedule.

Improvements and betterments are fixtures, alterations, installations or additions made a part of the building you occupy but do not own and which you acquired or made at your expense but cannot legally move.

B. Application Of Coverage(s)

The Coverage(s) provided by this endorsement applies with respect to an ordinance or law that regulates the demolition, construction or repair of buildings, or establishes zoning or land use requirements at the described premises, subject to the following:

1. The requirements of the ordinance or law are in force at the time of loss. But if the Post-Loss Ordinance Or Law Option is indicated in the Schedule as being applicable, then Paragraph **B.2.** applies instead of this Paragraph **B.1.**
2. The requirements of the ordinance or law are in force at the time of loss; or the ordinance or law is promulgated or revised after the loss but prior to the commencement of reconstruction or repair and provided that such ordinance or law requires compliance as a condition precedent to obtaining a building permit or certificate of occupancy.
3. Coverage under this endorsement applies only in response to the minimum requirements of the ordinance or law. Losses and costs incurred in complying with recommended actions or standards that exceed actual requirements are not covered under this endorsement.
4. Coverage under this endorsement applies only if the property damage that results in the requirement to comply with the ordinance or law is:
 - a. Caused only by a Cause of Loss covered under this policy; or
 - b. Caused by both a Cause of Loss covered under this policy and a Cause of Loss not covered under this policy, but only if the requirement to comply with the ordinance or law is based on the extent of property damage in its entirety.

But if the property damage that results in the requirement to comply with the ordinance or law is not covered under this policy, and such damage is the subject of the ordinance or law, there is no coverage under this endorsement, even if the property has also sustained covered direct physical damage.

5. If coverage applies under this endorsement based on the terms of Paragraph **B.4.b.** above, we will not pay the full amount of loss otherwise payable under the terms of Coverages **A, B,** and/or **C** of this endorsement. Instead, we will pay a proportion of such loss; meaning the proportion that the covered direct physical damage to the improvements and betterments bears to the total direct physical damage to the improvements and betterments.

(Paragraph **E.** of this endorsement provides an example of this procedure.)

However, if the covered direct physical damage, alone, would have resulted in a requirement to comply with the ordinance or law, then we will pay the full amount of loss otherwise payable under the terms of Coverages **A, B,** and/or **C** of this endorsement.

6. We will not pay under this endorsement for:
 - a. Enforcement of or compliance with any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or
 - b. The costs associated with the enforcement of or compliance with any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria.
7. We will not pay under this endorsement for any loss in value or any cost incurred due to an ordinance or law that you were required to comply with before the time of the current loss, even in the absence of property damage, if you failed to comply.

C. Coverage

1. Coverage A – Coverage For Loss To The Undamaged Portion Of Tenant's Improvements And Betterments

We will pay under Coverage **A** for the loss in value of the undamaged portion of the improvements and betterments when:

- a. The improvements and betterments are damaged and the ordinance or law requires demolition of the undamaged parts of such property; or
- b. The undamaged improvements and betterments, or undamaged parts of the improvements and betterments, are demolished or damaged in the course of demolition or repair of the building or part of the building where such property is located, as a consequence of the ordinance or law. But we will not pay under Coverage **A** for undamaged improvements and betterments that could be removed from the building, without incurring damage to such improvements and betterments, prior to demolition or repair of the building.

Coverage **A** is included within the Limit Of Insurance applicable to the improvements and betterments as shown in the Declarations or addressed elsewhere in this policy. Coverage **A** does not increase the Limit of Insurance.

2. Coverage B – Demolition Cost Coverage

We will pay the cost to demolish and clear the site of undamaged parts of the improvements and betterments, provided that such cost is distinguishable from the cost of demolishing the building and you are responsible for the cost of demolition of the improvements and betterments, and further provided that:

- a. The improvements and betterments are damaged and the ordinance or law requires demolition of the undamaged parts of such property; or
- b. The undamaged improvements and betterments, or undamaged parts of the improvements and betterments, are demolished or damaged in the course of demolition or repair of the building or part of the building where such property is located, as a consequence of the ordinance or law. But we will not pay under Coverage **B** for demolition of undamaged improvements and betterments that could be removed from the building, without incurring damage to such improvements and betterments, prior to demolition or repair of the building.

The Coinsurance Additional Condition does not apply to Demolition Cost Coverage.

3. Coverage C – Increased Cost Of Construction Coverage

We will pay the increased cost to:

- a. Repair or reconstruct damaged portions of the improvements and betterments; and/or
- b. Reconstruct or remodel undamaged portions of the improvements and betterments, whether or not demolition is required;

when the increased cost is a consequence of a requirement to comply with the minimum standards of the ordinance or law.

However:

- a. This coverage applies only if the restored or remodeled property is intended for similar use as the current property, unless such use is not permitted by the ordinance or law.
- b. We will not pay for the increased cost of construction if the improvements and betterments are not repaired, reconstructed or remodeled.

The Coinsurance Additional Condition does not apply to Increased Cost Of Construction Coverage.

D. Loss Payment

1. We will not pay under this endorsement if others pay for loss or damage to improvements and betterments.
2. All following loss payment provisions, **D.3.** through **D.6.**, are subject to the apportionment procedures set forth in Paragraph **B.5.** of this endorsement.
3. When there is a loss in value of an undamaged portion of improvements and betterments to which Coverage **A** applies, the loss payment for that property, including damaged and undamaged portions, will be determined as follows:
 - a. If the Replacement Cost Coverage Option applies and the improvements and betterments are being repaired or replaced, on the same or another premises, we will not pay more than the lesser of:
 - (1) The amount you would actually spend to repair, rebuild or reconstruct such property, but not for more than the amount it would cost to restore the property on the same premises and to the same dimensions, style and comparable quality of the original property insured; or
 - (2) The Limit Of Insurance applicable to the improvements and betterments as shown in the Declarations or addressed elsewhere in this policy. (If this policy is endorsed to cover Earthquake and/or Flood as a Covered Cause of Loss, the Limit of Insurance applicable to the improvements and betterments in the event of damage by such Covered Cause of Loss may be lower than the Limit of Insurance that otherwise would apply.)
 - b. If the Replacement Cost Coverage Option does **not** apply and the improvements and betterments are being repaired or replaced, we will not pay more than the lesser of:
 - (1) The actual cash value of such property at the time of loss; or

