PROPERTY LOSS SETTLEMENT

SECTION I - HOW WE SETTLE A PROPERTY LOSS

1. **Coverage A - Dwelling and Coverage B - Private Structures**
   Covered property losses are settled as follows.

   **A. Actual Cash Value Settlement.** Subject to the applicable deductible, **we** will pay the **actual cash value** at the time of the loss for the damaged property. **We** will pay no more than the lesser of:
   (i.) the amount required to repair or replace the damaged property with property of like kind and quality; or
   (ii.) the limit of liability applying to the property.

   1. **Actual Cash Value Settlement** applies to the following types of property:
      a. aerials, antennas and awnings;
      b. cesspools, septic tanks and septic fields;
      c. outdoor equipment and swimming pools; and
      d. structures that are not buildings.
   
   The provisions of paragraphs A.2., B., C. and D. below do not apply to the above types of property.

   2. If **you** repair or replace the damaged or destroyed property, **you** may make further claim for any additional payments for **Replacement Cost Settlement** provided:
      a. **you** have not reached the applicable limit of liability;
      b. **you** still have an insurable interest in the property;
      c. **you** notify **us** within 180 days after the date of **actual cash value** payment of your decision to repair or replace the damaged or destroyed dwelling or private structure;
      d. **you** notify **us** within 30 days after the repair or replacement has been completed; and
      e. the date of completion is within one year from the date of **actual cash value** payment.

   The foregoing time limitations shall apply unless **you** or **your** representative submits written proof providing clear and reasonable justification for the failure to comply with such time limitation.

   **B. Replacement Cost Settlement.** If at the time of loss the amount of insurance applicable is determined to be 80% or more of the full current replacement cost, **we** will pay the full cost of repair or replacement, subject to the applicable deductible, without deduction for depreciation subject to the following:

   1. **our** liability will not exceed the smallest of:
      a. the limit of liability applicable to the building;
      b. the cost to repair or replace the damaged part(s) of the building with materials of like kind and quality on the same premises for the same occupancy and use; or
      c. the amount actually and necessarily spent to repair or replace the damaged part(s) of the building with materials of like kind and quality on the same premises for the same occupancy and use.

   If **you** rebuild **your** building or purchase an existing building at an address other than shown in the Declarations, the replacement will not increase the amount payable under this settlement. The amount payable does not include the value of any land associated with the replacement building(s).

   If at the time of loss the amount of insurance applicable is determined to be less than 80% of the full current replacement cost and neither Extended Limits or Coverage A Plus applies, **we** will pay the **actual cash value** or the amount determined from the Coinsurance Provision, whichever is the highest. **Our** payment is subject to the applicable deductible. **We** will pay no more than the limit of liability applicable to the building.

   In determining the amount of insurance required to equal 80% of the full current replacement cost, the value of foundations and the following underground items will be disregarded:
   a. footings;
   b. pipes;
   c. wiring; and
   d. drains.

   **Coinsurance Provision.** This provision applies to buildings covered under COVERAGE A - DWELLING and COVERAGE B - PRIVATE STRUCTURES when the amount of insurance shown in the Declarations is less than the required amount of 80% of the full current replacement cost value of the building. **We**
compare the amount of insurance purchased to the required amount of insurance and apply that percentage to the loss after application of the deductible. The resulting amount is the most we will pay. We will not pay for the remainder of the loss.

C. Extended Limits
This applies when Extended Limits is shown in the Declarations.
For the dwelling under Coverage A, we will pay the Actual Cash Value Settlement or Replacement Cost Settlement as provided in 1.A. and 1.B. above even if that cost exceeds the Coverage A limit of liability shown in the Declarations. However, we will pay no more than 125% multiplied by the Coverage A limit of liability shown in the Declarations which resulting dollar amount then becomes the new limit of liability provided under this coverage. Payment under this provision will not include any increased costs of loss or damage resulting from the requirement of, or enforcement of, any ordinance or law regulating the construction, repair, demolition or zoning of the dwelling under Coverage A unless specifically provided under this policy.
The following requirements apply:
1. you obtained Extended Limits by insure your dwelling to 100% of its replacement cost based on the accuracy of information you furnished in the completion of our home replacement cost estimator or upon an inspection by us of the residence premises;
2. you have kept your insurance continuously without lapse and have accepted the Inflation Protection provision in this policy including each annual adjustment in the COVERAGE A - DWELLING limit of liability automatically applied to your policy at each renewal; and
3. you must have notified us within 90 days after the start of any additions or other physical changes which increase the replacement value of your dwelling by $25,000 or more.

