

# REPLACEMENT COST

## ADDITIONAL COVERAGE

### 1. Scope

Subject to the Individual and General Conditions of the Policy, and additional coverages and special coverages of this Clause, whereby the latter having preference over the two former whenever in conflict, the Company agrees, in case of loss covered by the mentioned Policy, to indemnify the Insured up to Sum Insured for the property, subject of this endorsement, which shall be equal to the Replacement Cost as hereinafter established.

In partial losses, when the machinery is made up of several parts, the indemnity shall be limited to the proportion that such part was damaged in relation to the total replacement cost of the property.

### 2. Definition of Replacement Cost

The term Replacement Cost means the amount required for the construction and/or repair and/or installation of the affected property with other of such like type, quality, size and/or capacity of production of the property covered; including freight costs, customs duties and assembly costs, if any, irrespective of any deduction for physical depreciation.

### 3. Valuation of Property

It is a condition for the contracting of this endorsement, and as a guide for the establishment of Sums Insured, to carry out the valuation of the property at the Insured's account and cost.

### 4. Sum Insured

Wherever the term Sum Insured appears printed in the Policy, to which this endorsement is attached, it shall be replaced by the Replacement Cost, as set out in item 2 of this section.

In partial losses, should the Sum Insured of the Policy mentioned be less than the replacement cost, at the time of loss, Clause 4 "Proportional Rule" of the General Conditions of the Policy shall be applied hereunder.

### 5. Procedure in the event of loss

The Insured expressly accepts that, in the event of loss, and once the indemnity is agreed upon and the Company pays the amount for property to actual cash value; whereto for the difference of this and the replacement cost shall be indemnified provided that the Insured proves to have incurred a minimum of **50%** of the cost of the construction, reconstruction and/or repair works, in case of machinery and equipment.

### 6. Replacement Cost shall be applied according to the type of property:

#### 6.1. For merchandise, raw material, products in process and finished products:

The necessary amount to manufacture and/or repair of merchandise, raw material, products in process and finished products be the value of raw material plus workmanship and the administration expenses necessary for the execution thereof; without deducting the physical depreciation at the date of loss.

**6.2. For buildings:**

The necessary amount for the construction and/or repair of real property of such like kind, quality, size and/or capacity of the covered property, including, but not limited to: workmanship and construction material, ironworks, carpentry, painting; irrespective of any deduction for physical depreciation at the date of loss, **BUT EXCLUDING THE LAND VALUE, FOUNDATIONS AND OTHER SYSTEMS OR UTILITIES BELOW GROUND LEVEL, SUCH AS BUT NOT LIMITED TO: TRENCHES, CISTERNS, DRAINS AND OUTGOING SEWERAGE.**

**6.3. For furniture, usual objects, working instruments, machinery and equipment:**

The amount necessarily incurred to repair, rebuild or replace for others of such like kind, size and capacity prior to the occurrence of the loss and/or damage, irrespective of any deduction for physical depreciation.

**7. EXCLUSIONS**

**IT IS UNDERSTOOD AND AGREED THAT IN NO EVENT SHALL THE COMPANY BE LIABLE UNDER THIS CLAUSE FOR:**

- 7.1. ANY ADDITIONAL EXPENSE DERIVED FROM THE NEED OR WISH OF THE INSURED FOR THE CONSTRUCTION OR REPAIR OF THE DAMAGED PROPERTY ON A SITE OTHER THAN THAT OCCUPIED AT THE OCCURRENCE OF LOSS.**
- 7.2. ANY ADDITIONAL EXPENSE IN EXCESS OF THE REPLACEMENT COST DUE TO LAWS OR REGULATIONS REGULATING THE CONSTRUCTION, REPAIR OR REPLACEMENT OF DAMAGED PROPERTY.**
- 7.3. LOSS OR DAMAGE SUSTAINED BY RARE OBJECTS OR FINE ARTS, EXCEPT FOR PROPERTY COVERED BY EXPRESS AGREEMENT.**
- 7.4. THE DIFFERENCE BETWEEN THE ACTUAL CASH VALUE AND THE REPLACEMENT COST, IN THE EVENT OF LOSS OR PERMANENT DAMAGE AFFECTING PROPERTY OUT OF SERVICE AND/OR USELESS, OR THAT NOT CONSTRUCTED, RECONSTRUCTED, REPLACED O REPAIRED, IN RESPECT TO BUILDINGS OR MACHINERY AND EQUIPMENT.**

**ANY AMOUNT GREATER THAN THE REPLACEMENT COST OF THE COVERED PARTS AND FORTHWITH WHEN THE PROPERTY IS MADE UP OF VARIOUS PARTS AND IS SO COMPLETED FOR ITS NORMAL USE.**