- (2) The Limit Of Insurance applicable to the improvements and betterments as shown in the Declarations or addressed elsewhere in this policy. (If this policy is endorsed to cover Earthquake and/or Flood as a Covered Cause of Loss, the Limit of Insurance applicable to the improvements and betterments in the event of damage by such Covered Cause of Loss may be lower than the Limit of Insurance that otherwise would apply.)
- c. If the improvements and betterments are **not** repaired or replaced, we will not pay more than the lesser of:
- (1) A proportion of your original cost as set forth in the Valuation Loss Condition of this Coverage Form or Policy; or
 - (2) The Limit Of Insurance applicable to the improvements and betterments as shown in the Declarations or addressed elsewhere in this policy. (If this policy is endorsed to cover Earthquake and/or Flood as a Covered Cause of Loss, the Limit of Insurance applicable to the improvements and betterments in the event of damage by such Covered Cause of Loss may be lower than the Limit of Insurance that otherwise would apply.)
4. Unless Paragraph **D.6.** applies, loss payment under Coverage **B** – Demolition Cost Coverage will be determined as follows:
- We will not pay more than the lesser of the following:
- a. The amount you actually spend for demolishing the improvements and betterments and clearing the demolished property from the described premises; or
 - b. The applicable Limit Of Insurance shown for Coverage **B** in the Schedule.
5. Unless Paragraph **D.6.** applies, loss payment under Coverage **C** – Increased Cost Of Construction Coverage will be determined as follows:
- a. We will not pay under Coverage **C**:
 - (1) Until the improvements and betterments are actually repaired or replaced, at the same or another premises; and
 - (2) Unless the repair or replacement is made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.
 - b. If the improvements and betterments are repaired or replaced at the same premises, the most we will pay under Coverage **C** is the lesser of:
 - (1) The increased cost of construction of the improvements and betterments at the same premises; or
 - (2) The applicable Limit Of Insurance shown for Coverage **C** in the Schedule.
 - c. If you relocate to another premises, the most we will pay under Coverage **C** is the lesser of:
 - (1) The increased cost of construction of the improvements and betterments at the new premises; or
 - (2) The applicable Limit Of Insurance shown for Coverage **C** in the Schedule.
6. If a Combined Limit Of Insurance is shown for Coverages **B** and **C** in the Schedule, Paragraphs **D.4.** and **D.5.** do not apply with respect to the improvements and betterments that are subject to the Combined Limit, and the following loss payment provisions apply instead:
- The most we will pay, for the total of all covered losses for Demolition Cost and Increased Cost of Construction, is the Combined Limit Of Insurance shown for Coverages **B** and **C** in the Schedule. Subject to this Combined Limit of Insurance, the following loss payment provisions apply:
- a. For Demolition Cost, we will not pay more than the amount you actually spend for demolishing the improvements and betterments and clearing the demolished property from the described premises.
 - b. With respect to the Increased Cost of Construction:
 - (1) We will not pay for the increased cost of construction:
 - (a) Until the improvements and betterments are actually repaired or replaced, at the same or another premises; and
 - (b) Unless the repair or replacement is made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

- (2) If the improvements and betterments are repaired or replaced at the same premises, the most we will pay for the increased cost of construction is the increased cost of construction of the improvements and betterments at the same premises.
- (3) If you relocate to another premises, the most we will pay for the increased cost of construction is the increased cost of construction of the improvements and betterments at the new premises.

E. Example of proportionate loss payment for Ordinance Or Law Coverage Losses (procedure as set forth in Paragraph **B.5.**).

Assume:

- Wind is a Covered Cause of Loss; Flood is an excluded Cause of Loss
- The building has a value of \$1,000,000
- The improvements and betterments have a value of \$200,000
- Total direct physical damage to property: \$600,000 (\$100,000 attributable to improvements and betterments)
- The ordinance or law in this jurisdiction is enforced when building damage equals or exceeds 50% of the buildings value
- Portion of direct physical damage that is covered (caused by wind): \$120,000 (\$20,000 attributable to improvements and betterments)
- Portion of direct physical damage that is not covered (caused by flood): \$480,000 (\$80,000 attributable to improvements and betterments)
- Loss under Ordinance or Law Coverage **C** of this endorsement: \$50,000

Step 1: Determine the proportion that the covered direct physical damage bears to the total direct physical damage.

$$\$20,000 \div \$100,000 = .20$$

Step 2: Apply that proportion to the Ordinance or Law loss.

$$\$50,000 \times .20 = \$10,000$$

In this example, the most we will pay under this endorsement for the Coverage **C** loss is \$10,000, subject to the applicable Limit of Insurance and any other applicable conditions.

Note: The same procedure applies to losses under Coverages **A** and **B** of this endorsement.

F. The following definition if added:

“Fungus” means any type or form of fungus, including mold or mildew, and any mycotoxins, spores, scents or by-products produced or released by fungi.

4. Debris Removal

- 180 days
- NOT ALL EXPENSES COVERED
- NOT COVERED PROPERTY
- LANDLORD PROPERTY
- PROPERTY NOT COVERED
- PROPERTY of OTHERS
- DIRT

4. Additional Coverages

a. Debris Removal

(1) Subject to Paragraphs (2), (3) and (4), we will pay your expense to remove debris of Covered Property and other debris that is on the described premises, when such debris is caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the date of the direct physical loss or damage.

(2) Debris Removal does not apply to costs to:

- (a) Remove debris of property of yours that is not insured under this policy, or property in your possession that is not Covered Property;
- (b) Remove debris of property owned by or leased to the landlord of the building where your described premises are located, unless you have a contractual responsibility to insure such property and it is insured under this policy;
- (c) Remove any property that is Property Not Covered, including property addressed under the Outdoor Property Coverage Extension;
- (d) Remove property of others of a type that would not be Covered Property under this Coverage Form;
- (e) Remove deposits of mud or earth from the grounds of the described premises;

Debris Removal, Continued

- NOTE LAND OR WATER

- INCLUDED IN THE LIMIT

- SUBJECT TO 25% OF THE COVERED LOSS

- \$5,000 FOR PROPERTY OF OTHERS

(f) Extract "pollutants" from land or water; or

(g) Remove, restore or replace polluted land or water.

(3) Subject to the exceptions in Paragraph (4), the following provisions apply:

(a) The most we will pay for the total of direct physical loss or damage plus debris removal expense is the Limit of Insurance applicable to the Covered Property that has sustained loss or damage.

(b) Subject to (a) above, the amount we will pay for debris removal expense is limited to 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage. However, if no Covered Property has sustained direct physical loss or damage, the most we will pay for removal of debris of other property (if such removal is covered under this Additional Coverage) is \$5,000 at each location.

Debris Removal, continued

- \$25,000
Additional
Limits Available

(4) We will pay up to an additional \$25,000 for debris removal expense, for each location, in any one occurrence of physical loss or damage to Covered Property, if one or both of the following circumstances apply:

(a) The total of the actual debris removal expense plus the amount we pay for direct physical loss or damage exceeds the Limit of Insurance on the Covered Property that has sustained loss or damage.

(b) The actual debris removal expense exceeds 25% of the sum of the deductible plus the amount that we pay for direct physical loss or damage to the Covered Property that has sustained loss or damage.

Therefore, if **(4)(a)** and/or **(4)(b)** applies, our total payment for direct physical loss or damage and debris removal expenses may reach but will never exceed the Limit of Insurance on the Covered Property, that has sustained loss or damage, plus \$25,000.

(5) Examples

The following examples assume that there is no Coinsurance penalty.

Example 1

Limit of Insurance:	\$	90,000
Amount of Deductible:	\$	500
Amount of Loss:	\$	50,000
Amount of Loss Payable: (\$50,000 - \$500)	\$	49,500
Debris Removal Expense:	\$	10,000
Debris Removal Expense Payable: (\$10,000 is 20% of \$50,000)	\$	10,000

The debris removal is less than 25% of the sum of the loss payable plus the deductible. The sum of the loss payable and the debris removal expense (\$49,500 + \$10,000 = \$59,500) is less than the Limit of Insurance. Therefore, the full amount of debris removal expense is payable in accordance with the terms of Paragraph **(3)**.

Debris Removal, continued

Example 2

Limit of Insurance:	\$	90,000
Amount of Deductible:	\$	500
Amount of Loss:	\$	80,000
Amount of Loss Payable: (\$80,000 - \$500)	\$	79,500
Debris Removal Expense:	\$	40,000
Debris Removal Expense Payable		
Basic Amount:	\$	10,500
Additional Amount:	\$	25,000

The basic amount payable for debris removal expense under the terms of Paragraph **(3)** is calculated as follows: $\$80,000 (\$79,500 + \$500) \times .25 = \$20,000$, capped at \$10,500. The cap applies because the sum of the loss payable (\$79,500) and the basic amount payable for debris removal expense (\$10,500) cannot exceed the Limit of Insurance (\$90,000).

