

RESC Obsolescence Endorsement Clause

Asset(s) itemised on the schedule forming part of this endorsement are agreed between Insurers and the Insured to be **Obsolete**. In the event of loss or damage covered by this policy involving an asset that is **Obsolete**, Insurers will indemnify the Insured for the lesser of the **Replacement Cost** or the **Repair Cost**.

In the event of loss or damage covered by this policy where an asset that is **Obsolete** has not been identified in the schedule below, Insurers shall have no liability under this policy unless, prior to such loss or damage, the Insured provides the **Original Value**, **Date of Installation** and **Design Life** to Insurers along with asset name, number and the location, as per the schedule below.

The Insured may declare at any time prior to loss or damage that, in the event of loss or damage, an asset that is **Obsolete** will not be replaced or repaired. In the event of loss or damage to an **Obsolete** asset that will not be replaced or repaired, Insurers shall indemnify the Insured for the **Replacement Cost**. Insurers will not be liable for any cost or expense in excess of the **Replacement Cost**, including costs associated with debris removal. This shall apply irrespective of any provision in the policy to the contrary.

In the event that an asset is not repaired or replaced within months from the time of loss or damage, the Business Interruption Indemnity Period shall be fixed at a Maximum Indemnity Period of months from the time of loss or damage.

It is agreed by Insurers and the Insured that **Asset Age** shall not exceed **Design Life** period. Where this occurs, no indemnity is due.

Definitions

Asset Age means the age of the asset from the **Date of Installation** to the date of loss or damage.

Date of Installation means the date the asset was installed.

Design Life means the original asset manufacturer designated operational life, or any extension on the manufacturer designated operational life as declared to and agreed by insurers.

Equipment Hire means the cost of specialist tools, vehicles and cranes which the Insured reasonably requires to carry out the repair.

Obsolete means the asset or spare parts of the asset discontinued or no longer available, or where the cost of which would make replacement uneconomical.

Original Value means the cost of the asset as at the **Date of Installation**.

Replacement Cost means the **Original Value** of the asset minus the resultant value of the following equation (**Original Value** multiplied by (Asset Age divided by Design Life)).

Repair Cost means the total of the cost of the replacement component(s), labour, **Equipment Hire** and ancillary costs.

Examples of Replacement Cost

Example One

Original Value of £200,000 with a **Design Life** of 20 years. **Asset Age** of 9 years.

(**Asset Age**) 9 divided by (**Design Life**) 20 = 0.45 (Represented as a percentage, 45%). £200,000 (Original Value) multiplied by 45% = £90,000

Replacement Cost (200,000 less 90,000) = **£110,000**

Example Two

Original Value of £200,000 with a **Design Life** of 20 years. **Asset Age** of 22 years.

(**Asset Age**) 22 divided by (**Design Life**) 20 = 1.10 (Represented as a percentage, 110%). £200,000 (Original Value) multiplied by 110% = £220,000

In this example, the **Asset Age** has exceeded the **Design Life**. No indemnity is due.

This example is assuming that there has been no agreement between Insurers and the Insured in respect of Design Life extension.

Schedule

Asset number	Asset Name	Location	Original Value	Design Life	Date of Installation

All other terms and conditions remain unchanged.

LMA5572A
14 June 2023