

**ORIGINAL**

No. 126446

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**In the  
Supreme Court of Illinois**

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JARRET SPROULL, Individually	)	Appeal from the Appellate
and on behalf of	)	Court of Illinois, Fifth District
all others similarly situated,	)	Case No. 5-18-0577
	)	
Plaintiff-Appellee,	)	Third Judicial Circuit Court of
	)	Madison County, Illinois
v.	)	Case No. 16 L 1341
	)	
STATE FARM FIRE	)	Hon. William A. Mudge, Judge
AND CASUALTY COMPANY,	)	Presiding
	)	
Defendant-Appellant.	)	

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**Brief of Defendant-Appellant,  
State Farm Fire and Casualty Company**

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**Oral Argument Requested Pursuant to Illinois Supreme Court Rule 352(a)**

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### NATURE OF THE ACTION

Defendant-Appellant State Farm Fire and Casualty Company ("State Farm") brings this appeal pursuant to Illinois Supreme Court Rule 308. This is a proposed class action for breach of contract brought by Plaintiff-Appellee Jarret Sproull ("Plaintiff"), a State Farm homeowners insured. S.R. 11 at ¶¶ 5-6.<sup>1</sup> Plaintiff complains that State Farm breached his policy and the policies of other insureds by its calculation of "actual cash value" ("ACV") claim payments for structural damage. S.R. 11-12 at ¶¶ 14-15; S.R. 15 at ¶ 40. ACV is an undefined term in Plaintiff's policy. However, that term has an established meaning under Illinois law (supported by 100 years of legal precedent) that requires insurers to calculate ACV by estimating the replacement cost of the damaged property and then subtracting depreciation, if any. 50 Ill. Adm. Code 919.80(d)(8)(A) (2002) (hereinafter, the "ACV Regulation"). Plaintiff nonetheless asserts that the "replacement cost" to which depreciation is to be applied is not the full replacement cost of the damaged property, but rather only the portion of replacement cost associated with the materials needed for repairs. While most state supreme courts (and two federal appellate courts) that have addressed Plaintiff's "labor depreciation" liability theory have rejected it as unsound, the viability of Plaintiff's theory presents an issue of first impression in this Court.

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<sup>1</sup> Citations to "S.R." are to the Supporting Record filed with the Appellate Court on December 14, 2018. Citations to "A." are to the attached Appendix.

### ISSUE PRESENTED FOR REVIEW

The question certified by the trial court for review pursuant to Rule 308 is as follows:

“Where Illinois’ insurance regulations provide that the ‘actual cash value’ or ‘ACV’ of an insured, damaged structure is determined as ‘replacement cost of property at time of loss less depreciation, if any,’ and the policy does not itself define the term ‘actual cash value,’ may the insurer depreciate all components of replacement cost (including labor) in calculating ACV?” A.80; S.R. 1384.

### STATEMENT OF JURISDICTION

On February 26, 2018, the trial court denied State Farm’s motion to dismiss Plaintiff’s Complaint. A.81-87; S.R. 1004-09. The trial court subsequently certified the legal question presented by Plaintiff’s labor depreciation liability theory pursuant to Illinois Supreme Court Rule 308. A.77-80; S.R. 1382-84.

Following this Court’s Supervisory Order to the Appellate Court to allow State Farm’s Rule 308 application, a Fifth District panel affirmed the trial court’s ruling in an opinion issued on July 24, 2020. A.53-73. Judgment was entered the same day. *Id.* No petition for rehearing was filed. State Farm timely filed a Rule 315 petition for leave to appeal from the judgement entered by the Fifth District. A.5.

On November 18, 2020, this Court granted State Farm leave to appeal. A.4. On December 1, 2020, this Court granted State Farm an extension of time to January 22, 2021, to file its brief. A.3. This Court has jurisdiction pursuant to Illinois Supreme Court Rule 315(h).



**STATUTES AND REGULATIONS INVOLVED**

50 Ill. Adm. Code 919.80(d)(8)(A) (2002) (full text also provided at A.2):

Section 919.80. Required Claim Practices – Private Passengers  
Automobile – Property and Casualty Companies

\* \* \*

8) Actual Cash Value Losses.

- A) When the insurance policy provides for the adjustment and settlement of losses on an actual cash value basis on residential fire and extended coverage as defined in Section 143.13 of the Code [215 ILCS 5/143.13], the company shall determine actual cash value, except for instances in which the insured's interest is limited as set forth in subsection (d)(8)(B), as follows: replacement cost of property at time of loss less depreciation, if any. Upon the insured's request, the company shall provide a copy of the claim file worksheet(s) detailing any and all deductions for depreciation, including, but not necessarily limited to, the age, condition, and expected life of the property.

\* \* \*

**STANDARD OF REVIEW**

“By definition, certified questions are questions of law subject to *de novo* review.” *Rozsavolgyi v. City of Aurora*, 2017 IL 121048, ¶ 21.

**STATEMENT OF FACTS**

**I. Plaintiff’s Allegations and Liability Theory**

Plaintiff’s home sustained wind damage on or about December 28, 2015. S.R. 11, ¶¶ 5-7. The home was insured under a State Farm homeowners policy (the “Policy”), which contains the following two-step loss settlement provision:

- “a. We will pay the cost to repair or replace with similar construction  
\*\*\* the damaged part of the property \*\*\* subject to the following:

- (1) until actual repair or replacement is completed, we will pay only the actual cash value at the time of the loss of the damaged part of the property, up to the applicable limit of liability \*\*\*, not to exceed the cost to repair or replace the damaged part of the property;
- (2) when the repair or replacement is actually completed, we will pay the covered additional amount you actually and necessarily spend to repair or replace the damaged part of the property \*\*\* up to the applicable limit of liability \*\*\*, whichever is less; \*\*\*\* A.276.

The Policy does not separately define “actual cash value.” See A.271.

State Farm inspected Plaintiff’s property and prepared an estimate of the cost to repair or replace the damaged portions of the property. S.R. 11 at ¶¶ 10-11; S.R. 24-34. The estimate included twenty-six different line-item repairs, of which depreciation was applied to seven, including some that included labor as a component (*e.g.*, “paint the ceiling—one coat”). S.R. 27-30.

State Farm gave Plaintiff a copy of the Estimate and an “Explanation of Building Replacement Cost Benefits” (the “EBRCBs”), which stated that ACV was calculated by “deducting depreciation from the estimated repair or replacement cost.” S.R. 26. The EBRCBs further stated that if Plaintiff pursued repairs and incurred expenses exceeding his initial claim payment, he could request replacement cost benefits (“RCBs”) for those additional costs. *Id.* In addition, because State Farm’s ACV payment was based on an *estimate* of replacement costs, the EBRCBs asked Plaintiff to contact State Farm if he was unable to complete the

repairs for the full amount shown on State Farm's estimate so that any differences could be addressed. See *id.*

The ACV calculation methodology explained in State Farm's EBRCBs tracks the methodology required under Illinois' ACV Regulation:

"When the insurance policy provides for the adjustment and settlement of losses on an actual cash value basis on residential fire and extended coverage \*\*\* the company *shall* determine actual cash value \*\*\* as follows: replacement cost of property at time of loss less depreciation, if any." (Emphasis added.) 50 Ill. Adm. Code 919.80(d)(8)(A).

For Plaintiff's loss, State Farm estimated \$1,711.54 as the full replacement cost and then applied \$394.36 of depreciation, producing an estimated ACV of \$1,317.18. S.R. 11 at ¶¶ 10, 12-13; S.R. 25-26. State Farm then subtracted Plaintiff's deductible and issued payment for \$317.18. S.R. 25. State Farm informed Plaintiff that \$394.36 was available as RCBs—the difference between State Farm's full estimate of replacement cost (\$1,711.54) and the sum of its ACV payment (\$317.18) and Plaintiff's deductible (\$1,000). *Id.* (The deductible is not recoverable; rather, similar to health insurance, the deductible represents Plaintiff's contractual "share" of the costs that may be incurred in connection with the loss.)