The additional amount payable for debris removal expense is provided in accordance with the terms of Paragraph **(4)**, because the debris removal expense (\$40,000) exceeds 25% of the loss payable plus the deductible (\$40,000 is 50% of \$80,000), and because the sum of the loss payable and debris removal expense ($\$79,500 + \$40,000 = \$119,500$) would exceed the limit of insurance (\$90,000). The additional amount of covered debris removal expense is \$25,000, the maximum payable under Paragraph **(4)**. Thus, the total payable for debris removal expense in this example is \$35,500; \$4,500 of the debris removal expense is not covered.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DEBRIS REMOVAL ADDITIONAL INSURANCE

This endorsement modifies insurance provided under the following:

- BUILDERS RISK COVERAGE FORM
- BUILDING AND PERSONAL PROPERTY COVERAGE FORM
- CONDOMINIUM ASSOCIATION COVERAGE FORM
- CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
- STANDARD PROPERTY FORM
- TOBACCO SALES WAREHOUSES COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Debris Removal Amount	Additional Premium
		\$	\$
		\$	\$
		\$	\$

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

The additional amount of \$25,000 for debris removal in the **Debris Removal** Additional Coverages section is replaced by the higher amount shown in the Schedule.

- ***Increases the \$25,000 limit in the Coverage Form***

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

INCREASED COST OF LOSS AND RELATED EXPENSES FOR GREEN UPGRADES

This endorsement modifies insurance provided under the following:

BUILDING AND PERSONAL PROPERTY COVERAGE FORM
 BUSINESS INCOME (AND EXTRA EXPENSE) COVERAGE FORM
 BUSINESS INCOME (WITHOUT EXTRA EXPENSE) COVERAGE FORM
 CONDOMINIUM ASSOCIATION COVERAGE FORM
 CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
 EXTRA EXPENSE COVERAGE FORM

SCHEDULE

Premises Number	Building Number	Green Upgrades (Maximum Amount)		Increased Cost Of Loss (%)**	Related Expenses	Number Of Days For Extended Period Of Restoration
		Building	Your Business Personal Property*			
		\$	\$	%	\$	
		\$	\$	%	\$	
		\$	\$	%	\$	
*If coverage under this endorsement for Your Business Personal Property is to be limited to a certain type of personal property, describe such property:						
**If different percentages are to apply to Building and Your Business Personal Property, use separate lines on the Schedule.						
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.						

A. Green Upgrade Coverage

The meanings given under this Paragraph **A.** apply only to the coverage provided under this endorsement.

1. With respect to the property indicated in the Schedule, the corresponding amount of coverage shown in the Schedule for Green Upgrades is the maximum amount provided under this endorsement for the total of all costs attributable for Green Upgrades. In the event of covered direct physical loss or damage, we will determine the amount payable for the total of all costs attributable to Green Upgrades, as follows:

- a. Determine the amount of covered direct physical loss or damage prior to application of the deductible, in accordance with the terms of this policy, excluding any increased cost attributable to the coverage that would be provided under this endorsement. With respect to the determination being made in this Paragraph **a.**, the amount of covered direct physical loss or damage does not include any amount attributable to loss or damage to property not subject to this endorsement or property excluded from eligibility under Paragraph **A.8.** of this endorsement;
- b. Multiply the amount determined in Paragraph **a.** by the appropriate Increased Cost Of Loss percentage shown in the Schedule;
- c. Unless Paragraph **d.** applies, we will pay the least of the following amounts for the total of all costs attributable to Green Upgrades:
 - (1) The actual cost of covered Green Upgrades as determined in accordance with all applicable provisions of this endorsement;
 - (2) The amount determined in Paragraph **b.**; or
 - (3) The applicable amount shown for Green Upgrades in the Schedule.

d. This paragraph **d.**, applies if the direct physical loss or damage is not payable because the amount does not exceed the applicable deductible in this policy.

We will calculate the difference between the amount of the direct physical loss or damage and the amount of the deductible. The resulting amount is the balance of the deductible. If the balance of the deductible exceeds the cost of covered Green Upgrades, we will pay nothing. If the cost of covered Green Upgrades exceeds the balance of the deductible, we will pay the least of the following amounts:

- (1) The actual cost of covered Green upgrades as determined in accordance with all applicable provisions of this endorsement, less the balance of the deductible;
 - (2) The amount of covered direct physical loss or damage prior to application of the deductible, multiplied by the appropriate Increased Cost of Loss percentage shown in the Schedule; or
 - (3) The applicable amount shown for Green Upgrades in the Schedule.
2. Green standards-setter means an organization or governmental agency which produces and maintains guidelines related to Green products and practices. Green Standard-setters include but are not limited to:
- a. The Leadership in Energy and Environmental Design (LEED[®]) program of the U.S. Green Building Council;
 - b. ENERGY STAR, a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy; and
 - c. Green Globes[™], a program of the Green Building Initiative.
3. Green means enhanced energy efficiency or use of environmentally-preferable, sustainable materials, products or methods in design, construction, manufacture or operation, as recognized by a Green standards-setter.

4. The Replacement Cost Optional Coverage is amended to include Green Upgrades, meaning reasonable additional costs to repair or replace lost or damaged parts of the Covered Property indicated in the Schedule, in the event of covered direct physical loss or damage, with materials and products that are recognized by a Green standards-setter as Green, subject to all applicable terms and conditions of this endorsement. Repair or replacement of lost or damaged parts of the Covered Property is at our option.

With respect to property that qualified as Green prior to loss or damage, nothing in this endorsement is intended to reduce the coverage otherwise applicable under this policy for repair or replacement of such property with comparable materials and products.

5. In the event of a loss for which we determine that it is necessary to replace a building component (such as a roof) or building system (such as a heating system), such replacement:
- a. Is limited to replacement of the damaged building component or system with a Green building component or system which serves the same primary function as the damaged property; and
 - b. Does not extend to modification or replacement of any other building component or system. However, we may pay to repair or replace property destroyed in the course of replacing the damaged building component or system.

For example, if your traditional roof sustains damage and we pay to replace it with a vegetated roof, we would also pay to restore damaged electrical wiring, if any, that ran through the damaged roof and supported the building's existing electrical power system. But in such case we would not pay to replace the

electrical wiring with solar panels, because the roof's primary function is not to generate energy or distribute electrical power. (In referring to costs we pay, this example assumes that such costs are within the amount payable as otherwise determined under this endorsement.

This paragraph **A.5.**, reinforces the policy's loss settlement provisions in the context of coverage for Green Upgrades, and is not meant to imply broader coverage for replacement of property other than building components or systems.

6. We will not pay any additional cost, above the cost of a Green Upgrade, solely for the purpose of satisfying the minimum requirements or recommended actions or standards of an ordinance or law that regulates the repair, use or construction of a building. However, we will not disallow the cost of a Green Upgrade on the sole basis that such upgrade also falls under the provisions of the ordinance or law.

With respect to coverage for Green Upgrades under this endorsement, we will not pay any cost that is actually paid in loss settlement under another coverage, including but not limited to Ordinance Or Law Coverage or Increased Cost Of Construction Coverage.