D. Coverage A Plus
This applies when Coverage A Plus is shown in the Declarations.
For the dwelling under Coverage A, we will pay the Actual Cash Value Settlement or Replacement Cost Settlement as provided in 1.A. and 1.B. above even if that cost exceeds the limit of liability shown in the Declarations. Payment under this provision will not include any increased costs of loss or damage resulting from the requirement of, or enforcement of, any ordinance or law regulating the construction, repair, demolition or zoning of the dwelling under Coverage A unless specifically provided under this policy.
The following requirements apply:
1. you obtained Coverage A Plus by insuring your dwelling to 100% of its replacement cost based on the accuracy of information you furnished in the completion of our home replacement cost estimator or upon an inspection by us of the residence premises;
2. you have kept your insurance continuously without lapse and have accepted the Inflation Protection provision in this policy including each annual adjustment in the COVERAGE A - DWELLING limit of liability automatically applied to your policy at each renewal; and
3. you must have notified us within 90 days after the start of any additions or other physical changes which increase the replacement value of your dwelling by $25,000 or more.

E. We will pay no more than the $10,000 limit of liability on Land as provided in SECTION I - ADDITIONAL COVERAGES.

2. Coverage C - Personal Property
Covered property losses are settled as follows.

A. Actual Cash Value Settlement
1. This settlement applies to the following types of personal property:
   a. antiques, fine arts, paintings, statuary and similar articles which, by their inherent nature, cannot be replaced with new articles;
   b. articles for which the age, history, scarcity or condition contribute substantially to their value. This includes, but is not limited to, memorabilia, souvenirs, and collectors' items such as trading cards, comic books, and autographed merchandise;
   c. property which is obsolete or unusable because of its age or condition prior to the loss, or not being used for the purpose for which it was originally intended;
   d. articles separately described and specifically insured in any other policy;
   e. watercraft, including their trailers, furnishings, equipment and outboard motors;
f. motorized land vehicles principally designed for recreational use; and

g. when classified under **COVERAGE C - PERSONAL PROPERTY:**
   1) aerials, antennas, awnings;
   2) outdoor equipment and swimming pools; or
   3) structures, other than building structures.

2. Subject to the applicable deductible, **we** will pay the **actual cash value** at the time of the loss for the damaged property. **We** will pay no more than the lesser of:
   a. the amount required to repair or replace the damaged property with property of like kind and quality; or
   b. the limit of liability applying to the property.

B. **Replacement Cost on Contents**

If **you** repair or replace the damaged or destroyed property, **we** will pay the full cost of repair or replacement, less the applicable deductible, without deduction for depreciation.

1. This settlement applies to:
   a. carpeting, including wall-to-wall carpeting under **COVERAGE A - DWELLING** or **COVERAGE B - PRIVATE STRUCTURES**;
   b. household appliances including built-in appliances under **COVERAGE A - DWELLING** or **COVERAGE B - PRIVATE STRUCTURES**;
   c. personal property covered under **COVERAGE C - PERSONAL PROPERTY** other than the types listed under the **Actual Cash Value Settlement**; and
   d. articles or classes of property separately described and specifically insured in this policy.

2. **Our** liability for any loss shall not exceed the smallest of the following amounts for any one loss:
   a. the cost to replace the property with a similar property of like kind and quality;
   b. the full cost of repair to restore the property to its original condition;
   c. the limit of liability for Coverage C shown in the Declarations subject to the **Special Limitations on Certain Property under SECTION I - COVERAGES, COVERAGE C - PERSONAL PROPERTY**; or
   d. the limit of liability that applies to any item separately described and specifically insured under this policy.

3. If **you** decide not to repair, restore or replace the damaged or stolen property, settlement will be on an **actual cash value** basis. **You** may make further claim within 180 days after the date of **actual cash value** payment for any additional payment on a replacement cost basis if **you** repair, restore or replace the damaged or stolen property.