

**THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.**

## **ADDITIONAL COVERAGE - ORDINANCE OR LAW**

**This endorsement modifies insurance provided under the following:  
DIFFERENCE IN CONDITIONS COVERAGE FORM UND 1211  
EXCESS PROPERTY INSURANCE UND 1414**

### **A. COVERAGE**

Each coverage – **Coverage A**, **Coverage B** and **Coverage C** – is provided under this endorsement only if that Coverage(s) is shown in the Declarations and then only with respect to the buildings for which the coverage is identified in Section **E. SCHEDULE OF LOCATIONS AND VALUES**, or the Statement of Values made part of this policy if the **SCHEDULE OF LOCATIONS AND VALUES** does not contain information on stated values. The coverage provided by this endorsement will not apply unless and until the deductible shown in Section **D. DEDUCTIBLES** in the Declarations has been satisfied and a claim payment is due to you for a covered loss.

#### **1. Coverage A — Coverage For Loss to the Undamaged Portion of the Building**

With respect to the building that has sustained covered direct physical damage, we will pay under Coverage **A** for the loss in value of the undamaged portion of the building as a consequence of enforcement of an ordinance or law that requires the demolition of undamaged parts of the same building.

#### **2. Coverage B — Demolition Cost Coverage**

With respect to the building that has sustained covered direct physical damage, we will pay the cost to demolish and clear the site of undamaged parts of the same building, as a consequence of enforcement of an ordinance or law that requires the demolition of such undamaged property.

#### **3. Coverage C — Increased Cost of Construction Coverage**

With respect to the building that has sustained covered direct physical damage, we will pay the increased cost to:

- a.** Repair or reconstruct damaged portions of that building; and/or
- b.** Reconstruct or remodel undamaged portions of that building, whether or not demolition is required;

when the increased cost is a consequence of enforcement of the minimum requirements of the ordinance or law.

However:

- c.** This coverage applies only if the restored or remodeled property is intended for similar occupancy as the current property, unless such occupancy is not permitted by zoning or land use ordinance or law;
- d.** We will not pay for the increased cost of construction if the building is not repaired, reconstructed or remodeled.

### **B. APPLICATION OF COVERAGE(S)**

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The Coverage(s) provided by this endorsement apply only if both **B.1.** and **B.2** are satisfied and are then subject to the qualifications set forth in **B.3.**

1. The ordinance or law:

- a. Requires the demolition of parts of the undamaged portion of the building at a location described in the Declarations;
- b. Regulates construction or repair of buildings, or establishes zoning or land use requirements at a location described in the Declarations; and
- c. Is in force at the time of loss.

But coverage under this endorsement applies only in response to the minimum requirements of the ordinance or law. Losses and costs incurred in complying with recommended actions or standards that exceed actual requirements are not covered under this endorsement.

2. a. **Enforcement Caused By Covered Loss**

The building sustains direct physical damage that is covered under this policy and such damage results in enforcement of the ordinance or law; or

b. **Enforcement Caused By Combination of Covered and Uncovered Loss**

The building sustains both direct physical damage that is covered under this policy and direct physical damage that is not covered under this policy, and both the covered and uncovered damage results in the enforcement of the ordinance or law.

c. **Enforcement Caused By Uncovered Loss**

But if the building sustains direct physical damage that is not covered under this policy, and such damage is the subject of the ordinance or law, then there is no coverage under this endorsement even if the building has also sustained covered direct physical damage.

Under no circumstances will this endorsement cover any property which is excluded under this policy.

3. In the situation described in **B.2.b.** above, we will not pay the full amount of loss otherwise payable under the terms of **Coverages A, B,** and/or **C,** as described in Section **A. COVERAGE,** of this endorsement. Instead, we will pay a proportion of such loss: meaning the proportion that the covered direct physical building damage bears to the total direct physical building damage.

(Section **H.** of this endorsement provides an example of this procedure.)

However, if the covered direct physical damage, alone, would have resulted in enforcement of the ordinance or law, then we will pay the full amount of loss otherwise payable under the terms of **Coverages A, B** and/or **C** of this endorsement.

**C. ADDITIONAL EXCLUSIONS**

The following exclusions apply in addition to those indicated in the **DIFFERENCE IN CONDITIONS COVERAGE FORM.** We will not pay under **Coverage A, B,** or **C** of this endorsement for:

1. Enforcement of any ordinance or law which requires the demolition, repair, replacement, reconstruction, remodeling or remediation of property due to contamination by "pollutants" or due to the presence, growth, proliferation, spread or any activity of "fungus", wet or dry rot or bacteria; or
2. The costs associated with the enforcement of any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants", "fungus", wet or dry rot or bacteria; or

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3. Loss due to any ordinance or law that:
  - a. You were required to comply with before the loss, even if the building was undamaged; and
  - b. You failed to comply with.