7. We will not pay any additional cost to repair or replace damaged property solely for the purpose of achieving points toward certification or recertification of the property by a Green standards-setter.
8. With respect to business personal property, Green Upgrade Coverage does not apply to:
- a. Personal property of others;
 - b. The Coverage Extension for Personal Effects And Property Of Others;
 - c. Leased personal property; or
 - d. "Stock".

9. We will not pay under this endorsement unless the property is actually repaired or replaced at the same or another premises, and unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. If the property is being relocated to another premises, the most we will pay for Green Upgrades is the cost of Green Upgrades at the original premises, subject to all other terms and conditions of this endorsement.
10. We will not pay under this endorsement for the costs associated with enforcement of or conformance to any standard which:
 - a. Requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria;
 - b. Requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria. However, this paragraph 10.b., does not negate the coverage set forth in Building Air-out And Related Air Testing, provided such coverage applies; or
 - c. You were required to comply with before the loss (even if the property was undamaged) and you failed to comply.
11. If you elect not to make a Green Upgrade in the course of necessary repair or replacement of the property that has sustained loss or damage, we will settle the loss to such property in accordance with the applicable terms and conditions of this policy excluding this endorsement.

B. Related Expenses

The following Related Expenses, as described in Paragraphs B.1. through B.4., apply only with respect to a loss that is covered under Paragraph A. of this endorsement and only if an amount is entered in the Schedule for Related Expenses for the property that has sustained loss or damage. The most we will pay under this endorsement for the total of all such Related Expenses is the applicable amount shown in the Schedule for Related Expenses. However, if any such Related Expenses are otherwise covered under this policy, the amount provided under this endorsement for Related Expenses will apply in excess of such coverage.

1. Waste Reduction And Recycling

We will pay your expense to:

- a. Reuse or salvage building materials and contents; and
- b. Extract and transport recyclable construction waste to appropriate sites;

but any income received as a result of such waste reduction and recycling reduces the amount of loss that otherwise would have been payable under this endorsement.

2. Design And Engineering Professional Fees

We will pay reasonable and customary fees for the services of an accredited architect or engineer with respect to any necessary design and engineering recommendations in the course of repair or replacement of damaged portions of the building.

3. Certification Fees And Related Equipment Testing

- a. We will pay fees imposed by the Green standards-setter in order to determine if certification or recertification is appropriate according to the organization's standard.
- b. We will pay your reasonable expenses to test building systems and building equipment following their repair or installation as replacements, when such testing is undertaken in the course of submitting to the certification or recertification process.
- c. We will not pay for any further modification if the building fails to obtain certification, recertification or a specific level of certification.

4. Building Air-out And Related Air Testing

After repair or reconstruction is completed, we will pay your reasonable expenses to flush out the renovated space and/or conduct air quality testing of the renovated space in accordance with the recommended procedures of a Green standards-setter and for the purpose of mitigating indoor air quality deficiencies resulting from the repair or reconstruction.

C. Business Interruption

The following provisions apply only to the Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form, or Extra Expense Coverage Form, if such form is included in this policy with respect to the applicable premises.

1. The “period of restoration” is extended to include the increased period of time attributable to the coverage described in Paragraph **A.** and/or Paragraph **B.** Such extension is limited to the greater of 30 days or the number of days, if any, indicated in the Schedule:

2. The Additional Coverage – Extended Business Income, in the Business Income Coverages Forms referenced above in this Paragraph **C.**, does not commence until the extended “period of restoration” ends.

3. The provisions of Paragraph **C.1.** do not increase the applicable Business Income and/or Extra Expense Limit(s) Of Insurance shown in the Declarations.

- D. The Coinsurance Additional Condition does not apply to the coverage provided under this endorsement. However, the Coinsurance Additional Condition continues to apply with respect to the amount of coverage shown in the Declarations for the Covered Property subject to this endorsement.

SAMPLE

11. Ordinance or Law.

- a.** You may use up to 10% of the limit of liability that applies to Coverage **A** for the increased costs you incur due to the enforcement of any ordinance or law which requires or regulates:
- (1)** The construction, demolition, remodeling, renovation or repair of that part of a covered building or other structure damaged by a Peril Insured Against;
 - (2)** The demolition and reconstruction of the undamaged part of a covered building or other structure, when that building or other structure must be totally demolished because of damage by a Peril Insured Against to another part of that covered building or other structure; or
 - (3)** The remodeling, removal or replacement of the portion of the undamaged part of a covered building or other structure necessary to complete the remodeling, repair or replacement of that part of the covered building or other structure damaged by a Peril Insured Against.
- b.** You may use all or part of this ordinance or law coverage to pay for the increased costs you incur to remove debris resulting from the construction, demolition, remodeling, renovation, repair or replacement of property as stated in **a.** above.
- c.** We do not cover:
- (1)** The loss in value to any covered building or other structure due to the requirements of any ordinance or law; or
 - (2)** The costs to comply with any ordinance or law which requires any "insured" or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, assess the effects of, pollutants in or on any covered building or other structure.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

This coverage is additional insurance.

**ORDINANCE OR LAW
INCREASED AMOUNT OF COVERAGE**

SCHEDULE*

New Total Percentage Amount:

*Entry may be left blank is shown elsewhere in this policy for coverage.

SECTION I – PROPERTY COVERAGES

Additional Coverages

11. Ordinance Or Law

The total limit of liability that applies:

- a. To Coverage **A**, or
- b. For form **HO 00 04**, to Building Additions and Alterations;

is increased from 10% to the percentage amount shown in the Schedule above.

This is Additional Coverage **10**. in Form **HO 00 06**.

All other provisions of this policy apply.

5. Functional Building Valuation – CP 04 38

a) *Used only when the Functional Replacement Cost is less than Actual Cash Value*

b) *Valuation if repairs made within 180 days*

- If YOU CONTRACT FOR REPAIR

- SMALLEST OF THE FOLLOWING

- LIMIT

- TOTAL LOSS - FUNCTIONAL COST

- PARTIAL LOSS - LESS COSTLY MATERIAL

- AMOUNT ACTUALLY SPENT

C. With respect to the building described in the above Schedule, the following replaces items **a.** and **b.** of the **Valuation Loss Condition:**

1. If you contract for repair or replacement of the loss or damage to restore the building shown in the above Schedule for the same occupancy and use, within 180 days of the damage unless we and you otherwise agree, we will pay the smallest of the following, a., b., c., or d:

a. The Limit Of Insurance shown in the above Schedule as applicable to the damaged building;

b. In the event of a total loss, the cost to replace the damaged building on the same site (or on a different site if relocation is required by an ordinance or law as described in Paragraph **E.2.a.** below), with a less costly building that is functionally equivalent to the damaged building;

c. In the event of a partial loss:

(1) The cost to repair or replace the damaged portion of the building with less costly material, if available, in the architectural style that existed before the loss or damage occurred; and

(2) The amount you actually spend to demolish and clear the site of undamaged parts of the building as described in paragraph **E.2.b.** below.

d. The amount you actually spend:

(1) That is necessary to repair or replace the lost or damaged building with less costly material if available; and

(2) To demolish and clear the site of undamaged parts of the building as described in paragraph **E.2.b.** below.

c) *Valuation if repairs made after 180 days*

- SALE IN A FAIR MARKET

F. The following DEFINITION is added:

"Market Value", as used in this endorsement, means the price which the property might be expected to realize if offered for sale in a fair market.

d) *Market Value Basis*

- DO NOT REPAIR
- LIMIT
- MARKET VALUE
- AMOUNT SPENT
- ACV BASIS

2. If you do not make a claim under Paragraph 1. above, we will pay the smallest of the following, **a.**, **b.** or **c.**:

a. The Limit Of Insurance shown in the above Schedule as applicable to the damaged building;

b. The "market value" of the damaged building, exclusive of the land value, at the time of loss; or

c. The amount it would cost to repair or replace the damaged building on the same site, with less costly material in the architectural style that existed before the damage occurred, less allowance for physical deterioration and depreciation.

e) *Coinsurance*

- DOES NOT APPLY

B. The **Coinsurance** Additional Condition does not apply to the building described in the above Schedule.

f) *Other Insurance*

- OTHER FUNCTIONAL BUILDING VALUATION
 - PRO-RATA
- OTHER FORMS OF COVERAGE
 - EXCESS

D. Other Insurance

1. You may have other insurance subject to the same plan, terms, conditions and provisions as the insurance under this Functional Building Valuation insurance. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Functional Building Valuation insurance bears to the Limits of Insurance of all insurance covering on the same basis.