Rather than completing the estimated repairs and seeking RCBs, Plaintiff filed a putative class action complaint. A.88-133; S.R. 10-35. He alleges that State Farm breached its contractual obligations when it calculated ACV by applying depreciation to both estimated labor costs and estimated material costs—even though both make up the "replacement cost" to which depreciation is applied



under the ACV Regulation. See A.98; S.R. 20 at ¶¶ 61-62. His proposed class is defined as: "All Illinois resident persons and Illinois resident legal entities that received 'actual cash value' payments, directly or indirectly, from State Farm for loss or damage to a dwelling or other structure located in the State of Illinois, where the cost of labor as defined herein was depreciated." A.94; S.R. 16 at ¶ 44.

## **II. Procedural History**

State Farm moved to dismiss Plaintiff's action as substantially insufficient in law, which motion the trial court denied on February 26, 2018. See A.81-87; S.R. 1004-09. The trial court agreed with State Farm that the ACV Regulation "governs" how ACV is calculated under a policy like Plaintiff's Policy. A.84; S.R. 1006. The trial court concluded, however, that the ACV Regulation (and, thus, State Farm's Policy) was ambiguous because it did not "not expressly allow depreciation of labor" and could reasonably be interpreted as permitting depreciation only of the material components of replacement cost. A.84; S.R. 1008-09. The trial court held that "in order to adequately indemnify its insured, State Farm should pay the cost of materials depreciated for wear and tear," plus the full cost of their installation. A.87; S.R. 1009.

The trial court subsequently granted State Farm's motion to certify a question of law pursuant to Rule 308(a) and certified the following question:

"Where Illinois' insurance regulations provide that the 'actual cash value' or 'ACV' of an insured, damaged structure is determined as 'replacement cost of property at time of loss less depreciation, if any,' and the policy does not itself define actual cash value, may the



insurer depreciate all components of replacement cost (including labor) in calculating ACV?" A.80; S.R. 1384.

A divided Fifth District panel denied State Farm's Rule 308 Application. *Sproull v. State Farm Fire and Casualty Co.*, No. 5-18-0577 (5th Dist. Jan. 10, 2019); A.76. This Court, however, subsequently directed the Appellate Court by Supervisory Order to vacate its prior order and accept the petition. *Sproull v. State Farm Fire and Casualty Co.*, 427 Ill. Dec. 761, 761-62 (Mar. 20, 2019); A.75.

### III. The Appellate Court's Ruling

The Appellate Court reformulated the certified question to focus solely on "whether the cost of labor can be depreciated when determining" ACV, and answered it as follows:

"Where Illinois's insurance regulations provide that the 'actual cash value' of an insured, damaged structure is determined as 'replacement cost of property at time of loss less depreciation, if any,' and the policy does not itself define actual cash value, only the property structure and materials are subject to a reasonable deduction for depreciation, and depreciation may not be applied to the intangible labor component." A.72.

The Court observed that State Farm's Policy "does not define 'actual cash value'" and found that State Farm did not demonstrate "that it incorporated [the ACV Regulation] into its policy." A.69. The Court further found that even if the ACV Regulation had been incorporated into State Farm's Policy, it would not support a different result. *Id.*

The Court determined that the ACV Regulation should properly be read by emphasizing the word "property," as in "replacement cost of *property* at time of loss less depreciation," and that the plain meaning of "property" refers to tangible

materials. *Id.* Based on this reading, it held that “it is clear” that “ACV” in the Regulation “refers to real property” and “does not refer to services, such as labor,” and that the use of the word “depreciation” after “property” would lead the “ordinary layperson” to interpret the Regulation as describing “the depreciation of physical, tangible materials.” *Id.*

Despite acknowledging that “[t]here is no dispute” that the first step in calculating ACV under Illinois law is a “determination of the ‘cost of replacement’ of the damaged property” – which cost necessarily includes labor – the Appellate Court held that a reasonable person would not understand that “the ‘actual cash value’ of a covered loss meant replacement costs of property less depreciation for materials *and labor*.” *Id.* According to the Appellate Court, this would be “a technical definition of depreciation that is not evident in the language of the policy or in the regulation \*\*\*.” A.71. Instead, it held that “an average, ordinary homeowner” would have “reasonably expected” that depreciation would only apply to the tangible materials portion of the replacement cost, and that “it is not reasonable to believe that an average homeowner would consider labor to be a tangible asset included within the definition of depreciation.” *Id.*

## ARGUMENT

### I. Introduction.

This suit is the current Illinois “test case” in a wave of asserted “labor depreciation” class actions filed across the country.<sup>2</sup> The liability theory in these cases challenges the longstanding method that State Farm and many other insurers use to calculate ACV claim payments for damaged structures. In Illinois, that method is *required* by regulation. Insurers must calculate ACV by estimating the replacement cost of the damaged property and then subtracting depreciation, if any. 50 Ill. Adm. Code 919.80(d)(8)(A) (“[T]he company shall determine actual cash value \*\*\* as follows: replacement cost of property at time of loss less depreciation, if any.”). Thus, although Plaintiff’s Policy does not define ACV, the definition in the ACV Regulation “necessarily” is incorporated into the Policy and must be given its plain and ordinary meaning. *Illinois Bankers’ Life Ass’n v. Collins*, 341 Ill. 548, 552-53 (1930). Plaintiff’s liability theory seeks to avoid that meaning.

Plaintiff argues—with a view now embraced by the Fifth District—that the “replacement cost” to which depreciation is to be applied in calculating ACV is not the full replacement cost of the damaged property, but rather only the portion

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<sup>2</sup> As noted by the Fifth District, the labor depreciation theory asserted here was asserted in an earlier Illinois putative class action. See A.58 (citing *Jenkins v. State Farm Fire and Casualty Co.*, 2017 IL App (1st) 160612-U)). The trial court in *Jenkins* accepted the plaintiff’s theory on a motion to dismiss—reasoning that labor could not be depreciated because it “does not lose value over time,” S.R. 372 (9:19-10:7)—but then dismissed the complaint as time barred. *Jenkins*, 2017 IL App (1st) 160612-U, ¶ 2. The Appellate Court, First District, affirmed the dismissal but did not reach the labor depreciation issue. *Id.* at ¶¶ 29-31.

of replacement cost associated with the materials needed for repairs. In other words, if the total cost to replace a damaged roof is \$10,000, comprised of \$4,000 for materials and \$6,000 for labor, Plaintiff argues that depreciation should not be applied to the full \$10,000 “replacement cost of property,” but rather only to the \$4,000 replacement cost of materials. Plaintiff’s argument effectively asks that the ACV Regulation be read with limiting language clarifying that “replacement cost of property” does not mean what it says.

Plaintiff’s interpretation is unsupported under Illinois law. Courts may not “read into” a regulation “exceptions, limitations, or conditions” that change its plain meaning. *Lauer v. American Family Life Insurance Co.*, 199 Ill. 2d 384, 390-91 (2002) (quoting *Bronson v. Washington National Insurance Co.*, 59 Ill. App. 2d 253, 261-62 (2d Dist. 1965)). As demonstrated herein, the plain and ordinary meaning of “replacement cost \*\*\* less depreciation” permits depreciation of *all* elements of replacement cost, including labor.

A simple illustration demonstrates the unreasonableness of Plaintiff’s position. Using the roof example above, Plaintiff contends that the ACV of the roof can *never* drop below \$6,000 – the full, undepreciated cost for labor – regardless of the roof’s age and condition. For example, assume a homeowner installed a new roof 16 years ago using 20-year shingles, such that the roof’s useful life soon will expire. Then assume a hailstorm damages the roof, necessitating its replacement. If ACV is calculated as “replacement cost less depreciation,” as Illinois’ ACV Regulation directs, 80% depreciation (16 years/20-year shingles) is applied to the

*entire* replacement cost, resulting in an actual cash value of \$2,000. That is objectively reasonable given that the roof was nearing the end of its useful life.

