

This endorsement changes the policy.  
-- PLEASE READ THIS CAREFULLY --

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## FUNCTIONAL REPLACEMENT COST LOSS SETTLEMENT TERMS (COVERAGE A OR B)

### ADDITIONAL AMOUNT OF INSURANCE - COVERAGE A

(Entries required to complete the Schedule will be shown below or on the "declarations".)

#### Schedule

**Additional Amount Of Insurance - Coverage A:** 10%

This policy is amended to include the following "terms". All other "terms" of the policy apply, except as amended by this endorsement.

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### DEFINITIONS

With respect to the coverage provided by this endorsement, the following definition is added:

"Functional replacement cost" means the cost to repair or replace a building with commonly used and less costly construction materials and methods that are functionally equivalent to obsolete, antique, or custom construction materials and methods used in the original construction of the building.

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### HOW MUCH WE PAY FOR LOSS OR OCCURRENCE

1. With respect to buildings covered under Coverage A or Coverage B, the Loss Settlement Terms are deleted and replaced by the following:

**Loss Settlement Terms** -- Subject to the other "terms" under How Much We Pay For Loss Or Occurrence and the "terms" of this endorsement, "we" settle losses according to the Functional Replacement Cost Terms. If the Functional Replacement Cost Terms do not apply, "we" settle losses according to the Actual Cash Value Terms.

In the Functional Replacement Cost Terms and the Actual Cash Value Terms, replacement cost, "functional replacement cost", and cost to repair or replace do not include any increased cost that results from the enforcement of a code, ordinance, or law, except to the extent that coverage for such increased cost is provided under the Incidental Property Coverage for Increased Cost -- Ordinance or Law.

**a. Functional Replacement Cost Terms**

- 1) The Functional Replacement Cost Terms apply only to buildings covered under Coverage A or Coverage B that have a permanent foundation and roof.

However, Functional Replacement Cost Terms do not apply to:

- a) window air-conditioners;
- b) awnings and canopies;
- c) appliances;
- d) carpets; and
- e) antennas;

whether or not attached to a building.

- 2) If the "limit" that applies to the damaged building at the time of loss is less than 80% of its "functional replacement cost" just before the loss, the amount used in applying the "terms" under Our Limit is that part of the cost to repair or replace the damaged part, after application of any deductible, which the "limit" on the damaged building bears to 80% of its "functional replacement cost" just before the loss.
- 3) If the "limit" that applies to the damaged building at the time of loss is at least 80% of its "functional replacement cost" just before the loss and, within 180 days of the damage unless "you" and "we" otherwise agree, "you" contract for the repair or replacement of the damaged building for the same use, the amount used in applying the "terms" under Our Limit is the amount actually and necessarily spent to repair or replace the damaged building on a "functional replacement cost" basis.

- 4) If the "limit" that applies to the damaged building at the time of loss is at least 80% of its "functional replacement cost" just before the loss and "you" do not make a claim under 3) above, the smaller of the following amounts is used in applying the "terms" under Our Limit:

- a) the "actual cash value" of the damaged part of the building just before the loss; or
- b) the amount that it would cost to repair or replace the damaged building on a "functional replacement cost" basis.

- 5) In determining the "functional replacement cost", do not include the cost of:

- a) excavations; brick, stone, or concrete foundations; piers; footings; or other structures or features that support all or part of the building that are:

(1) below the undersurface of the lowest basement floor; or

(2) below the surface of the ground inside the foundation walls, if there is no basement; or

- b) underground flues, pipes, wiring, or drains.

- 6) If the "actual cash value" of the damage is less than the "functional replacement cost":

- a) "we" will pay no more than the "actual cash value" of the damage until repair or replacement is completed. Once repair or replacement is completed, "we" will settle the loss as described in 2) and 3) above.

However, when the cost to repair or replace the damage on a "functional replacement cost" basis is less than both \$2,500 and 5% of the "limit" that applies to the damaged building, "we" will settle the loss as described in 2) and 3) above whether or not repair or replacement is completed.

- b) At "your" option, "you" may make a claim under the Actual Cash Value Terms instead of these Functional Replacement Cost Terms. "You" may later make a claim for any additional amount payable under these Functional Replacement Cost Terms, but only if "you" have informed "us", within 180 days after the date of loss, that "you" plan to do so.

**b. Actual Cash Value Terms**

- 1) The Actual Cash Value Terms apply to all property not subject to the Functional Replacement Cost Terms.
- 2) The smaller of the following amounts is used in applying the "terms" under Our Limit:
  - a) the cost to repair or replace the damaged part of the property with materials of like kind and quality, to the extent practical; or
  - b) the "actual cash value" of the damaged part of the property just before the loss.

**2. Additional Amount Of Insurance – Coverage A**

- a. The Additional Amount Of Insurance – Coverage A provided by this endorsement applies only to the residence covered under Coverage A and only when:
  - 1) loss to that residence exceeds the Coverage A "limit" shown on the "declarations";
  - 2) "you" have:
    - a) notified "us" within 30 days of completion of any additions or alterations to or remodeling of the residence covered under Coverage A that increase its functional replacement cost by 5% or more; and
    - b) permitted "us" to adjust the Coverage A "limit" and the premium to reflect:
      - (1) any property evaluations made by "us"; and
      - (2) any increase in construction costs due to inflation; and
  - 3) after a loss, "you" elect to repair or replace the damaged residence.

b. Subject to the "terms" stated in 2.a. above, if there is a covered loss to the residence covered under Coverage A that exceeds the Coverage A "limit" shown on the "declarations", with respect only to that loss, How Much We Pay For Loss Or Occurrence is amended as follows:

1) Our Limit is deleted and replaced by the following:

**Our Limit** -- "We" pay the lesser of:

- a) the Coverage A "limit" shown on the "declarations" plus the Additional Amount Of Insurance - Coverage A shown in the Schedule above; or
- b) the amount determined under the applicable Loss Settlement Terms of this endorsement;

regardless of the number of "insureds" with an interest in the property.

However, no "insured" will be paid an amount that exceeds his or her interest in the property at the time of loss.

To determine the dollar amount of the Additional Amount Of Insurance - Coverage A, multiply the Coverage A "limit" shown on the "declarations" by the Additional Amount Of Insurance - Coverage A percentage shown in the Schedule above.

2) Items 2), 4) and 5) under the Functional Replacement Cost Terms of this endorsement are deleted.

3) Item 3) under the Functional Replacement Cost Terms of this endorsement is deleted and replaced by the following:

The smaller of the following amounts is used in applying the "terms" under Our Limit:

- a) the amount actually and necessarily spent to repair or replace the damaged building on a "functional replacement cost" basis; or
- b) the cost to repair or replace the damage on a "functional replacement cost" basis.

4) Item 6) a) under the Functional Replacement Cost Terms of this endorsement is deleted and replaced by the following:

"We" will pay no more than the "actual cash value" of the loss until repair or replacement is completed.