2. If there is other insurance covering the same loss or damage, other than that described in 1. above, our insurance is excess. But we will not pay more than the applicable Limit of Insurance.

g) Ordinance or Law Coverage

- AUTOMATICALLY PROVIDED
SEE CP 04 05

- TURNS PARTIAL LOSS INTO TOTAL LOSS

- DEMOLITION OF UNDAMAGED PORTION

- INCREASED COST OF CONSTRUCTION

E. Ordinance Or Law Coverage

2. Description Of Coverage

The following coverage(s) apply to the building described in the above Schedule, subject to paragraph C. and all other provisions of this endorsement.

This is not additional insurance; losses covered under Coverages A, B and C are included within the Limit Of Insurance shown in the above Schedule as applicable to the building.

a. Coverage A - Coverage For Loss to the Undamaged Portion of the Building.

With respect to the building that has sustained covered direct damage, we will pay under Coverage A for the loss in value of the undamaged portion of the building as a consequence of a requirement to comply with an ordinance or law that requires the demolition of undamaged parts of the same building.

b. Coverage B - Demolition Cost Coverage.

With respect to the building that has sustained covered direct physical damage, we will pay the cost to demolish and clear the site of undamaged parts of the same building, as a consequence of a requirement to comply with an ordinance or law that requires demolition of such undamaged property.

c. Coverage C - Cost to Reconstruct in Compliance with an Ordinance or Law.

With respect to the building that has sustained covered direct physical damage, the cost to repair, reconstruct or remodel the damaged and/or undamaged portions of the building (whether or not demolition is required) will include costs that are a consequence of a requirement to comply with the minimum standards of the ordinance or law. If the building is repaired or rebuilt, it must be intended for similar occupancy as the current building, unless otherwise required by zoning or land use ordinance or law.

However, we will not pay for the cost to reconstruct in compliance with an ordinance or law if the building is not repaired or replaced.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

FUNCTIONAL REPLACEMENT COST LOSS SETTLEMENT

DEFINITIONS

The following definition is added when this endorsement is attached to the policy:

“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 of the building.

SECTION I - CONDITIONS

D. Loss Settlement

Paragraph 2. is replaced by the following:

- a. If, at the time of loss, the amount of insurance in this policy on 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 damaged building for the same use, within 180 days of the damage unless we and you otherwise agree, we will pay the lesser of the following amounts:

- (1) The limit of liability under this policy that applies to the building; or
- (2) The necessary amount actually spent to repair or replace the damaged building on a “functional replacement cost” basis.

- b. If you do not make claim under 2.a. above, we will pay, after application of any deductible, the least of the following amounts:

- (1) The limit of liability under this policy that applies to the building;
- (2) The actual cash value of the damaged part of the building; or
- (3) The amount which it would cost to repair or replace the damaged building on a “functional replacement cost” basis.

- c. If, at the time of loss, the amount of insurance in this policy on 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, without deduction for depreciation, which the total amount of insurance in this policy on the damaged building bears to 80% of the “functional replacement cost” of the building, but not more than the limit of liability under this policy that applies to the building.

- d. 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 other structures or devices that support all or part of the building, which are below the undersurface of the lowest basement floor;
- (2) Those supports in (1) above which are below the surface of the ground inside the foundation walls, if there is no basement; and
- (3) Underground flues, pipes, wiring and drains.

- e. If the actual cash value of the damage is less than the “functional replacement cost”, 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 2.a. and c. above.

However, if the cost to repair or replace the damage is both:

- (a) Less than 5% of the amount of insurance in this policy on the building; and

(b) Less than \$2,500;

we will settle the loss according to the provisions of **2.a.** and **c.** above whether or not actual repair or replacement is complete.

- (2)** You may disregard the “functional replacement cost” loss settlement provisions and make claim under this policy for loss or damage to buildings on an actual cash value basis.

You may then make claim for any additional liability according to the provisions of this Condition **D.** Loss Settlement, provided you notify us, within 180 days of the date of loss, of your intent to repair or replace the damaged building.

All other provisions on this policy apply.

SAMPLE

B. Equipment

1. Agreed Value

2. Functional Personal Property Valuation - Other Than Stock • CP 04 39

a) *Used when Functional Replacement cost is less than or exceeds Actual Cash Value*

b) *Valuation if repairs made within 180 days*

- If YOU CONTRACT FOR REPAIR
- SMALLEST OF THE FOLLOWING
 - LIMIT
 - COST OF EQUIVALENT PROPERTY
 - AMOUNT ACTUALLY SPENT

C. The following VALUATION Loss Condition applies to the item(s) of personal property listed in the above Schedule:

1. If you contract for repair or replacement of the loss or damage to restore the item(s) of personal property shown in the above Schedule for the same use, within 180 days of the loss or damage unless we and you otherwise agree, we will pay the smallest of the following:
 - a. The Limit of Insurance shown in the above Schedule as applicable to the lost or damaged item(s) of personal property;
 - b. The cost to replace, on the same site, the lost or damaged item(s) of personal property with the most closely equivalent property available; or
 - c. The amount you actually spend that is necessary to repair or replace the lost or damaged item(s) of personal property.

3. Valuation if repairs made after 180 days

a) *Definition of Market Value*

- SALE IN A FAIR MARKET

F. The following DEFINITION is added:

"Market Value", as used in this endorsement, means the price which the property might be expected to realize if offered for sale in a fair market.

b) *Market Value Basis*

- Do NOT REPAIR
- Limit
- MARKET VALUE
- AMOUNT SPENT
- ACV basis

2. If you do not make a claim under Paragraph 1., we will pay the smallest of the following:

- a. The Limit of Insurance shown in the above Schedule as applicable to the lost or damaged item(s) of personal property;
- b. The "market value" of the lost or damaged item(s) of personal property at the time of loss; or
- c. The amount it would cost to repair or replace that part of the item(s) of personal property that is lost or damaged with material of like kind and quality less allowance for physical deterioration and depreciation.

4. **Coinsurance**

- DOES NOT apply

B. The COINSURANCE Additional Condition and Valuation Loss Condition do not apply to the item(s) of personal property described in the above Schedule.