In contrast, when only the material component of replacement cost is depreciated, as Plaintiff urges, the ACV would be \$6,800—the full, undepreciated \$6,000 cost for labor, plus \$800 for the depreciated cost of materials (\$4,000 — (\$4,000 \* 80% depreciation)). That plainly overstates the value of an aged and deteriorated roof at the end of its useful life. It represents nearly 70% of the *full* cost of replacing the roof, which does not accurately reflect the remaining useful life (and, thus, the value) of the roof at the time of the loss. Moreover, the policyholder is not entitled to receive the full, undepreciated cost of labor associated with roof repairs until they have actually completed repairs in accordance with the “replacement cost” provision in the Policy. See *supra* at 4.

Plaintiff’s attempt to “separate out” labor and material costs for purposes of applying depreciation is an artificial endeavor. According to Plaintiff, insurers may appropriately apply depreciation to the material costs necessary to replace the roof (*e.g.*, the shingles) when determining ACV, but not to the labor costs associated with their installation. But a roofing shingle did not grow from a tree. It is the product—just like the roof—of both materials and labor. The same is true of the roofing felt that is installed underneath the shingles, the plywood sheathing installed underneath the roofing felt, the drip edge that lines the edge of the roof, and so on. Just as it is fully appropriate to allow for the depreciation of the labor costs embedded into these materials (the finished products designed for roof



repairs), so too is it appropriate to allow for depreciation of the labor costs embedded into the roof (the finished product designed to shed water).

For similar reasons, a majority of state supreme courts and two federal appellate courts have rejected Plaintiff's labor depreciation theory as fundamentally unsound:

"We agree \*\*\* that absent specific language in the policy, the insured does 'not pay for a hybrid policy of actual cash value for roofing materials and replacement costs for labor.' The property is a product of both materials and labor \*\*\*. The unambiguous definition of actual cash value is a depreciation of the whole." *Henn v. American Family Mutual Insurance Co.*, 894 N.W.2d 179, 189-90 (Neb. 2017) (quoting *Redcorn v. State Farm Fire and Casualty Co.*, 2002 OK 15, ¶ 13, 55 P.3d 1017, 1021).

See also *infra* at 24-29. The reasoning from these decisions comports with Illinois law. See *infra* at 16-24.

Moreover, while a minority of courts to address this issue have concluded that the term ACV is ambiguous when the insurance policy does not specifically provide for depreciation of both materials and labor, see, e.g., *Perry v. Allstate Indemnity Co.*, 953 F.3d 417, 423 (6th Cir. 2020) (applying Ohio law, but noting the contrary "majority" position), the analysis in those cases is not persuasive and directly conflicts with Illinois law in several key respects. See *infra* at 35. The Appellate Court's decision in this case likewise is not persuasive, as it rests largely on a strained reading of the ACV Regulation. Rather than evaluating the meaning of the relevant phrase from the ACV Regulation – "replacement cost of property," to which depreciation is applied, and where the Appellate Court's focus should

have been centered—the Appellate Court erroneously emphasized a single word from that phrase: “*property*.” A.69. It then concluded in circular fashion that because that single word—“property”—refers to tangible materials, the ACV Regulation necessarily permits depreciation of tangible materials only. *Id.* The Appellate Court’s reasoning is flawed and its overall conclusion is out of step with the decisions from state supreme courts, state appellate courts, and federal appellate courts that have addressed this issue. See *infra* at 24-29.

For the reasons set forth more fully below, this Court should answer the certified question presented for review with a “Yes” and hold that under the prevailing definition of “ACV” in Illinois’ ACV Regulation, if an insurance policy provides for payment of ACV without redefining that term, *all* components of replacement cost are subject to depreciation when ACV is calculated.

**II. Under Illinois Law and State Farm’s Policy, ACV is Properly Calculated By Applying Depreciation to All Components of Estimated Replacement Cost, Including Labor.**

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**A. The ACV Regulation “Necessarily” Supplies the Definition of ACV in State Farm’s Policy.**

Although Plaintiff’s Policy does not separately define ACV, the definition is supplied by the ACV Regulation. The Appellate Court’s suggestion that State Farm failed to “demonstrate[] that it incorporated” the ACV Regulation into its Policy (A.69) misstates longstanding Illinois law:

“A basic rule of the construction of contracts and a material part of every contract is that *all laws in existence when the contract is made necessarily enter into and form a part of it as fully as if they were expressly referred to or incorporated into its terms.*” (Emphasis added.) *Illinois Bankers’ Life Ass’n*, 341 Ill. at 552.

The “laws” that necessarily become part of an insurance policy (unless “clearly indicated” in the policy) include not only “statutes of the state” and “the prior decisions of its courts.” *Id.* at 552-53; accord *Brandt v. Time Insurance Co.*, 302 Ill. App. 3d 159, 170 (1st Dist. 1998) (“Statutory provisions applicable to insurance policies which are in effect at the time the policy is issued are treated as part of the agreement.”). They also include relevant provisions in the applicable administrative code. See, e.g., *Schiro v. W. E. Gould & Co.*, 18 Ill. 2d 538, 545 (1960) (holding that parties’ contract included “the relevant provisions of the city code in existence at the time the contract was executed,” as if “they had been enumerated by the parties”); *Village of Arlington Heights v. Kantoff*, 238 Ill. App. 3d 57, 61-62 (1st Dist. 1992) (holding that real estate contract necessarily incorporated applicable regulations and ordinances then in effect); *Goble v. Central Security Mutual Insurance Co.*, 125 Ill. App. 2d 298, 302 (2d Dist. 1970) (holding that existing “statutes, codes, [and] ordinances” are incorporated into insurance policies).

The parties to each insurance policy — including insureds — are presumed to know the existing, applicable laws and to have accepted them by entering into the contract. See *Illinois Bankers’ Life Ass’n*, 341 Ill. at 553; *Brandt*, 302 Ill. App. 3d at 169-70. Moreover, each insurance policy is to be “understood and construed” in view of those laws. *Illinois Bankers’ Life Ass’n*, 341 Ill. at 553.

Here, that means that the Policy’s promise to pay “actual cash value” must be construed in view of the ACV Regulation promulgated by the Director of the Illinois Department of Insurance (the “DOI”) more than 10 years before the Policy

was issued. See 215 ILCS 5/397 (1978) (authorizing the DOI to promulgate rules and regulations to effect “uniformity in all basic policies of fire \*\*\* insurance”). Under the ACV Regulation, ACV means – and, indeed, *must* be calculated as – the “replacement cost of property at time of loss less depreciation, if any.” 50 Ill. Adm. Code 919.80(d)(8)(A). Notably, that same definition of ACV has been in place in Illinois for roughly 100 years. See, e.g., *Whitten v. Cincinnati Insurance Co.*, 189 Ill. App. 3d 90, 98 (4th Dist. 1989) (citing *Smith v. Allemannia Fire Insurance Co. of Pittsburgh*, 219 Ill. App. 506, 513 (3d Dist. 1920), for the proposition that Illinois “case law defines [ACV] as replacement cost less depreciation”).

Thus, under Plaintiff’s Policy, the undefined term “ACV” means precisely what is stated in the ACV Regulation (and is consistent with 100 years of Illinois jurisprudence): replacement cost less depreciation.<sup>3</sup>

**B. The ACV Regulation Unambiguously Permits Depreciation of Estimated Labor Costs When Calculating ACV.**

Where the relevant terms in a contract are supplied by statute or regulation, the meaning of those terms presents a “question \*\*\* of statutory construction.” *Chicago National Life Insurance Co. v. Carbaugh*, 337 Ill. 483, 486 (1929); see also

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<sup>3</sup> That Plaintiff’s Policy does not further define ACV is not unusual. Illinois’ Standard Fire Policy, which sets the minimum structural damage coverage that each Illinois insurer must offer, see 50 Ill. Adm. Code §§ 2301.100, 2301.30 (1961), likewise includes a provision for payment of “the actual cash value of the property at the time of loss” – but does not separately define ACV. See Illinois Department of Insurance, Standard Fire Policy at 1, [https://insurance.illinois.gov/Prop\\_Cas\\_IS3\\_Checklists/statutes/StandardFirePolicy.pdf](https://insurance.illinois.gov/Prop_Cas_IS3_Checklists/statutes/StandardFirePolicy.pdf). That is because longstanding Illinois law, codified in the ACV Regulation, supplies the definition.



