



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

M0865DO (3-08)

For an additional premium, **your** policy is amended as follows:

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 terms under HOW MUCH WE PAY FOR LOSS OR CLAIM in the policy.

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**, for the purpose of this provision the Loss Settlement Terms a. - c. and Replacement Cost Terms a. - e. are replaced by:

a. **Functional replacement cost**

(1) If there is loss to the Coverage A - Residence Dwelling and/or Coverage B - Detached Garage that exceeds the Coverage A - Residence Dwelling limit or Coverage B - Detached Garage limit shown on the Declaration and/or endorsement, for the purpose of settling that loss only:

(a) **We** will provide **functional replacement cost** insurance, up to 125% of the Coverage A - Residence Dwelling limit and the Coverage B - Detached Garage limit stated on the Declaration and/or endorsement.

The most **we** will pay in any one loss, including Ordinance or Law coverage, is 125% of the Coverage A - Residence Dwelling and the Coverage B - Detached garage limit shown on the Declaration and/or endorsement.

(2) Loss to the Coverage A - Residence dwelling and Coverage B - Detached Garage will be settled at **functional replacement cost** without deduction for depreciation. **We** will pay no more than the lesser of the following amounts for functionally equivalent construction.

(a) The necessary amount actually spent to repair or replace the damaged or destroyed Coverage A - Residence Dwelling and/or Coverage B - 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 including **functional replacement cost** under this policy that applies to the Coverage A - Residence Dwelling and/or Coverage B - Detached Garage.

b. 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 Coverage A - Residence Dwelling and/or Coverage B - Detached Garage for any one occurrence.

The Ordinance or Law limit shown on the Declaration page is **our** maximum limit for the total of both the Coverage A - Residence Dwelling and/or Coverage B - Detached Garage.

c. If the Coverage A - Residence Dwelling and/or Coverage B - Detached Garage are 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.

d. 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. - d. listed in this endorsement apply only if **you** elect to repair or replace the damaged or destroyed dwelling building and/or detached garage.

e. 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.

3. **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.

4. When the cost to repair or replace exceeds the lesser of \$2,500 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.

5. **You** may make a claim for the cash value amount of the loss before repairs are made. A claim for any additional amount payable under this provision must be made within 180 days after the loss.

6. **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 - Residence Dwelling and Coverage B - Detached Garages for the peril of earthquake.