#### D. LIMITS OF INSURANCE

1. **Coverage A** is included within the stated value of the building, as shown in the Declarations, sustaining loss from ordinance or law. Loss payment is limited to the amounts described in Sections **E.2** and **E.6** of **LOSS PAYMENTS** of this endorsement. **Coverage A** is not an additional Limit of Insurance.
2. **Coverage B** is payable in addition to the stated value of the building sustaining loss from ordinance or law. Payment for **Coverage B** is subject always to the Limit of Insurance for **Coverage B**, or **Combined** Limit of Insurance for **Coverage B** and **C**, or **Combined** Limit of Insurance for **Coverage A, B** and **C**, shown in the Declarations. This coverage does not increase the Limit of Insurance in Section **A. LIMITS OF INSURANCE** in the Declarations.
3. **Coverage C** is payable in addition to the stated value of the building sustaining loss from ordinance or law. Payment for **Coverage C** is subject always to the Limit of Insurance for **Coverage C**, or **Combined** Limit of Insurance for **Coverage B** and **C**, or **Combined** Limit of Insurance for **Coverage A, B** and **C**, shown in the Declarations. This coverage does not increase the Limit of Insurance in Section **A. LIMITS OF INSURANCE** in the Declarations.

Coverage provided under this endorsement does not increase our Limits of Insurance per "loss occurrence" nor the limit per Policy Period shown in the Declarations, regardless of whether one or more coverages or Covered Causes of Loss insured by this policy are involved in the "loss occurrence".

#### E. LOSS PAYMENTS

1. All following loss payment provisions are subject to the apportionment procedures set forth in Section **B.3.** of this endorsement.
2. Unless Paragraph **E.6.** applies, loss payment under **Coverage A** – Loss to the Undamaged Portion of the Building Coverage will be determined as follows:

When there is a loss in value of an undamaged portion of a building to which **Coverage A** applies, the loss payment for that building, including damaged and undamaged portions, will be determined as follows:

  - a. If Replacement Cost Coverage applies and the property is being repaired or replaced, on the same or another location, we will not pay more than the lesser of:
    - (1) The amount you would actually spend to repair, rebuild or reconstruct the building, but not for more than the amount it would cost to restore the building at the same location and to the same height, floor area, style and comparable quality of the original property insured; or
    - (2) The stated value of the building shown in Section **E. SCHEDULE OF LOCATIONS AND VALUES**, or Statement of Values made part of this policy if the **SCHEDULE OF LOCATIONS AND VALUES** does not contain information on stated values.
  - b. If Replacement Cost Coverage applies and the property is *not* repaired or replaced, or if the Replacement Cost Coverage does *not* apply, we will not pay more than the lesser of:
    - (1) The actual cash value of the building at the time of loss; or
    - (2) The stated value of the building shown in Section **E. SCHEDULE OF LOCATIONS AND VALUES**, or Statement of Values made part of this policy if the **SCHEDULE OF LOCATIONS AND VALUES** does not contain information on stated values.

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3. Unless Paragraph **E.5.** or **E.6.** applies, loss payment under **Coverage B** – Demolition Cost Coverage will be determined as follows:

We will not pay more than the lesser of the following:

- a. The amount you actually spend to demolish and clear the site of the described location; or
- b. The applicable Limit of Insurance shown for **Coverage B** in the Declarations.

4. Unless Paragraph **E.5.** or **E.6.** applies, loss payment under **Coverage C** – Increased Cost of Construction Coverage will be determined as follows:

- a. We will not pay under **Coverage C**:

- (1) Until the property is actually repaired or replaced, at the same or another location; and
- (2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

- b. If the building is repaired or replaced at the same location, or if you elect to rebuild at another location, the most we will pay under **Coverage C** is the lesser of:

- (1) The increased cost of construction at the same location; or
- (2) The applicable Limit of Insurance shown for **Coverage C** in the Declarations.

- c. If the ordinance or law requires relocation to another location, the most we will pay under **Coverage C** is the lesser of:

- (1) The increased cost of construction at the new location; or
- (2) The applicable Limit of Insurance shown for **Coverage C** in the Declarations.