*Hartney Fuel Oil Co. v. Hamer*, 2013 IL 115130, ¶ 38 (holding that administrative regulations “are interpreted with the same canons as statutes”). There is “no question as to the role of the judiciary” in interpreting such terms. *Kantoff*, 238 Ill. App. 3d at 62. The court must “ascertain” the drafter’s intent and “give it effect.” *Id.* (quoting *People v. Scharlau*, 141 Ill. 2d 180, 192 (1990)). And the “best indication” of that intent is the language itself from the statute or regulation, “given its plain and ordinary meaning.” *Lauer*, 199 Ill. 2d at 388.<sup>4</sup>

As illustrated below, the plain and ordinary meaning of the “replacement cost less depreciation” formula in the ACV Regulation permits labor depreciation.

**1. The Plain and Ordinary Meaning of “Replacement Cost” Includes the Cost of Labor.**

The key phrase in the ACV Regulation—“replacement cost,” to which depreciation is applied—is not limited or restricted in any manner. In other words, the ACV Regulation does not state that only a *portion* of the “replacement cost of property” is subject to depreciation; the Regulation instead refers broadly to the “replacement cost of property,” without any qualifiers. 50 Ill. Adm. Code 919.80(d)(8)(A). This strongly suggests that *all* costs associated with the

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<sup>4</sup> Although principles of contract interpretation are generally inapplicable here in interpreting the ACV Regulation, in many respects the analysis would be similar. See, e.g., *State Farm Mutual Automobile Insurance Co. v. Elmore*, 2020 IL 125441, ¶ 21 (noting that the “primary objective” when interpreting contract language is to give effect to the parties’ intent “as expressed in the agreement,” and that if the “the words of a policy can reasonably be given their plain, ordinary, and popular meaning, the provisions should be applied as written”).



replacement of damaged property, such as labor costs, material costs and sales tax, may be depreciated when ACV is calculated pursuant to the ACV Regulation.

Court decisions in Illinois also support this conclusion. Specifically, courts in Illinois have consistently interpreted the term “replacement cost” to mean full replacement costs when addressing the calculation of ACV pursuant to a “replacement cost less depreciation” formula. For example, in 2013, the U.S. District Court for the Northern District of Illinois applied Illinois law in holding that the “non-material” sales tax component of replacement cost was depreciable when calculating the actual cash value of personal property. See *Gee v. State Farm Fire and Casualty Co.*, No. 11-cv-250, 2013 WL 8284483, at \*1, \*3 (N.D. Ill. Sept. 23, 2013) (Coleman, J.).

The plaintiff in *Gee*, similar to Plaintiff here, alleged that under the “replacement cost less depreciation” formula, an “intangible” cost like sales tax could not be depreciated because it did not age. *Id.* at \*1-2. The court rejected that argument, reasoning that if a cost is a part of “replacement cost,” then it is also subject to depreciation under the formula. *Id.*; see also *Whitten*, 189 Ill. App. 3d at 98-100 (recognizing that “appraiser depreciated the *total replacement value for all the property* at 12%,” and relying on that calculation to determine ACV, but ultimately concluding that a different measure of damages was appropriate under the circumstances (emphasis added)).

The court in *Gee* relied in part on two out-of-state decisions with similar reasoning: *Tolar v. Allstate Texas Lloyd’s Co.*, 772 F. Supp. 2d 825 (N.D. Tex. 2011),

and *Goff v. State Farm Florida Insurance Co.*, 999 So. 2d 684 (Fla. Dist. Ct. App. 2008). See *Gee*, 2013 WL 8284483, at \*2. In *Tolar*, the court rejected claims that sales tax and general contractor overhead and profit (“GCOP”) could not be depreciated under the “replacement cost less depreciation” formula for ACV. 772 F. Supp. 2d at 828-29, 834. It held that “[b]ecause GCOP, sales tax, repair costs, and property value together represent the total replacement cost value, it follows naturally that GCOP, sales tax, repair costs, and property value ought to be depreciated together to reach the ACV payment.” *Id.* at 831 (rejecting the plaintiff’s proposed calculation method as “convoluted” and “unreasonable”). Similarly, in *Goff*, the court held that all components of replacement cost, including GCOP, are properly depreciable under the “replacement cost less depreciation” formula for ACV. 999 So.2d at 689-90. Notably, both *Gee* and *Tolar* were cited favorably by another court in its rejection of Plaintiff’s labor depreciation theory. See *Papurello v. State Farm Fire and Casualty Co.*, 144 F. Supp. 3d 746, 769-71 & n.11 (W.D. Pa. 2015).

Neither the trial court nor the Appellate Court in this case interpreted the term “replacement cost” differently. In fact, the Appellate Court specifically acknowledged that “[t]here is no dispute” that the first step in calculating ACV under Illinois law is a “determination of the ‘cost of replacement’ of the damaged property.” A.70. Because that “cost” necessarily includes labor, the Appellate Court should have joined the majority view on this issue and concluded that the ACV Regulation unambiguously permits labor depreciation. See, e.g., *Redcorn*, 2002 OK 15, ¶ 13 (rejecting identical labor depreciation liability theory under

Oklahoma law because, among other things, the cost of “replacing” property in the replacement cost less depreciation formula for ACV “necessarily includes labor”).

**2. The Plain and Ordinary Meaning of “Depreciation”  
Contemplates Applying it to the Full Value of an Asset.**

That the ACV Regulation unambiguously permits labor depreciation is likewise demonstrated by the plain and ordinary meaning of “depreciation.” Because neither the ACV Regulation nor any other surrounding section in the Illinois Administrative Code defines the term “depreciation,” see 50 Ill. Adm. Code 919.40, 919.80, this Court may consult common dictionary definitions to ascertain its “plain and ordinary meaning.” *Gaffney v. Board of Trustees*, 2012 IL 110012, ¶ 60.

Importantly, the common definitions of “depreciation” all describe it as the decline in the *overall* value of an asset. For example, Black’s Law Dictionary defines “depreciation” as the “decline in an asset’s value because of use, wear, obsolescence, or age.” Black’s Law Dictionary (11th ed. 2019); see also *Carey v. American Family Brokerage, Inc.*, 391 Ill. App. 3d 273, 281 (1st Dist. 2009) (holding that depreciation in the insurance context “means the decrease in the actual value of property based on its physical condition, age, use, and other factors that affect the remaining usefulness of the property” (citing Black’s Law Dictionary 473 (8th ed. 2004))). The Oxford American Dictionary, cited by the Appellate Court, similarly defines depreciation as the “reduction in value of an asset with the

passage of time, due in particular to wear and tear.” A.69 (quoting Concise Oxford American Dictionary 243 (2006)).

Consistent with the common definitions of “depreciation,” the “ten different depreciation methods” identified in Black’s Law Dictionary “[a]ll deduct depreciation from the initial *full cost* of the damaged asset \*\*\*.” (Emphasis added.) *In re State Farm Fire and Casualty Co. (“LaBrier”)*, 872 F.3d 567, 574, 577 (8th Cir. 2017) (rejecting labor depreciation theory under Missouri law). That is significant here, for Plaintiff’s proposed depreciation method (endorsed by the Appellate Court) posits that depreciation should be applied only to a *portion* of the property’s estimated replacement cost. See S.R. 400, 422-23. The Tenth Circuit emphasized this same point, as the Eighth Circuit had in *LaBrier*, in rejecting an identical labor depreciation theory asserted under Kansas law:

“[W]e see no reason to dissect depreciation into separate components of materials and labor costs in the first instance \*\*\*. *Black’s Law Dictionary* describes ten different depreciation methods, none of which involves distinguishing materials from labor costs. Rather, its descriptions focus on the asset itself and various approaches to determining its value as a whole. *Based on the plain and ordinary meaning of ‘depreciation,’ a reasonably prudent insured would not expect the insurer to apply such an unorthodox depreciation method when determining actual cash value.*” (Emphasis added.) *Graves v. American Family Mutual Insurance Co.*, 686 F. App’x 536, 540 (10th Cir. 2017).

