

REPLACEMENT COST ENDORSEMENT - COMMERCIAL

- (1) In the event of covered loss or damage to a building, we will pay the cost either to reconstruct or replace the part of the building damaged, after application of the deductible, but without deduction for depreciation. Loss or damage to all other Covered Property will be settled as provided by Loss Condition 5 of the policy, without regard to this endorsement. "Covered Property" is described in paragraph A.1. of the policy.
- (2) We will not make payment under this endorsement:
 - (a) Unless reconstruction or replacement of the building is made as soon as reasonably possible after the loss or damage; nor
 - (b) Until actual reconstruction or replacement is complete -
 - (i) At the premises described in the Declarations or
 - (ii) At premises other than those described in the Declarations.
- (3) You may disregard the reconstruction and replacement cost provisions of this endorsement and make claim for the loss based on policy Loss Condition 5. After the conditions of (2) (a) and (b) above are satisfied, if we have paid your loss under policy Loss Condition 5.a. (1) or (2), you make claim for any additional benefits provided under this endorsement, but you must do so not later than 12 months after first payment under Loss Condition 5.a. (1) or (2). In the event you are unable to satisfy the applicable condition of (2) (b) above within 12 months after such first payment because of conditions beyond your control, you may request an extension of time in which to do so. Additional extensions of six months shall be provided to policyholder for good cause.
- (4) In the event of a loss relating to a "state of emergency" as defined in Section 8558 of the Government Code, you may satisfy Condition (2) (b) above within 24 months from the first payment under Loss Condition 5.a. of the policy.
- (5) We will not pay more for loss or damage on a reconstruction or replacement cost basis than the least of the following amounts:
 - (a) The Limit of Insurance shown in the Declarations that is applicable to the loss or the damaged property.
 - (b) The lower of the cost either to reconstruct or replace the damaged part of the building, reduced by the deductible.
 - (c) The amount you actually spend that is necessary either to reconstruct or replace the damaged part of the building -
 - (i) At the premises described in the Declarations; or
 - (ii) At premises other than those described in the Declarations;
reduced by the deductible.

Regardless of whether reconstruction or replacement is undertaken at the premises described in the Declarations, pursuant to subparagraph (i) above, or at premises other than those described in the Declarations, pursuant to subparagraph (ii) above, the measure of indemnity shall be based upon the replacement cost of the insured property and shall not be based upon the cost to repair, rebuild or replace at a location other than the insured premises.