THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ORDINANCE OR LAW BROADENED ENDORSEMENT

This endorsement modifies insurance provided under the following:

PREMIER BUSINESSOWNERS PROPERTY COVERAGE FORM

A. Operation of This Endorsement
This endorsement provides Ordinance and Law Coverage as outlined below. The terms of this endorsement apply to each insured building separately, and only those insured on a replacement cost basis.

1. Under Section B. Exclusions, paragraph 1. a. Ordinance Or Law, is deleted.
2. Under Section A.5. Additional Coverages, paragraph m. Increased Cost of Construction – Damaged Property, is deleted.

B. Application of Coverage(s)
1. The Coverage(s) provided by this Ordinance or Law Optional Coverage apply only if both paragraphs B.1.a. and B.1.b are satisfied and are then subject to the qualifications set forth in c.
   a. The ordinance or law:
      (1) Regulates the demolition, construction or repair of buildings, or establishes zoning or land use requirements at the described premises; and
      (2) Is in force at the time of loss.
   But this Ordinance or Law Optional Coverage 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 within the ordinance or law are not covered.
   b. The building sustains direct physical damage:
      (1) That is covered under this policy and such damage results in enforcement of the ordinance or law;

   (2) That is covered under this policy and direct physical damage that is not covered under this policy, and the building damage in its entirety results in enforcement of the ordinance or law.
   But if the damage is not covered under this policy, and such damage is the subject of the ordinance or law, then there is no coverage under this Ordinance or Law Optional Coverage even if the building has also sustained covered direct physical damage.
   c. In the situation described in B.1.b.(2) above, we will not pay the full amount of loss otherwise payable under the terms of Coverages 1, 2, and/or 3 of this endorsement. Instead, we will pay a proportion of such loss; meaning the proportion that the covered direct physical damage bears to the total direct physical damage.

(Section F. 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 terms of this Ordinance or Law Optional Coverage.

C. Coverage
The following are added to the PROPERTY COVERAGE FORM, under Section A. Coverages, 5. Additional Coverages:

1. Coverage 1 - Loss to the Undamaged Portion of the Building
   If a Covered Cause of Loss occurs to covered Building property, we will pay for the loss in value of the undamaged portion
of the building as a consequence of enforcement of an ordinance or law that requires demolition of undamaged parts of the same building.

2. **Coverage 2 - Demolition and Debris Removal Cost**
   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 demolition of such undamaged property.

3. **Coverage 3 - Increased Cost Of Construction**
   a. With respect to the building that has sustained covered direct physical damage, we will pay the increased cost to:
      (1) Repair, replace, or reconstruct damaged portions of that Building;
      (2) Reconstruct or remodel undamaged portions of that Building property, 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, we will not pay for the increased costs to reconstruct or remodel damaged or undamaged portions of that Building property:
      (1) unless 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; or
      (2) if the building is not repaired, reconstructed or remodeled.

   Under Section E. PROPERTY LOSS CONDITIONS 5. Loss Payment, paragraph e does not apply.

D. **Additional Terms and Conditions of Ordinance or Law**
   With respect to this Ordinance or Law Coverage, we will not pay 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 of any activity of "fungi", wet or dry rot or bacteria; or
   2. The costs associated with the enforcement of any ordinance, law, rule, or regulation 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", "fungi", wet or dry rot or bacteria.
   3. Under this Ordinance or Law Optional Coverage, we will not pay for 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.

E. **Loss Payment**
   1. The most we will pay per insured building, under this endorsement for Coverages 1, 2, and 3 combined is the lesser of $250,000 or the amount you actually spend for coverage 1, 2, and 3. If limits are specified in the Declarations for Optional Coverages Ordinance or Law – 1 or Ordinance or Law – 2 the coverage provided by this endorsement is excess.

   Additionally, the $250,000 limit for this Ordinance or Law Coverage is in addition to the Limits of Insurance.
   2. All following loss payment Provisions E.3. through E.6., are subject to the apportionment procedure set forth in Section B.1.c. of this endorsement.
   3. The most we will pay for under **Coverage 1 - Loss to the Undamaged Portion of the Building** is:
      a. When there is a loss in value of an undamaged portion of a building to which Coverage 1 applies, the loss payment for that building, including damaged and undamaged portions, will be determined as follows:
(1) If the property is repaired or replaced on the same or another premises, we will not pay more than the lesser of:
   (a) The amount you actually spend to repair, rebuild or reconstruct the building, but not for more than the amount it would cost to restore the building on the same premises and to the same height, floor area, style and comparable quality of the original property insured; or
   (b) The Limit of Insurance shown in the Declarations as applicable to the covered building.

(2) If the property is not repaired or replaced, we will not pay more than the lesser of:
   (a) The actual cash value of the building at the time of loss; or
   (b) The Limit of Insurance shown in the Declarations as applicable to the covered building.

5. Loss payment under Coverage 3 – Increased Cost of Construction Coverage will be determined as follows:
   a. We will not pay under Coverage 3:
      (1) Until the property is actually repaired or replaced, at the same or another premises; 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 loss payment is based on the Limit of Insurance shown in the Declarations, then paragraph A.2. of this endorsement is deleted, and;
      The $25,000 Limit of Insurance for Increased Cost of Construction – Damaged Property Additional Coverage remains available for damaged property and is separate from the Limit of Insurance shown in the Declarations for Ordinance or Law Optional Coverage. This portion of the Ordinance or Law Coverage is in addition to the Limits of Insurance.

F. Example of Proportionate Loss Payment for Ordinance or Law Coverage Losses (procedure as set forth in Section B.1.c. of this Ordinance or Law Optional Coverage).

Assume:
- Wind is a Covered Cause of Loss. Flood 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 wind): $30,000;
- Portion of direct physical damage that is not covered (caused by flood): $70,000; and
- Loss under Ordinance or Law Coverage 2 of this endorsement: $60,000.

Step 1: Determine the proportion that the covered direct physical damage bears to the total direct physical damage.
$30,000 divided by $100,000 = .30

Step 2: Apply that proportion to the Ordinance or Law loss.
$60,000 x .30 = $18,000

In this example, the most we will pay under this endorsement for the Coverage 2 loss is $18,000, subject to the applicable Limit of Insurance and any other applicable provisions.

NOTE: The same procedure applies to losses under Coverage 1 of this endorsement.

All terms and conditions of this policy apply unless modified by this endorsement.