The most recent state supreme court to address Plaintiff’s labor depreciation liability theory likewise rejected it, and did so for essentially the same reason. In particular, the Supreme Court of North Carolina held that because the “value of a house is determined by considering it as a fully assembled whole, not

as the simple sum of its material components,” it “makes little sense” to “differentiat[e] between labor and materials when calculating depreciation.” *Accardi v. Hartford Underwriters Insurance Co.*, 838 S.E.2d 454, 457 (N.C. 2020) (finding the term “depreciation” unambiguous under North Carolina law).

As in these cases, Illinois courts likewise have not differentiated between labor and material costs when assessing the calculation of depreciation to determine ACV. See *Whitten*, 189 Ill. App. 3d at 98-100 (relying on appraiser’s depreciation of “total replacement value for all the property at 12%” to fix ACV amount); *Niagara Fire Insurance Co. v. D. Heenan & Co., for Use of Northwestern Mutual Life Insurance Co.*, 81 Ill. App. 678, 685 (2d Dist. 1898) (adopting appraiser’s ACV calculation based on 20% depreciation applied to full cost of building components), *aff’d sub nom. Niagara Fire Insurance Co. v. D. Heenan & Co.*, 181 Ill. 575 (1899).

In sum, because “property is a product of both materials and labor,” the only reasonable interpretation of “depreciation” in a replacement cost less depreciation formula for ACV is that depreciation should be “taken from the whole.” *Henn*, 894 N.W.2d at 189-90 (rejecting labor depreciation liability theory under Nebraska law). This Court should likewise hold that the plain meaning of “depreciation” as used in the ACV Regulation unambiguously permits labor depreciation.



### 3. Plaintiff's Interpretation of the ACV Regulation is Contrary to Basic Principles of Statutory Construction.

In an effort to avoid the plain meaning of the ACV Regulation, Plaintiff argues (and the Appellate Court agreed) that the Regulation does not mean what it says. In particular, Plaintiff contends that the ACV Regulation cannot be read literally to permit insurers to calculate ACV as the “replacement cost of property \*\*\* less depreciation.” Rather, in Plaintiff's view, the ACV Regulation directs insurers to first estimate the full costs necessary to replace the damaged property—including labor costs—but then to apply depreciation only to a portion of those costs, namely, the costs associated with materials. See S.R. 15 at ¶¶ 34-40.

Plaintiff's interpretation is contrary to two fundamental rules of statutory construction. First, courts interpreting statutes and regulations may “not \*\*\* annex new provisions or substitute different ones, or read into a statute exceptions, limitations, or conditions which depart from its plain meaning.” *Lauer*, 199 Ill. 2d at 390-91 (quoting *Bronson*, 59 Ill. App. 2d at 261-62); see also *People ex rel. Madigan v. Illinois Commerce Comm'n*, 231 Ill. 2d 370, 380, 385-86 (2008) (holding that a section of Illinois Administrative Code could not be interpreted to impose 5 p.m. filing deadline because no such time limitation appeared in the regulation's text); *Bickert v. Maram*, 388 Ill. App. 3d 1114, 1125-26 (5th Dist. 2009) (rejecting proposed limitation that did not appear in text of applicable regulation).

In this case, the ACV Regulation does not limit the categories of “replacement cost” to which depreciation is to be applied, nor does it restrict the

manner in which insurers are to apply it. The absence of any such limitations or restrictions “underscores” that the language of the ACV Regulation should be given its *broadest* possible meaning, not a restricted one. See *Apostolov v. Johnson*, 2018 IL App (1st) 173084, ¶ 29. Yet the only way to harmonize Plaintiff’s interpretation with the plain language of the ACV Regulation would be to add the following language at the end:

“[T]he company shall determine actual cash value \*\*\* as follows:  
replacement cost of property at time of loss less depreciation, if any,  
applied only to the materials component of replacement cost.”

Illinois law plainly prohibits reading such limiting language into the ACV Regulation. See *People ex rel. Madigan*, 231 Ill. 2d at 386; *Lauer*, 199 Ill. 2d at 390-91.

Second, Plaintiff’s interpretation of the ACV Regulation violates the principle of statutory construction providing that statutes and regulations “are to be construed in a manner that avoids absurd or unjust results.” *Burger v. Lutheran General Hospital*, 198 Ill. 2d 21, 46 (2001) (quoting *Croissant v. Joliet Park District*, 141 Ill. 2d 449, 455 (1990)). Were Plaintiff’s interpretation adopted, it would mean that an insurer could never pay less than the full, undepreciated labor costs associated with repairs as ACV, regardless of the property’s age and condition. As discussed above, that would mean that a 16-year-old roof constructed with 20-year shingles—and, therefore, with just 20% of its useful life remaining—would have an ACV equal to nearly 70% of its *full* replacement cost. See *supra* at 10-11. Following Plaintiff’s argument to its logical conclusion, a 30-year-old roof constructed with 20-year shingles would *still* have an ACV equal to at least 60% of

its full replacement cost (the “going rate” for labor), even though the insured would soon have been forced to pay the full cost of replacing the roof as a matter of ordinary home maintenance. That is an absurd result that the DOI could not have intended when it promulgated the ACV Regulation. See *Burger*, 198 Ill. 2d at 46.

The Appellate Court’s reasoning, that the ACV Regulation’s use of the word “property” after “replacement cost” contemplates depreciation only of tangible, physical materials, is deeply flawed. The ACV Regulation uses the word “property” not to *limit* the categories of replacement cost to which depreciation may be applied, but rather to communicate the total amount to which depreciation should be applied—namely, the “replacement cost of property.” Though the Appellate Court apparently disagreed with State Farm’s straightforward reading of the ACV Regulation, a “court may not, in the guise of statutory construction, rewrite the statute to suit its own notions of fairness.” *Lauer*, 199 Ill. 2d at 390.

**C. The Decisions from the Majority of State Supreme Courts and Two Federal Appellate Courts on Labor Depreciation are Consistent with Illinois Law.**

As explained below, the reasoning applied by the courts rejecting Plaintiff’s labor depreciation theory—including the majority of state supreme courts and two federal appellate courts—is most persuasive and is consistent with Illinois law.

**1. ACV is an Unambiguous Term.**

To date, four of the six state supreme courts to consider the viability of Plaintiff’s labor depreciation theory—Oklahoma, Minnesota, Nebraska, and North

Carolina — have rejected it as unsound. See *Redcorn*, 2002 OK 15, ¶¶ 2-15; *Wilcox v. State Farm Fire and Casualty Co.*, 874 N.W.2d 780, 784-85 (Minn. 2016); *Henn*, 894 N.W.2d at 189-90; *Accardi*, 838 S.E.2d at 457. At the federal appellate level, two of the four federal appellate courts to have addressed Plaintiff’s theory — the Eighth and Tenth Circuits — have also rejected it. See *LaBrier*, 872 F.3d at 573; *Graves*, 686 F. App’x at 540.<sup>5</sup> Every one of those courts specifically found that the definition of ACV, whether supplied by the insurance policy or (as here) state law, was unambiguous. See *Accardi*, 838 S.E.2d at 457; *Henn*, 894 N.W.2d at 190; *Wilcox*, 874 N.W.2d at 784-85; *Redcorn*, 2002 OK 15, ¶¶ 2-15; *LaBrier*, 872 F.3d at 573; *Graves*, 686 F. App’x at 540.

Just as in those cases, the definition of ACV set forth in the ACV Regulation (“replacement cost less depreciation”) is well-established in Illinois, having been so articulated for roughly 100 years. See *supra* at 15; see also *Lytle v. Country Mutual Insurance Co.*, 2015 IL App (1st) 142169, ¶ 22 (finding two-step loss-settlement provision providing ACV and replacement cost coverage unambiguous and noting that “this court has construed similar contract language and found the policy clear and unambiguous”) (collecting cases). For decades, Illinois insurers have calculated ACV as directed by the ACV Regulation and the longstanding Illinois law that it codified, without the need for clarification. None is needed here,

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<sup>5</sup> But see *Stuart v. State Farm Fire and Casualty Co.*, 910 F.3d 371, 374 (8th Cir. 2018) (applying *Adams v. Cameron Mutual Insurance Co.*, 2013 Ark. 475, at 6, 430 S.W.3d 675, 678, as Arkansas law for pre-2014 claims, but noting that it was “superseded by statute”).



for the definition is unambiguous. See, *e.g.*, *Gee*, 2013 WL 8284483, at \*3 (rejecting plaintiff's argument that the "replacement cost less depreciation" methodology is ambiguous under Illinois law, and holding as a matter of law that it permits depreciation of all "components of the replacement cost").

