



OREGON MUTUAL INSURANCE COMPANY
FUNCTIONAL REPLACEMENT COST LOSS SETTLEMENT
WITH BUILDING CODE UPGRADE COVERAGE
(Coverage A – Dwelling and Coverage B – Detached Garages Only)

H157C (7-19)

Our liability under this provision is subject to the terms of How Much We Pay for Loss or Claim in the General Policy Provisions. This endorsement replaces the Replacement Cost Provisions of the Peril Section – Coverage A and B.

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 materials and methods used in the original construction of the building.

1. This provision applies only to the primary residence located on the **insured premises**, covered under Coverage A - Residence, and detached garages used solely for private garage purposes, covered under Coverage B – Related Private Structures, on the premises. The building must have a permanent foundation and roof. This provision does not apply to:

- a. domestic appliances;
- b. carpeting, curtains, and drapes, all whether or not permanently installed;
- c. detachable building items including screens, awnings, storm doors and windows, and window air-conditioners; or
- d. outdoor structures (other than detached garages used solely for private garage purposes). Outdoor structures include (but are not limited to) swimming pools, fences, paved areas, submersible pumps, and sump pumps.

2. Under **How Much We Pay For Loss or Claim - Property Coverages**, for the purpose of this provision, Items 1.a.(1) and (2) and 1.d.(1-4) are deleted and replaced by:

a. **Functional replacement cost**

(1) Loss to the dwelling building and detached garage under Coverage A and B will be settled at **functional replacement cost** without deduction for depreciation. **We** will pay no more than the smallest of the following amounts for functionally equivalent construction:

- (a) The necessary amount actually spent to repair or replace the damaged or destroyed dwelling building and/or detached garage on a **functional replacement cost** basis. However, if this amount is less than the actual cash value of that part of the damaged

building, **we** will settle the loss on an actual cash value basis;

- (b) The limit of liability under this policy that applies to the dwelling building and/or detached garage; or
- (c) The most **we** will pay in any one loss, including Ordinance and Law coverage, is 125% of the insured Coverage A limit shown on the Declaration page.
- (d) Coverage provided by this endorsement (subject to a limit) includes additional costs that may result from enforcement of any ordinance or law regulating the construction, repair, or demolition of the dwelling.

The ordinance or Law limit shown on the Declaration page is our maximum limit for both the residence and detached garages for any one occurrence.

- (e) If the building is not repaired or replaced at the same site, **we** will not pay more than what it would have cost to repair or replace the building at the original site on a **functional replacement cost** basis, including any increased costs you would have incurred due to the enforcement of any ordinance or law or the replacement cost, including any extended replacement cost coverage, to the extent those costs are otherwise covered by the terms of the policy or any policy endorsement.

(2) If there is loss to the dwelling building and detached garage that exceeds the Coverage A and/or Coverage B limit of liability shown on the Declaration, for the purpose of settling that loss only:

- (a) **We** will provide **functional replacement cost** insurance, up to 125% of the limit of liability for the coverage stated on the Declaration; and

(3) Even if more than one person has an insurable interest, in the property covered, **we** pay no more than the lesser of:

- (a) The amount of **your** interest in the property; or
- (b) The **functional replacement cost**.

Provisions 2.a. (1), (2), and (3) listed in this endorsement apply only if **you** elect to repair or replace the damaged or destroyed dwelling building and/or detached garage.

(4) If you decide not to repair or replace under functional replacement cost, settlement will be made according to Actual Cash Value. This means there may be a deduction for depreciation.

You must notify **us** within 90 days of the start of:

- a. a new building valued at \$5,000 or more; or
- b. additions to or remodeling of a covered building which increase its value by \$5,000 or more.

You must pay the additional premium due for the increase in value. If **you** do not notify us within 90 days, **we** pay no more than the **limit** for the covered buildings excluding the value of the additions and improvements.

3. When the cost to repair or replace exceeds the lesser of \$1,000 or 5% of the applicable **limit** on the damaged building, **we** are not liable for more than the actual cash value of the loss until actual repair or **functional replacement** is completed. **You** may make a claim for the actual cash value of the damaged property before the repair or the replacement takes place and then make a follow-up claim later for the **functional replacement cost**, provided repair or replacement is completed within 12 months of the date that the initial payment is made. **We** will allow additional extensions of up to six months if repair or replacement is delayed for good cause. In the event of a loss related to a state of emergency as defined in Section 8558 of the Government Code of California, repair or replacement must be completed with 36 months of the date that the initial payment is made.

4. **Section I Exclusion**

When earthquake coverage is purchased (by separate endorsement), coverage is limited to the Coverage A amount purchased or other amounts listed within the earthquake endorsement. This endorsement does not provide **functional replacement cost** coverage for Coverage A - Dwelling and Coverage B - Detached Garages for the peril of earthquake.

SAMPLE