



## FUNCTIONAL REPLACEMENT COST PROVISION (Applicable to Buildings and Business Property)

The coverage under this endorsement is subject to the *terms* contained in the General Policy Provisions. Refer to the Supplemental Declarations if information is not shown on this form.

### SCHEDULE

**Property Covered on a Functional Replacement Cost Basis:**

- Building Coverage       Business Property Coverage

Location of Building	Amount of Insurance
1. _____	1. _____
2. _____	2. _____
3. _____	3. _____

Description of Business Property	
1. _____	1. _____
2. _____	2. _____
3. _____	3. _____

Use supplementary pages as needed.

### **BASIS OF LOSS ADJUSTMENT**

When this endorsement is in effect, covered losses will be adjusted on the basis of **functional replacement cost** provisions as shown below.

**Functional Replacement Cost** means the cost of replacement of scheduled property with new property that performs at least the same functions as the damaged property that it replaces. Repairs to the scheduled building(s) and/or scheduled business property will be made using materials that may be less costly but that conform to generally accepted repair practices and are functionally equivalent to that property in place at the time of loss.

If *you* choose not to make repairs, *we* will pay the monetary value of labor and the functionally equivalent materials that would have been consumed had repair or replacement been elected. We will not pay more than the amount of insurance shown above for covered loss or damage to property scheduled on this endorsement.

These properties are exempted from the provisions of **Functional Replacement Cost**:

1. stock;
2. merchandise; and
3. articles that are outdated or obsolete and articles being stored or not being used.

Covered loss or damage to these items will be adjusted on an actual cash value basis.

### **WHAT WE DO NOT PAY FOR**

Property covered on a **functional replacement cost** basis is subject to the following provisions:

Under this provision, *we* do not pay for:

1. loss or costs resulting from enforcement of code, ordinance or law regulating the use, construction, repair or demolition of any building or structure;
2. loss or damage to household furniture or residential contents; or
3. loss or damage to property of others.

All other *terms* and conditions remain unchanged.