## 2. Plaintiff's Theory Ignores the Important Distinction Between ACV and Replacement Cost Coverage.

Plaintiff's Policy is a "replacement cost policy," in that he can recover the *full* costs he has incurred to complete repairs (or replacement), including any costs for labor, simply by getting the work done and submitting a claim for RCBs. See *supra* at 4-5. As demonstrated above, covered losses are settled in two stages under Plaintiff's Policy: before repairs, State Farm pays ACV; after repairs, State Farm pays RCBs. *Id.* As the majority of state supreme courts (and two federal appellate courts) have recognized, the distinction between the two types of coverage available under policies like Plaintiff's Policy fatally undermines Plaintiff's labor depreciation liability theory. In particular, the notion that full, undepreciated labor costs necessary for repairs must be paid at the ACV stage — *before* repairs have been completed — is unreasonable because it contradicts the plain language in the Policy.

For example, as the Eighth Circuit explained in rejecting an identical labor depreciation liability theory in *LaBrier*, ACV payments address the value of property in its aged and deteriorated condition immediately prior to a covered loss. *LaBrier*, 872 F.3d at 574-75. When ACV is paid, it is the insured — *not* the

insurer – who is responsible for bearing the difference between the pre-loss value of aged property and the higher cost required to repair or replace the property if it sustains damage. *Id.* at 575. Replacement cost coverage, in contrast, covers that value differential, but payment of RCBs is conditioned on an “important caveat reflecting the indemnity principle”: the insured is not entitled to such benefits unless and until repair is completed. *Id.*

The Nebraska Supreme Court recognized the same policy conflict when rejecting a similar labor depreciation liability theory in *Henn*. In particular, it held that the plaintiff’s liability theory was effectively based on a “hybrid policy of actual cash value for roofing materials and replacement costs for labor,” a policy that the plaintiff had not purchased. 894 N.W.2d at 189-90 (quoting *Redcorn*, 2002 OK 15, ¶ 13). The policy in *Henn*, like Plaintiff’s Policy here, conditioned payment of RCBs upon completion of repairs. *Id.* at 182. And as the court there recognized, “payment of the full amount of labor” at the ACV stage “would amount to a prepayment of benefits to which the insured is not yet entitled.” *Id.* at 190; accord *Accardi*, 838 S.E.2d at 457-58 (rejecting labor depreciation liability theory asserted under two-step loss settlement provision because paying undepreciated labor costs for ACV would “provide a benefit to plaintiff for which he did not pay”).

The Tenth Circuit reached the same conclusion when rejecting the plaintiff’s labor depreciation liability theory in *Graves*, reasoning that payment of estimated labor costs in full at the ACV stage “would in effect reduce, if not eliminate, the distinction between an ‘actual cash value’ policy and the more

expensive ‘replacement cost’ policy.” 686 F. App’x at 537. It further noted that if the insured in that case had “wanted to recover the full replacement cost under her policy,” including the full cost of labor, “she should have had the repairs completed by the one-year deadline” her policy allowed for seeking RCBs. *Id.* at 539.

As in these cases, Illinois courts likewise consistently have enforced policies requiring repair as a precondition for the insurer’s payment of full, undepreciated repair cost. See, e.g., *Lytle*, 2015 IL App (1st) 142169, ¶ 24 (holding that under “standard,” two-step loss settlement provision, insurer does not owe “more than actual cash value until the actual repair or replacement is complete”); *National Tea Co. v. Commerce & Industry Insurance Co.*, 119 Ill. App. 3d 195, 201 (1st Dist. 1983) (“[R]epair or replacement is a condition precedent to recovery \*\*\* in excess of actual cash value.”). Plaintiff’s contention that the undepreciated cost for labor to repair his home should have been paid *before* repairs directly contradicts the “repair” precondition in his Policy and accordingly should be rejected. See *Founders Insurance Co. v. Munoz*, 237 Ill. 2d 424, 433 (2010) (“When construing the language of an insurance policy, we must assume that every provision was intended to serve a purpose. Thus, an insurance policy must be considered as a whole; \*\*\*”).

Moreover, as in the majority cases summarized above, Illinois also recognizes the principal of indemnity, namely, that insureds should be paid the value of their loss but should not receive a windfall or profit. *Lyon Metal Products*,

*LLC v. Protection Mutual Insurance Co.*, 321 Ill. App. 3d 330, 344 (2d Dist. 2001). Because paying full, undepreciated labor costs at the ACV stage significantly *overstates* the pre-loss value of insured property in its aged and deteriorated condition, it places the insured into a *better* position than he occupied before a loss. See *supra* at 10-11, 24. That result is contrary to Illinois law – and contrary to the majority rule discussed above. Compare *Paluszek v. Safeco Insurance Co. of America*, 164 Ill. App. 3d 511, 516 (1st Dist. 1987) (holding that indemnity does not permit recovery of full repair costs before repairs are done, as that would allow an insured to “profit from her insurance” contrary to the “fundamentals of insurance law”) with, *e.g.*, *Graves*, 686 F. App’x at 539 (holding that if insurer “could depreciate only the cost of materials in determining the actual cash value of [the plaintiff’s] loss, she would receive a windfall based on labor costs she never incurred,” which would be “contrary to the principle of indemnity because she would be in a better position than she was before the damage occurred”).<sup>6</sup>

**D. The Plain Meaning of the ACV Regulation is Consistent with the DOI’s Apparent Interpretation of It.**

While the text of the ACV Regulation is unambiguous, the actions of the DOI demonstrate that it, too, interprets the ACV Regulation it promulgated as permitting depreciation of all estimated replacement costs, including labor. That

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<sup>6</sup> The alternative approach might create a perverse incentive for owners of obsolete property to bring insurance claims to recover the labor costs associated with repairs that they have no intention of completing. See *Paluszek*, 164 Ill. App. 3d at 516.



fact weighs in favor of State Farm's position in this appeal. *Cf. Hartney Fuel*, 2013 IL 115130, ¶ 16 (recognizing that an administrative agency's "interpretation of its regulations" is "'entitled to substantial weight and deference,' given that 'agencies make informed judgments on the issues based upon their experience and expertise \*\*\*.'" (quoting *Provena Covenant Medical Center v. Department of Revenue*, 236 Ill. 2d 368, 387 n. 9 (2010))).

Under Illinois law, the Director of the DOI must "order" an insurer to "discontinue" the use of any policy form that the DOI determines is ambiguous or otherwise violates the Illinois Insurance Code. 215 ILCS 5/143(2) (1975). To carry out this mandate, the DOI requires all insurers to file policy forms with the DOI before using them. 50 Ill. Adm. Code 916.40(b) (filed Nov. 13, 1975, eff. Dec. 1, 1975; codified at 6 Ill. Reg. 14844). And as multiple Illinois courts have recognized, "[w]here the Director of Insurance takes no action against an insurance policy provision, it can be inferred that the Director felt the provision did not violate any part of the Insurance Code." *Gaston v. Founders Insurance Co.*, 365 Ill. App. 3d 303, 319 (1st Dist. 2006); accord *Bernardini v. Home and Automobile Insurance Co.*, 64 Ill. App. 2d 465, 467-68 (1st Dist. 1965).

As is relevant here, the DOI has regularly approved and allowed insurers to use structural damage policy forms regardless of whether they provide for payment of ACV without defining the term (like Plaintiff's Policy) or with a definition expressly allowing for depreciation of all components of replacement



cost, including labor explicitly. S.R. 378, 382, 383.<sup>7</sup> The fact that an insurance policy includes an express definition of ACV obviously does not change the meaning of the ACV Regulation. And yet the DOI has allowed insurers to include such definitions – or to use the term ACV without defining it. As a result, this Court can infer that the DOI (i) considers the undefined term ACV to be unambiguous; and (ii) believes a policy expressly permitting labor depreciation is consistent with the ACV Regulation. See *Gaston*, 365 Ill. App. 3d at 319; *Bernardini*, 64 Ill. App. 2d at 467-68. Both points support rejection of Plaintiff’s labor depreciation liability theory.

