

# Guaranteed Replacement Cost Endorsement

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Words and phrases in quotation marks have special meaning as defined below or in the policy to which this endorsement is attached.

This Endorsement modifies insurance provided under the property form(s) to which it is attached.

This endorsement applies separately to each location as specified on the "Declarations Page".

The Insurer shall cover the full cost of repairing or replacing the "building", as determined at the time of the loss, regardless of the amount of insurance that may have been indicated in this policy for "building".

This endorsement is subject to the following stipulations:

- 1 The Insured agrees to report to the Insurer within thirty (30) days of commencement, the actual cost of any improvements, alterations, additions, or renovations made to the "building", and pay an appropriate additional premium as may be required by the Insurer.

If such improvements, alterations, additions, or renovations are not reported to the Insurer, any loss covered under this endorsement shall be adjusted with a penalty equivalent to the percentage that the full replacement value of the unreported construction bears to the full value of such "building". However, such penalty will be waived by the Insurer if the full replacement value of the unreported construction is less than 5% of the full replacement cost of the "building".

- 2 In the event of loss, destruction, or damage to the insured "building", the Insurer agrees to amend the Basis of Valuation from actual cash value to "replacement cost" subject to the following provisions:
  - a "replacement" shall be effected by the insured with due diligence and dispatch;
  - b "replacement" shall be on the same site or on an adjacent site;
  - c settlement on a "replacement cost" basis shall be made only when "replacement" has been effected by the Insured and in no event shall it exceed the amount actually and necessarily expended for such "replacement";
  - d failing compliance by the Insured with any of the above provisions, settlement shall be made as if this endorsement had not been in effect.
  - e should the Insured elect not to repair or replace the building after a loss, or if the building is "vacant" at the time of loss, coverage under this policy shall be limited to actual cash value of the building at the time of the loss.
- 3 In the event that new property of like kind and quality is not obtainable, new property which is as similar as possible to that damaged or destroyed and which is capable of performing the same function shall be deemed to be new property of like kind and quality for the purposes of this endorsement.

#### 4 Exclusion

This endorsement does not apply to any increase in the cost of repair or replacement occasioned by a restriction, prohibition or requirement in any by-law, regulation, ordinance or law.

#### 5 Definitions

- a "replacement" includes repair, construction or re-construction with new property of like kind and quality;
- b "replacement cost" means whichever is the least of the cost of replacing, repairing, constructing or re-constructing the property on the same site with new property of like kind and quality and for like occupancy without deduction for depreciation;
- c "vacant" means the occupant(s) has (have) moved out with no intent to return regardless of the presence of Furnishings, "Household Contents", "Stock" or "Equipment". A newly constructed "Building" is considered "Vacant" after it is completed and before the occupant(s) move(s) in. Furthermore, the "Building" is also vacant when the occupant(s) move(s) out and before any new occupant(s) move in, or if the business is unoccupied or shut down for more than 30 consecutive days.

EXCEPT AS OTHERWISE PROVIDED IN THIS FORM, ALL TERMS, CONDITIONS AND PROVISIONS OF THE POLICY TO WHICH THIS FORM IS ATTACHED SHALL HAVE FULL FORCE AND EFFECT.