5. If a **Combined** Limit of Insurance is shown for **Coverages B** and **C** in the Declarations, Paragraphs **E.3.** and **E.4.** of this endorsement do not apply with respect to the building that is subject to the **Combined** Limit, and the following loss payment provisions apply instead:

The most we will pay, for the total of all covered losses for Demolition Cost and Increased Cost of Construction, is the **Combined** Limit of Insurance shown for **Coverages B** and **C** in the Declarations. Subject to this **Combined** Limit of Insurance, the following loss payment provisions apply:

- a. For Demolition Cost, we will not pay more than the amount you actually spend to demolish and clear the site of the described location.

- b. With respect to the Increased Cost of Construction:

- (1) We will not pay for the increased cost of construction:

- (a) Until the property is actually repaired or replaced, at the same or another location; and

- (b) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.

- (2) If the building is repaired or replaced at the same location, or if you elect to rebuild at another location, the most we will pay for the increased cost of construction is the increased cost of construction at the same location.

- (3) If the ordinance or law requires relocation to another location, the most we will pay for the increased cost of construction is the increased cost of construction at the new location.

6. If a **Combined** Limit of Insurance is shown for **Coverages A, B** and **C** in the Declarations, Paragraphs **E.2., E.3.** and **E.4.** and **E.5.** of this endorsement do not apply with respect to the building that is subject to the **Combined** Limit, and the following loss payment provisions apply instead:

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The most we will pay, for the total of all covered losses for Loss to the Undamaged Portion of the Building, Demolition Cost and Increased Cost of Construction, is the **Combined** Limit of Insurance shown for **Coverages A, B and C** in the Declarations. Subject to this **Combined** Limit of Insurance, the following loss payment provisions apply:

- a. For Loss to the Undamaged Portion of the Building:
  - (1) If Replacement Cost Coverage applies and the property is being repaired or replaced, on the same or another location, we will not pay more than the amount you would actually spend to repair, rebuild or reconstruct the building, but not for more than the amount it would cost to restore the building at the same location and to the same height, floor area, style and comparable quality of the original property insured. However, the loss payment for the undamaged portion of the building combined with the loss payment for the damaged portion of the building will not exceed the stated value of the building as shown in Section **E. SCHEDULE OF LOCATIONS AND VALUES**, or Statement of Values made part of this policy if the **SCHEDULE OF LOCATIONS AND VALUES** does not contain information on stated values;
  - (2) If Replacement Cost Coverage applies and the property is *not* repaired or replaced, or if the Replacement Cost Coverage does *not* apply, we will not pay more than the actual cash value of the building at the time of loss.
- b. For Demolition Cost, we will not pay more than the amount you actually spend to demolish and clear the site of the described location.
- c. For Increased Cost of Construction:
  - (1) We will not pay for the increased cost of construction:
    - (a) Until the property is actually repaired or replaced, at the same or another location; and
    - (b) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage, not to exceed two years. We may extend this period in writing during the two years.
  - (2) If the building is repaired or replaced at the same location, or if you elect to rebuild at another location, the most we will pay for the increased cost of construction is the increased cost of construction at the same location.
  - (3) If the ordinance or law requires relocation to another location, the most we will pay for the increased cost of construction is the increased cost of construction at the new location.

#### H. EXAMPLE

Example of Proportionate Loss Payment for Ordinance or Law Coverage Losses (procedure as set forth in Section **B.3.** of this endorsement).

Assume:

- Flood is a Covered Cause of Loss; wind is an excluded Cause of Loss.
- The building has a value of \$200,000
- Total direct physical damage to building: \$100,000
- The ordinance or law in this jurisdiction is enforced when building damage equals or exceeds 50% of the building's value
- Portion of direct physical damage that is covered (caused by flood): \$30,000
- Portion of direct physical damage that is not covered (caused by wind): \$70,000
- Loss under Ordinance or Law Coverage **C** of this endorsement: \$60,000

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Step 1:

Determine the proportion that the covered direct physical damage bears to the total direct physical damage.

$$\$30,000 \div \$100,000 = .30$$

Step 2:

Apply that proportion to the Ordinance or Law loss.

$$\$60,000 \times .30 = \$18,000$$

In this example, the most the company will pay under this endorsement for the **Coverage C** loss is \$18,000, subject to the applicable Limit of Insurance and any other applicable provisions.

NOTE: The same procedure applies to losses under **Coverages A** and **B** of this endorsement.

**Nothing contained in this endorsement will be held to vary, alter, waive or extend any of the terms, conditions, or limitations of the policy to which this endorsement is attached other than as stated above.**

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