**E. The Plain Meaning of the ACV Regulation is Consistent with the Application of Depreciation Historically in the Insurance Context and in Other Contexts.**

The application of depreciation to the *full* cost of an aging structure to assess its value is not a new concept, nor is it unique to insurance industry. It has been the prevailing approach in multiple valuation contexts over time, consistent with the plain meaning of the ACV Regulation.

Most importantly, the plain meaning of the ACV Regulation is consistent with the historical approach to calculating ACV in the insurance industry. More than 30 years ago, for example, a leading insurance loss adjustment treatise

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<sup>7</sup> In 2015, State Farm was permitted to introduce in Illinois an endorsement for policies like Plaintiff’s, which endorsement states that all components of estimated replacement cost, including labor and other non-material components, are subject to depreciation when ACV is calculated. S.R. 56, 385.

observed that it “makes little sense” *not* to depreciate labor costs when calculating ACV. Insurance Institute of America, Property Loss Adjusting 226 (James J. Markham, ed., 1st ed. 1990); A.115. The treatise explained that all costs should be depreciated because property “derives value from both the material and labor that went into it” and that, when property has reached the end of its useful life, “all of its value has been ‘used up,’ not just the value represented by the material.” *Id.*

An identical approach to depreciation is followed in the property appraisal context. In particular, the “cost approach” to appraisal involves “estimat[ing] the cost to construct existing structures and site improvements” and then deducting depreciation. Appraisal Institute, *The Appraisal of Real Estate* 562, 571-72 (14th ed. 2013); A.117-19. And the costs that may be depreciated include any “[l]abor used in construction.” *Id.*; see also *Lake County Board of Review v. Property Tax Appeal Board*, 140 Ill. App. 3d 1042, 1045-46 (2d Dist. 1986) (noting that appraiser determined structure’s value under “cost approach” by calculating estimated replacement cost and applying 50% depreciation to that *full* cost). *Cf. Mesce v. City of Chicago*, 301 Ill. App. 429, 440-41 (1st Dist. 1939) (determining “net value” of building to decide compensation owed to appraiser by depreciating “total cost of labor and material of all trades” to reproduce building at “the percentage of depreciation of the building”).

Federal tax law likewise recognizes that labor costs may properly be depreciated. Specifically, the Internal Revenue Service (“IRS”) permits depreciation of the “basis” of an asset, 26 U.S.C. §§ 167(a), (c)(1) (2007), and

explains that the basis for property includes *all* construction-related expenses, including labor. See Internal Revenue Service Publication 551 – Basis of Assets, 2014 WL 7176382, at \*4 (Dec. 11, 2014).

Similarly, in maritime cases, courts have measured the value of damaged property by applying depreciation to both the material and labor costs necessary for repairs or replacement. See, e.g., *CEH, Inc. v. F/V Seafarer* (O.N. 675048), 880 F. Supp. 940, 953-54 (D.R.I. 1995) (“The depreciation factor to be applied to both the [materials] and the value of the labor to assemble [them] is \*\*\* 0.396.”); *Oakdene Compress & Warehouse Co. v. S.S. Cities Service Norfolk*, 242 F. Supp. 148, 149-51 (E.D.S.C. 1965) (rejecting argument that depreciation “should be applied against the cost of new materials only, and not against labor and similar construction costs”); *United States v. Pinckney*, 150 F. Supp. 790, 792 (S.D. Ga. 1957) (holding that where materials involved in replacement were depreciated by 17.7%, the “labor” costs “accordingly must be reduced by 17.7%”).

In sum, applying depreciation to all estimated replacement costs, including labor, is a well-settled and well-recognized practice across multiple valuation contexts. The plain and ordinary meaning of Illinois’ ACV Regulation—as permitting labor depreciation—fits perfectly into this overall framework.

### **III. The Minority Approach to the Labor Depreciation Issue is Not Persuasive Under Illinois Law.**

As noted above, the majority of state supreme courts and two federal appellate courts have rejected Plaintiff’s liability theory. *Supra* at 24-29. The only

contrary state supreme court rulings have come in Tennessee and Arkansas, see *Lammert v. Auto-Owners (Mutual) Insurance Co.*, 572 S.W.3d 170, 177 (Tenn. 2019); *Adams*, 2013 Ark. 475, at 6—and Arkansas now permits labor depreciation by statute. Ark. Code § 23-88-106 (2017). At the federal appellate level, rulings accepting Plaintiff’s liability theory have come from panels in the Fifth and Sixth Circuits. See *Mitchell v. State Farm Fire and Casualty Co.*, 954 F.3d 700, 706-07 (5th Cir. 2020) (Mississippi law); *Hicks v. State Farm Fire and Casualty Co.*, 751 F. App’x 703, 708-10 (6th Cir. 2018) (Kentucky law); *Perry*, 953 F.3d at 423 (Ohio law; but relying on *Hicks*). As explained below, the reasoning from these decisions does not comport with Illinois law.<sup>8</sup>

**A. ACV is Not Ambiguous Under Illinois Law.**

In each of the decisions adopting Plaintiff’s liability theory, the courts declined to dismiss the plaintiff’s claims only after concluding that, while the insurer’s interpretation of ACV as permitting labor depreciation was reasonable, the plaintiff’s contrary interpretation of ACV as prohibiting labor depreciation was *also* reasonable—*i.e.*, that the term was ambiguous. See *supra* at 12.

Notably, the Appellate Court’s decision on this issue was inconsistent with *both* the majority approach *and* the minority approach. In particular, it held that the “replacement cost less depreciation” definition of ACV could not reasonably

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<sup>8</sup> This brief does not cite the myriad decisions from federal district courts and state trial courts, many of which conflict with one another—sometimes within the same jurisdiction.



be interpreted in any manner *other than* the manner suggested by Plaintiff, namely, as replacement cost less depreciation applied only to the material components of replacement cost. A.72. To State Farm's knowledge, no other state supreme court, state appellate court or federal appellate court has reached such a conclusion.

Regardless, as demonstrated herein, the Appellate Court's interpretation of ACV was demonstrably incorrect under Illinois law. See *supra* at 25-26. The "replacement cost less depreciation" definition of ACV unambiguously *permits* labor depreciation. See discussion *supra* at 16-24. While a minority of courts have reached a different conclusion and found ACV to be ambiguous, none applied Illinois law.

**B. The ACV Regulation Could Not Be Construed Against State Farm Even If It Were Ambiguous (Which It is Not).**

Courts applying the minority rule as to labor depreciation have justified their decisions on the ground that ambiguous policy language must be "construed against" the insurance company under the doctrine of *contra proferentum*. See, e.g., *Lammert*, 572 S.W.3d at 179 ("[C]onstruing the policy language in favor of the insured, depreciation can only be applied to the cost of materials, not to labor costs."); *Adams*, 2013 Ark. 475, at 6-7 ("[W]e must construe the policy liberally in favor of the Adamses and strictly against [the insurer]. [Citation.] In that vein, we hold that the costs of labor may not be depreciated when determining [ACV]\*\*.\*"). This analysis is inapplicable here.

In particular, even if the ACV Regulation could be deemed ambiguous (and it cannot), the Regulation and its definition of ACV could not be construed “against” State Farm under Illinois law. As this Court has long recognized, when relevant contract language is supplied by statute or regulation, the traditional “rule in regard to the construction of ambiguous language has no application.”

*Ramsay v. Old Colony Life Insurance Co.*, 297 Ill. 592, 598 (1921). In particular:

“It is not to be presumed that the Legislature in prescribing the terms of the contract intended that the language used should be understood in a manner favorable or unfavorable to either party, or that it should receive any other than a fair and reasonable construction to carry out the legislative intent \*\*\*.” *Id.* at 597.