C. Inventory

1. **Selling Price**

a) *Mercantile Selling Price*

(1) Goods that have been sold, but not delivered

(2) Automatically included in **CP 00 10 – Building and Personal Property Coverage Form**

OPTIONAL COVERAGES

APPLICABLE ONLY WHEN ENTRIES ARE MADE IN THE SCHEDULE BELOW

PREM NO	BLDG. NO.	AGREED VALUE EXPIRATION DATE	COVERAGE	AMOUNT	REPLACEMENT COST (X)			INCLUDING "STOCK"
					BUILDING	PERSONAL PROPERTY	PERSONAL PROPERTY OF OTHERS	
1	1	N/A	--	--	X	X		X
2	1	12/31/15	Building	\$250,000	X			

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LEASED PROPERTY

This endorsement modifies insurance provided under the following:

- BUILDING AND PERSONAL PROPERTY COVERAGE FORM
- CONDOMINIUM ASSOCIATION COVERAGE FORM
- CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
- STANDARD PROPERTY POLICY

SCHEDULE

Premises No.	Bldg. No.	Description of Property	Agreed Value (Optional)
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- *CLM rule 31.c.(7)*
- *Separately scheduled*
- *With valued option, insured can cover the property for a stipulated value rather than Actual Cash Value*
- *Coinsurance still applies*

- A.** When this endorsement is attached to the STANDARD PROPERTY POLICY CP 00 99 the term Coverage Part in this endorsement is replaced by the term Policy.
- B.** Your Business Personal Property is revised to include personal property of others in your care, custody or control under written leases, as described in the Schedule or in the Declarations.
- C.** If an agreed value is entered for property in the Schedule or in the Declarations, this amount will be considered to be the value of the described property at the time of loss or damage. But this does not otherwise alter the application of the Coinsurance condition.
- D.** Property described in the Schedule or in the Declarations is not included under any Personal Property of Others coverage in this Coverage Part.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MANUFACTURER'S SELLING PRICE FINISHED "STOCK" ONLY

This endorsement modifies insurance provided under the following:

BUSINESS AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

The following is added to the VALUATION Loss Condition:

We will determine the value of finished "stock" you manufacture, in the event of loss or damage, at:

- A. The selling price, as if no loss or damage occurred;
- B. Less discounts and expenses you otherwise would have had.

G. Definitions

1. "Finished stock" means stock you have manufactured.

"Finished stock" also includes whiskey and alcoholic products being aged, unless there is a Coinsurance percentage shown for Business Income in the Declarations.

"Finished stock" does not include stock you have manufactured that is held for sale on the premises of any retail outlet insured under this Coverage Part.

- *CLM Rule 38.Q*
- *Business income excludes loss resulting from the destruction of finished goods*
- *Because it compensates for profit, this endorsement compensates the insured for profit the insured would have made on finished stock*
- *Applies whether or not the stock has been sold*
- *Pays the part of the business income loss that business income insurance excludes*
- *"Stock" value must be increased to contemplate this valuation basis*

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MARKET VALUE – STOCK

(Not to Be Used for Wines and Distilled Spirits)

This endorsement modifies insurance provided under the following:

BUSINESS AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

The following is added to the VALUATION Loss Condition:

- A. We will determine the value of “stock subject to market value”, in the event of loss or damage, at:
1. The market price as of the time and place of loss or damage;
 2. Less discounts and expenses you otherwise would have had.
- B. “Stock subject to market value” means “stock” of a kind that is bought and sold at an established market exchange where the market prices are posted and quoted.

- *CLM Rule 38.Q*
- *Changes valuation from ACV*
- *Covers stock subject to market value*
- *Prices must be posted and quoted*
- *Sets valuation at the market price less any discounts and expenses*

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

DISTILLED SPIRITS AND WINES MARKET VALUE

This endorsement modifies insurance provided under the following:

BUSINESS AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

Words and phrases that appear in quotation marks have special meaning: Refer to SECTION D – DEFINITIONS.

SCHEDULE

Prem. No.	Bldg. No.	Value Clause Applicable	
		Distilled Spirits	Wines

The following is added to the VALUATION Loss Condition, as indicated in the Declarations or by an "X" in the Schedule:

A. When this endorsement is attached to the STANDARD PROPERTY POLICY CP 00 99, the term "Coverage Part" in this endorsement is replaced by the term "Policy".

B. DISTILLED SPIRITS MARKET VALUE

1. We will determine the value of bottled distilled spirits, in the event of loss or damage, at:
 - a. The market price as of the time and place of loss or damage;
 - b. Less discounts and expenses you otherwise would have had.
2. We will determine the value of all bulk distilled spirits other than "irreplaceable bulk distilled spirits", in the event of loss or damage, at:
 - a. The bulk market price as of the time and place of loss or damage;

- b. Less discounts and expenses you otherwise would have had.
3. We will determine the value of "older bulk distilled spirits", in the event of loss or damage, at:
 - a. The market price per proof gallon of equivalent bottled distilled spirits as of the time and place of loss or damage;
 - b. Less:
 - (1) Unpaid taxes;
 - (2) Paid or determined taxes that are refundable under the Internal Revenue Code; and
 - (3) Charges and expenses of converting bulk distilled spirits to bottled distilled spirits.
4. We will determine the value of "younger bulk distilled spirits", in the event of loss or damage, at:

- a. The bulk market price of new distilled spirits of the same kind and quality, as determined in paragraph **B.2.**; plus
 - b. Pro rata of the difference between:
 - (1) The value determined in Paragraph **B.4.a**;
 - (2) The market price of such bulk distilled spirits at attained age, as determined in paragraph **B.3**.
5. If any person or organization to or for whom we make payment under this Coverage Part has rights to recover prepaid taxes or duties that are included in our payment, those rights are transferred to us.

C. WINES MARKET VALUE

1. We will determine the value of “bottled winery products”, in the event of loss or damage, at the price the “stock” could have been sold for as case goods as of the time and place of loss or damage, if no loss or damage occurred.
2. We will determine the value of “bulk wine”, in the event of loss or damage, at:
 - a. The price the wine could have been sold for as the time and place of loss or damage; or
 - b. The market price of reasonable “bulk wine” of like kind and quality as of the time of loss or damage;
 whichever is less.
3. All values exclude:
 - a. Unpaid U.S. Government Internal Revenue taxes for which you are liable; and
 - b. Discounts and expenses you otherwise would have had.

But values include State, County and Local taxes for which you are liable.

4. If any person or organization to or for whom we make payment under this Coverage Part has rights to recover prepaid taxes or duties that are included in our payment, those rights are transferred to us.

D. DEFINITIONS

1. **“Bottled Winery Products”** means wine and other winery products:
 - a. In the bottle; or
 - b. Not bottled, but:
 - (1) Irreplaceable in kind and quality; and
 - (2) In the ordinary course of your business, would be:
 - (a) Bottled; and
 - (b) In your hands as a producer or processor.
2. **“Bulk Wine”** means wine, in your hands as producer or processor, other than “bottled winery products.”
3. **“Irreplaceable Bulk Distilled Spirits”** are:
 - a. Aged in wood cooperage;
 - b. Not replaceable with kind and quality; and
 - c. Held by you as a distiller for sale as bottled goods.
4. **“Older Bulk Distilled Spirits”** means “irreplaceable bulk distilled spirits” of an attained age equivalent to the weighted average age of bottled distilled spirits into which such “irreplaceable bulk distilled spirits” would have been converted.
5. **“Younger Bulk Distilled Spirits”** means all “irreplaceable bulk distilled spirits” other than “older bulk distilled spirits”.

