

SECTION 2

REPLACEMENT COST - BASIS OF SETTLEMENT

Where the Declaration Page states that Replacement Cost applies this endorsement amends the Basis of Settlement Clause with respect to those items.

1. The Insurer agrees to amend the basis of settlement 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 foregoing provisions, settlement shall be made as if this endorsement had not been in effect;
 - e) any other insurance effected by or on behalf of the Insured in respect of the perils insured against by this Policy on the property to which this endorsement is applicable shall be on the basis of replacement cost as defined herein;
 - f) this endorsement applies separately to each item to which it applies
2. Any reference to actual cash value in a coinsurance clause in this Policy is deemed to be a reference to replacement cost of the property insured.
3. In this endorsement
 - a) replacement cost means the cost of replacing, repairing, constructing or reconstructing (whichever is the least) the property on the same site with new property of like kind and quality and for like occupancy without deduction for depreciation; and
 - b) replacement includes repair, construction or reconstruction with new property of like kind and quality.
4. 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.
5. EXCLUSIONS
This endorsement does not apply to
 - a) stock;
 - b) livestock;
 - c) produce;
 - d) patterns, dies, moulds;
 - e) paintings, etchings, pictures, tapestries, statuary, marbles, bronzes, antique furniture, rare books, antique silver porcelain, rare glassware, bric-a-brac or other articles of art, rarity or antiquity
 - f) any increase in the cost of replacement occasioned by a restriction or prohibition in any by-law, regulation, ordinance or law.

All other terms and conditions of this Policy remain unchanged.