



Agenda Commentary

Item Title/ Subject: Armory Building Insurance Replacement Plan

Staff Source: Steve Hewitt, City Manager

History/Background Information:

The State is in the process of relinquishing the Armory Building (723 S. 13th) over to the City. We have taken control of the building using it for storage. Insurance for the facility will be provided by our carrier OMAG.

Item/Subject Summary:

OMAG want the City aware that they will be receiving **Functional Replacement Cost**. Staff agrees for this facility this is more suited for **Functional Value Replacement**. This is based on the use of the building and our need for replacement pending damage or destroyed. The cost to the City to insure this facility is more affordable.

Price/Cost: \$650,000 Limit of Insurance – added premium to our current coverage.

Recommendation:

Staff recommends the **Functional Replacement** coverage.

FUNCTIONAL BUILDING REPLACEMENT COST

This endorsement modifies insurance provided under the Property Coverage Form.

With respect only to the building(s) at the Insured's premises described in the Schedule below, the valuation provisions of this policy are amended by the following:

A. FUNCTIONAL BUILDING REPLACEMENT COST

1. If the Insured contracts for repair or replacement of the damaged or destroyed building(s) shown in the Schedule below within a reasonable period of time, the Company will pay the least of the following:
 - a. In the event of a total loss, the cost to replace the damaged building on the same site, with a less costly building that is functionally equivalent to the damaged building; or
 - b. In the event of a partial loss, the cost to repair or replace the damaged portion of the building with less costly material, if available, in the architectural style that existed before the loss or damage occurred; or
 - c. The amount the Insured actually spends that is necessary to repair or replace the damaged or destroyed building with less costly material if available; or
 - d. The Limit of Insurance shown in the Schedule below applicable to the damaged or destroyed building.
2. If the Insured does not make a claim under paragraph 1. above, the Company will pay the least of the following:
 - a. The "Market Value" of the building, exclusive of the land value;
 - b. The amount it would cost to repair or replace the damaged or destroyed building on the same site, with less costly material in the architectural style that existed before the loss occurred, less allowance for physical deterioration and depreciation; or
 - c. The Limit of Insurance shown in the Schedule below applicable to the damaged or destroyed building.
3. The Limit of Insurance shown in the Schedule below is the only Limit of Insurance applicable to the damaged or destroyed building.

B. AMENDMENT TO THE ORDINANCE OR LAW COVERAGE

The Ordinance or Law coverage provided under Section B. 2. of the Property Coverage Form applies to the buildings to which this endorsement applies, whether or not a Limit of Insurance is otherwise shown in the Supplemental Coverage Declarations for Ordinance or Law Coverage. But the Ordinance or Law coverage provided with respect to the buildings to which this endorsement applies is included in, and does not increase the applicable Limit of Insurance shown in the Schedule below for the damaged or destroyed buildings. If a Limit of Insurance is shown in the Supplemental Coverage Declarations for Ordinance or Law Coverage, that Limit of Insurance does not apply to any building to which this endorsement applies.

C. ADDITIONAL DEFINITION

The following definition is in addition to those contained in the Property Coverage Form:

"Market Value", as used in this endorsement, means the price which the building might be expected to realize if offered for sale in a fair market, immediately prior to loss or damage.

D. SCHEDULE

Insured Premises Address of Building	Limit of Insurance
#56. Armory Building, 723 S.13th Street	\$650,000

Signed: _____

Date: _____

Mayor, City of Clinton