- *CLM Rule 38.Q*
- *Changes valuation from ACV to market value*
- *Five categories of distilled spirits defined*
- *Winery products bottled or bulk*
- *Alcoholic Beverage Tax Exclusion, CP 99 10, may be used with this endorsement*

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ALCOHOLIC BEVERAGES TAX EXCLUSION

This endorsement modifies insurance provided under the following:

BUSINESS AND PERSONAL PROPERTY COVERAGE FORM
 CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
 STANDARD PROPERTY POLICY

A. We do not cover the value of United States Government Internal Revenue taxes and custom duties and refundable state and local taxes paid or fully determined on the following property held for sale:

1. Distilled spirits;
2. Wines;
3. Rectified products; or
4. Beer.

The value of such taxes and duties will not be considered in determining the value of Covered Property.

B. If theft is a covered cause of loss, we do cover the value of the taxes and custom duties, but only for loss or damage caused by theft.

The value of the taxes and duties will be considered in determining the value of Covered Property when loss or damage is caused by theft.

The Limits of Insurance for Covered Property in the Declarations are revised to the limits shown in the Schedule only for loss or damage caused by theft.

SCHEDULE*
(Applicable only to loss by theft)
Limits of Insurance

Prem. No.	Bldg. No.	Your Business Personal Property	"Stock" Only	Personal Property of Others
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* Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.

- *CLM Rule 38.B*
- *Excludes taxes and custom duties paid on alcoholic beverages*
- *Public law 94-423 allows for the refund of taxes and duties for other than theft*
- *Value shown on this Endorsement will **include** the value of taxes for Theft*
- *Value on the Declarations Page will use a value **excluding** taxes*

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

STORAGE OR REPAIRS LIMITED LIABILITY

This endorsement modifies insurance provided under the following:

BUSINESS AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

The following is added to the VALUATION Loss Condition:

We will determine the value of covered Personal Property of Others that you hold for storage or repairs, in the event of loss or damage, at:

- A. Actual cash value; or
 - B. The value shown on the receipt issued by you to the owner before the loss;
- whichever is less.

- *CLM Rule 38.Q*
- *Modifies the valuation of Personal Property of Others*
- *Lesser of ACV of amount shown on receipt*

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

MANUFACTURERS CONSEQUENTIAL LOSS ASSUMPTION

This endorsement modifies insurance provided under the following:

BUSINESS AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

The following is added to the VALUATION Loss Condition:

- A. We will pay the reduction in value of the remaining parts of "stock" in process of manufacture when the reduction is caused by direct physical loss or damage from a Covered Cause of Loss to other parts of "stock" in process of manufacture at the described premises.
- B. In the application of the COINSURANCE Additional Condition, the value of "stock" in process of manufacture at any location to which this endorsement applies includes the additional value that it represents in "stock" at other locations.

- *CLM Rule 38.1*
- *Covers consequential or indirect loss*
- *Insures the reduction in value of physically undamaged stock in process of manufacture*
- *Must result from a direct loss to other unfinished stock*
- *1.25 surcharge for " stock"*
- *1.15 surcharge for Business Personal Property*
- *Minimum coinsurance 80%*

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

BRANDS AND LABELS

This endorsement modifies insurance provided under the following:

BUSINESS AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

- A.** If branded or labeled merchandise that is Covered Property is damaged by a Covered Cause of Loss, we may take all or any part of the property at an agreed or appraised value. If so, you may:
1. Stamp "salvage" on the merchandise or its containers, if the stamp will not physically damage the merchandise; or
 2. Remove the brands or labels, if doing so will not physically damage the merchandise. You must relabel the merchandise or its containers to comply with the law.
- B.** We will pay reasonable costs you incur to perform the activity described in **A.1.** or **A.2.** above. But the total we pay for these costs and the value of the damaged property will not exceed the applicable Limit of Insurance on such property.

- *CLM Rule 38.C*
- *Helps prevent insurance company from competing with the insured when reselling salvage*
- *Insured marks the goods as salvage or removes the label*
- *Expenses of marking included in the Limit of Insurance*
- *1.10 rate modification factor*

L. Blanket Insurance

A single limit of liability applies to more than one type of property or location

- a) *Coinsurance is required. Either 90% or 100%*
- b) *Rates -- Either the highest 80% coinsurance rate of any type of property included in the coverage applies to all items, or an average rate may be used. Average rates apply to all items*

(1) Statement of values must be filed with carrier

(2) Rate shall remain in effect for no more than one year before re-computation

(3) 90% coinsurance clause receives credit for 80% coinsurance; 100% clause for 90%

STATEMENT OF VALUES

ITEM #	LOCATION/OCCUPANCY	COVERAGE	100% VALUE	80% RATE	PREMIUM
1	Hardware Store 101 Main	Building	\$250,000	.05	\$125
2	Personal Property 101 Main	PP	\$100,000	.10	\$100
3	Auto Parts Store 103 Sycamore	Building	\$500,000	.20	\$1,000
4	Personal Property 103 Sycamore	PP	\$250,000	.10	\$250

Sum of Premiums = \$1,475
 Sum of Values = \$1,100,000
 Blanket Rate = $\$1,475 \div \$1,100,000$
 = 13.4 ¢ per \$100 of insurance

COVERAGES PROVIDED

INSURANCE AT THE DESCRIBED PREMISES APPLIES ONLY FOR COVERAGES FOR WHICH A LIMIT OF INSURANCE IS

SHOWN

PREM NO	BLDG. NO.	COVERAGE	LIMIT OF INSURANCE	COVERED CAUSES OF LOSS	COINSURANCE*	RATES
1&2	Blanket	Building	\$1,100,000	Special	90%	13.4
1&2	Blanket	Business Personal Property	Included	Special	90%	13.4
	N/A	Personal Property of Others	N/A	--	--	--

* IF EXTRA EXPENSE COVERAGE, LIMITS ON LOSS PAYMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**LIMITATION ON LOSS SETTLEMENT –
BLANKET INSURANCE (MARGIN CLAUSE)**

This endorsement modifies insurance provided under the following:

BUSINESS AND PERSONAL PROPERTY COVERAGE FORM
 CONDOMINIUM ASSOCIATION COVERAGE FORM
 CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
 STANDARD PROPERTY POLICY

SCHEDULE

Premises Number:		Building Number:		Margin Clause:	%
Description Of Property:					
Premises Number:		Building Number:		Margin Clause:	%
Description Of Property:					
Premises Number:		Building Number:		Margin Clause:	%
Description Of Property:					
Information required to complete this Schedule, if not shown above, will be shown in the Declarations.					

A. This endorsement applies to loss settlement on property that is subject to a Blanket Limit of Insurance.

A Blanket Limit of Insurance is a single Limit of Insurance that applies to any of the following as shown elsewhere in this policy:

1. Two or more buildings;
2. Building and contents;
3. Contents of more than one building; or
4. Contents at more than one premises.

B. Margin Clause

With respect to property that is subject to a Blanket Limit of Insurance, we will determine a maximum loss payable for each building and for the contents of each building or the contents at each premises. The maximum loss payable is determined by applying the applicable Margin Clause percentage indicated in the Schedule to the value of the property as shown in the latest statement of values reported to us. If the statement of values does not state individually the value of each building and the value of contents at each building or premises, we will determine individual values as a part of the total reported values prior to application of the Margin Clause percentage.

Actual loss payment will be determined based on the amount of loss or damage subject to all applicable policy provisions including the Limits of Insurance Condition, Coinsurance, Deductible and Valuation Conditions. But the actual loss payment, for each building, for the contents of each building, for the contents of each building or for the contents at each premises, will not exceed the maximum loss payable as described above and will not exceed the Blanket Limit of Insurance.

