

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## FUNCTIONAL BUILDING VALUATION

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS COVERAGE FORM

SCHEDULE\*

Prem. No.	Bldg. No.	Limit Of Insurance
SAMPLE		

\*Information required to complete the Schedule, if not shown on this endorsement, will be shown in the Declarations.

- A.** The Limit of Insurance shown in the Schedule of this endorsement is the only Limit of Insurance applicable to the building listed in the Schedule.
- B.** With respect to the Building listed in the Schedule of this endorsement, the following replaces Paragraphs **E.6.d.(1)** and **E.6.d.(2)** of the **Loss Payment Property Loss Condition in Section I – Property:**
  - 1.** If you contract for repair or replacement of the loss or damage to restore the building shown in the Schedule for the same occupancy and use, within 180 days of the damage unless we agree otherwise, we will pay the smallest of the following Paragraphs **a.**, **b.** or **c.:**
    - a.** The Limit of Insurance shown in the Schedule of this endorsement as applicable to the damaged building;
    - b.** In the event of:
      - (1)** 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 **D.2.a.** of this endorsement), with a less costly building that is functionally equivalent to the damaged building; or
      - (2)** A partial loss:
        - (a)** 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
        - (b)** The amount you actually spend to demolish and clear the site of the undamaged parts of the building as described in Paragraph **D.2.b.** of this endorsement.
    - c.** 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 **D.2.b.** of this endorsement.
  - 2.** If you do not make a claim pursuant to Paragraph **1.** of this endorsement, we will pay the smallest of the following Paragraphs **a.**, **b.** or **c.:**

- a. The Limit of Insurance shown in the Schedule of this endorsement as applicable to the damaged building;
- b. The "market value" of the damaged building, exclusive of the land value, at the time of the 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 or depreciation.

**C. 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 Paragraph **D.1.** of this endorsement, our insurance is excess. But we will not pay more than the applicable Limit of Insurance.

**D. Ordinance Or Law Coverage**

**1. Application Of Coverage**

The Ordinance Or Law Coverage provided under this endorsement applies to the building described in the Schedule of the endorsement only if both Paragraphs **D.1.a.** and **D.1.b.** are satisfied and are then subject to the qualifications set forth in Paragraph **D.1.c.**

- a. The ordinance or law:
  - (1) Regulates the demolition, construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and
  - (2) Is in force at the time of loss.

But Ordinance Or Law 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.
- b. (1) The building sustains direct physical damage that is covered under this policy and such damage results in enforcement of the ordinance or law; or

- (2) 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 the building damage in its entirety results in enforcement of the ordinance or law.
- (3) But if the building sustains direct physical damage that is not covered under this policy, and such damage is the subject of ordinance or law, then there is no Ordinance Or Law Coverage under this endorsement even if the building has also sustained covered direct physical damage.

c. In the situation described in Paragraph **D.1.b.(2)**, we will not pay the full amount of loss otherwise payable under the terms of Coverages **1, 2,** and/or **3** 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 enforcement of the ordinance or law, then we will pay the full amount of loss otherwise payable under the terms of Coverages **1, 2,** and/or **3** of this endorsement.

**2. Description Of Coverage**

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

This is not additional insurance; losses covered under Coverages **1, 2** and **3** are included within the Limit of Insurance shown in the Schedule of the endorsement applicable to the building.

**a. Coverage 1 – 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 **1** for the loss in value of the undamaged portion of the building as a consequence of enforcement of any ordinance or law that requires the demolition of undamaged parts of the same building.

**b. Coverage 2 – 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 the undamaged parts of the same

building, as a consequence of enforcement of an ordinance or law that requires demolition of such undamaged property.

**c. Coverage 3 – 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 enforcement of the minimum requirements 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.

3. We will not pay under this endorsement for the costs associated with the enforcement of 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".
4. Under this endorsement we will not pay for loss due to any ordinance or law that:
  - a. You were required to comply with before the loss, even if the building was undamaged; and

b. You failed to comply with.

**E.** For the purposes of this endorsement, "market value" means the price which the property might be expected to realize if offered for sale in a fair market.

**F.** Example of Proportionate Loss Payment for Ordinance or Law Coverage Losses (procedure as set forth in Paragraph **D.1.c.** of this endorsement)

Assume:

- Wind is a Covered Cause of Loss; Flood is an excluded Cause of Loss
- The building sustains a partial loss
- Total direct physical damage to building: \$100,000
- 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
- The cost to repair the building includes \$60,000 attributable to enforcement of an ordinance (Coverage 3)

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 3 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 1 and 2 of this endorsement.