RESIDENCE SPECIAL LOSS SETTLEMENT ENDORSEMENT

_We_ will amend the limit of insurance applying to Coverage A, as shown on form ML-20, for an additional premium subject to these conditions.

A. _We_ will:
   1. Increase Coverage A limit of insurance to equal the current replacement cost of the _residence_ should a covered loss to the _residence_ exceed the Coverage A limit of insurance. This agreement is conditioned on _your_ obligation to insure the _residence_ to 100% of the value that _we_ recommend in accordance with B2 following. _Your_ failure to comply voids _our_ entire obligation under this endorsement.
   2. Include any increased cost due to enforcement of any ordinance or law that regulates the construction or repair of _your residence_ following a covered loss.

B. _You_ will:
   1. Elect to repair or replace the _residence_ by agreement with _us_; any disagreement will be resolved by arbitration or appraisal.
   2. Allow _us_ to adjust the Coverage A limit of insurance on policy inception, renewal or anniversaries, or at agreed intervals in accordance with any property evaluation _we_ may make, as referenced on the Declarations Page.
   3. Notify _us_ within 60 days of completion of any improvements to the _residence_ that exceed 5% of the limit of insurance of Coverage A and pay any additional premium. _Your_ failure to comply voids this entire endorsement and any loss will be settled in accordance with that section titled "How Much _We_ Pay for Loss or Claims" on the form ML-20.

C. When this endorsement is applicable, _we_ will not pay more than the lesser of:
   1. The replacement cost of the _residence_ or any part of it.
   2. The amount actually and necessarily expended to repair or replace the _residence_, or any part of it, in the same construction with materials of like kind and quality at the same location.

When the cost to repair or replace the damage exceeds $5000, _we_ will only pay the actual cash value of the damage until the actual repair or replacement has been completed.