The Margin Clause does not increase the Blanket Limit of Insurance.

C. Examples

In the following examples, the figures and Margin Clause percentages are used for illustrative purposes only and do not reflect your actual insurance.

EXAMPLE #1

Buildings #1 through #3 are covered under a Blanket Limit of Insurance of \$4,500,000. The combined value of these three buildings at the time of loss is \$5,000,000. There is a Coinsurance requirement of 90% ($.90 \times \$5,000,000 = \$4,500,000$); therefore no Coinsurance penalty.

The value stated for Building #1 is \$1,000,000. **The Margin Clause percentage is 120%. The maximum loss payable for Building #1 is \$1,200,000 ($\$1,000,000 \times 1.20$).**

Building #1 sustains a loss of \$1,200,000.

The Deductible is \$10,000.

Step (1): Amount of loss minus Deductible ($\$1,200,000 - \$10,000 = \$1,190,000$)

Step (2): Since \$1,190,000 is not more than the maximum loss payable, we will pay \$1,190,000.

EXAMPLE #2

Buildings #1 through #3 are covered under a Blanket Limit of Insurance of \$4,500,000. The coverage in this example is written without a Coinsurance requirement.

The value stated for Building #1 is \$1,000,000. **The Margin Clause percentage is 115%. The maximum loss payable for Building #1 is \$1,150,000 ($\$1,000,000 \times 1.15$).**

Building #1 sustains a loss of \$1,300,000.

The Deductible is \$10,000.

Step (1): Amount of loss minus Deductible ($\$1,300,000 - \$10,000 = \$1,290,000$)

Step (2): The result of Step (1) exceeds the maximum loss payable. We will pay \$1,150,000, the maximum loss payable in accordance with the Margin Clause.

EXAMPLE #3

Buildings #1 through #3 are covered under a Blanket Limit of Insurance of \$4,000,000. The combined value of these three buildings at the time of loss is \$5,000,000. There is a Coinsurance requirement of 90% ($.90 \times \$5,000,000 = \$4,500,000$); therefore **the Blanket is underinsured and there will be a Coinsurance penalty.**

The value stated for Building #1 is \$1,000,000. **The Margin Clause percentage is 120%. The maximum loss payable for Building #1 is \$1,200,000 ($\$1,000,000 \times 1.20$).**

Building #1 sustains a loss of \$1,200,000.

The Deductible is \$10,000.

Step (1): Amount of Blanket Limit divided by Coinsurance requirement ($\$4,000,000 \div \$4,500,000 = .889$)

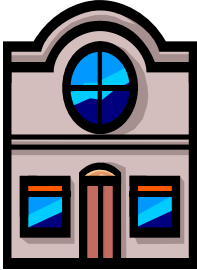
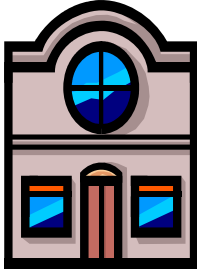
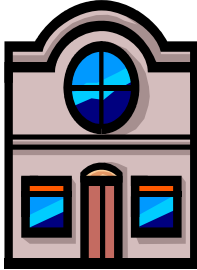
Step (2): Amount of loss times the Coinsurance penalty factor ($\$1,200,000 \times .889 = \$1,066,800$) is the adjusted amount of loss

Step (3): Adjusted amount of loss minus Deductible ($\$1,066,800 - \$10,000 = \$1,056,800$).

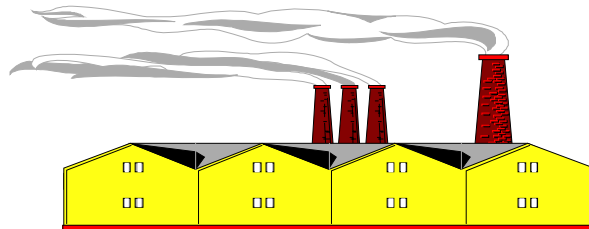
Step (4): We will pay \$1,056,800 (less than the maximum loss payable). The remainder of the loss, \$143,200, is not covered due to application of the Coinsurance penalty and Deductible.

c) *Examples of blanket coverage*

- (1) Two or more buildings in one location or multiple locations
- (2) Personal property located in two or more buildings or fire rated divisions

Location 1	100% Coinsurance Location 2	Location 3
		
Store - \$100,000	Store - \$200,000	Store - \$150,000
Schedule	List each location separately with a valuation limit for each location.	
Blanket	One limit (\$450,000) written to apply to all three locations.	
Problem	In-store Transfers	
	LOSS: LOCATION 2 - \$245,000	
	BLANKET PAYS: \$245,000	
	SCHEDULE PAYS: \$200,000	

- (3) Two or more kinds of property at the same location



Building	\$1,000,000	
Personal Property	\$ 500,000	90% Coinsurance
Written Blanket	\$1,350,000	Total Limit Applies
Written Schedule	\$ 900,000	Building Limit
	\$ 450,000	Personal Property Limit
Loss	\$ 700,000	Building
	\$ 500,000	Personal Property
	BLANKET PAYS: \$1,200,000	
	SCHEDULE PAYS: \$1,150,000	

d) *Advantages of blanket insurance*

- (1) Insured can apply insurance where it is needed when more than one type of property is covered blanket
- (2) When policy covers personal property at several locations, or in several different fire rated divisions, the insured does not have to worry about fluctuation of values between locations or fire rated divisions
- (3) Makes reporting forms easier to handle
- (4) Insured has 100% insurance to value at each location but only has to carry 90% insurance to value

e) *Considerations when writing blanket insurance*

- (1) 90% or 100% coinsurance required
- (2) Blanket may not be possible because of underwriting restrictions or form restrictions
- (3) Statement of values must be obtained from insured listing each item and amount of coverage
- (4) Rates are for one year only (cannot freeze for three). Rates either per item or average (option of carrier)
- (5) Must have same causes of loss for all covered property
- (6) Must list all ownership interests with multiple locations
- (7) Sometimes difficult for policyholder to understand

OCCURRENCE LIMIT OF LIABILITY ENDORSEMENT

It is understood and agreed that the following special terms and conditions apply to this policy:

1. The Limit of Liability or amount of insurance shown on the face of this policy, or endorsed onto this policy, is the total limit of the Company's liability applicable to each occurrence. Notwithstanding any other terms and conditions of this policy, in no event shall the liability of the Company exceed this limit or amount, irrespective of the number of locations involved.

The term "occurrence" shall mean any one loss, disaster, casualty or series of losses, disasters, or casualties, arising out of one event. When the term applies to loss or series of losses from the perils of tornado, cyclone, hurricane, windstorm, hail, flood, earthquake, volcanic eruption, riot, riot attending a strike, civil commotion, and vandalism and malicious mischief, one event shall be construed to be all losses arising during a continuous period of 72 hours. When filing proof of loss, the insured may elect the moment at which the 72 hour period shall be deemed to have commenced, which shall not be earlier than the first loss to any covered property occurs.

2. The premium for this policy is based upon the Statement of Values on file with the Company, or attached to this policy. In the event of loss hereunder, liability of the Company, subject to terms of paragraph (1) above, shall be limited to the least of the following:
 - A. The actual adjusted amount of loss, less applicable deductible(s).
 - B. 100% of the individually stated value for each scheduled item of property insured, as shown on the latest Statement of Values on file with the Company, less applicable deductible(s).
 - C. The Limit of Liability or Amount of Insurance shown on the face of this policy or endorsed onto this policy.

Endorsement No. _____

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