Accord *Chicago National Life Insurance*, 337 Ill. at 485-86 (citing *Ramsay*). Put simply, since the insurer is not the “drafter,” the “rule is not applied.” *Nabor v. Occidental Life Insurance Co.*, 78 Ill. App. 3d 288, 291 (1st Dist. 1979).

Instead, in such a scenario, courts must “ascertain and give effect to the intent of the agency” that drafted the regulation, here the DOI. *People ex rel. Madigan*, 231 Ill. 2d at 380. That includes deferring to the agency’s interpretation of its own duly promulgated regulation. *Hartney Fuel*, 2013 IL 115130, ¶ 16; see also *Apostolov*, 2018 IL App (1st) 173084, ¶ 27 (adopting regulator’s interpretation of its own order).

In this case, there is compelling evidence that the DOI interprets the ACV Regulation consistent with the majority approach to the labor depreciation issue. As noted above, the DOI has allowed insurers to use structural damage policy forms that *expressly* permit depreciation of labor costs in the calculation of ACV.

See *supra* at 30-31. This demonstrates that the DOI views labor costs as among the replacement costs that may be depreciated pursuant to the mandatory “replacement cost less depreciation” formula in the ACV Regulation. See *id.*

Similarly, the DOI’s consumer guidance shows that the ACV Regulation—which applies equally to structural and personal property claims<sup>9</sup>—contemplates that depreciation will be applied to the entire estimated replacement cost of property. In particular, in discussing the determination of ACV for a 10-year-old couch, the DOI states: “[I]t might cost \$1,000 to replace your sofa at today’s prices. If the average useful life of a sofa is 20 years, and your sofa was 10 years old on the day it was destroyed, the company would pay you \$500” (*i.e.*,  $\$1,000 \times 50\%$  depreciation ( $10\text{yrs}/20\text{yrs}$ ) = \$500). Illinois Department of Insurance, *When Disaster Strikes – What to Do After an Insured Homeowners Loss* at 5, <https://insurance.illinois.gov/HomeInsurance/disaster.pdf>. This guidance, like the DOI’s non-action regarding policy forms expressly allowing for depreciation of labor costs when calculating ACV, further confirms the DOI’s view that the plain meaning of the ACV Regulation permits labor depreciation.

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<sup>9</sup> The ACV Regulation applies to “fire and extended coverage” policies, which includes coverage for both structural damage and “household or personal property” in the structure. 50 Ill. Adm. Code 919.80(d)(8)(A); 215 ILCS 5/143.13(b).

**C. The Fact that Other Courts Have Found ACV Ambiguous Does Not Compel that Result Under Illinois Law.**

Two federal appellate decisions have looked to the split in authority on the labor depreciation issue to support their finding of ambiguity. In *Perry*, for example, the Sixth Circuit concluded that ACV under Ohio law was susceptible to multiple reasonable interpretations based on the fact that (i) “numerous state and federal courts” had recognized the plaintiff’s interpretation as “reasonable” and (ii) a “slim majority of courts” had reached the opposite conclusion. 953 F.3d at 423. Similarly, in *Mitchell*, the Fifth Circuit supported its ambiguity determination by reference to the fact that “[s]everal” courts in other jurisdictions had found the plaintiff’s interpretation reasonable. 954 F.3d at 707.

Illinois rejects the ambiguity analysis performed in these cases, for the mere fact that judges have disagreed on the meaning of particular policy language (under myriad states’ laws, no less) does not mean that the policy language is ambiguous under Illinois law. See, e.g., *Outboard Marine Corp. v. Liberty Mutual Insurance Co.*, 154 Ill. 2d 90, 114-15 (1992) (finding insurance policy unambiguous despite other decisions finding language to be ambiguous or to mean something different); *State Farm Mutual Automobile Insurance Co. v. Rodriguez*, 2013 IL App (1st) 121388, ¶¶ 25-27 (different policy interpretations from other jurisdictions does not establish ambiguity).

Nor does the fact that multiple courts in *Illinois* have reached conflicting decisions establish ambiguity. See *Ford v. Dovenmuehle Mortgage, Inc.*, 273 Ill. App.



3d 240, 245 & n.3 (1st Dist. 1995). Such an errant rule would effectively eliminate any ability for reviewing courts to reverse a lower court's finding that policy language was ambiguous. In fact, absent binding precedent, each reviewing court in Illinois must "make an independent determination" of the meaning of the relevant contract language. *Mazanek v. Rockford Drop Forge Co.*, 98 Ill. App. 3d 956, 959 (2d Dist. 1981). Indeed, just last month, this Court reversed an ambiguity ruling from the Fifth District, finding the relevant policy exclusion to be unambiguous on *de novo* review. See *Elmore*, 2020 IL 125441, ¶¶ 19-22. In short, the ambiguity analysis applied by the courts in *Perry* and *Mitchell* is not persuasive under Illinois law.

**D. The Reasonable Expectations Doctrine is Inapplicable Here and Does Not Establish Ambiguity.**

Finally, in *Hicks*, a split panel from the Sixth Circuit applied Kentucky's "reasonable expectations" doctrine to interpret the meaning of ACV under Kentucky law. 751 F. App'x at 708-09. It noted that the definition of ACV was ambiguous under Kentucky and that, as a result, the court properly should consider how a "layperson" could "reasonably interpret" the relevant policy. *Id.* at 709. The majority in *Hicks* held that a layperson could reasonably construe the policy in accordance with the plaintiffs' preferred interpretation, and thus affirmed the district court's acceptance of the plaintiffs' labor depreciation theory. See *id.*

The “reasonable expectations” doctrine used in *Hicks* is inapplicable here. That doctrine, to the extent it is even applied in Illinois, is used *only* when “painstaking study” of hidden or labyrinthian policy language would reduce the coverage a reasonable policyholder would expect to receive. *Continental Casualty Co. v. Howard Hoffman & Associates*, 2011 IL App (1st) 100957, ¶¶ 76-78 (noting that multiple courts have rejected application of the doctrine in Illinois). No such language exists here.

On the contrary, the relevant policy language here (“ACV”) is defined in straightforward and unambiguous terms by the mandatory ACV Regulation as “replacement cost of property \*\*\* less depreciation, if any.” 50 Ill. Adm. Code 919.80(d)(8)(A). Applying this language as written, so that depreciation is applied to the total “replacement cost of property” (including any intangible cost components), does not eliminate or reduce any coverage that would otherwise be available to policyholders in Illinois; it tracks the plain meaning of the ACV Regulation. See *supra* at 14-16.

In fact, the only complicated language in this case is the language that the Appellate Court *added* to the ACV Regulation — “replacement costs of property less depreciation for materials and labor” — before concluding that a reasonable policyholder would not expect *that* language to apply. (Underlined emphasis added.) A.71 The Appellate Court’s analysis does not comport with Illinois law. Indeed, even courts applying the “reasonable expectations” doctrine in Illinois recognize that it may not be used to “invalidat[e]” the plain meaning of terms

“simply to avoid disappointment to the insured.” *Menke v. Country Mutual Insurance Co.*, 78 Ill. 2d 420, 426 (1980). Moreover, the doctrine applies only when *contract* language is ambiguous. *Smagala v. Owen*, 307 Ill. App. 3d 213, 219 (1st Dist. 1999). It certainly should not be applied in the first instance to language drafted by the DOI—not State Farm.

By purporting to apply the “reasonable expectations” of Illinois policyholders despite the absence of complicated or ambiguous policy language, see A.71, the Appellate Court improperly invalidated the plain meaning of the ACV Regulation. Its decision must be reversed.

### CONCLUSION

For the reasons stated above, Defendant-Appellant State Farm Fire and Casualty Company respectfully requests that this Court (1) answer the question certified by the trial court pursuant to Rule 308 in the affirmative; (2) reverse the judgment of the Appellate Court, Fifth District; and (3) direct the trial court to dismiss Plaintiff’s complaint with prejudice on remand.

Dated: January 22, 2021.

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

I certify that this Brief conforms to the requirements of Rules 341(a) and (b). The length of this brief, excluding the pages or words contained in the Rule 341(d) cover, the Rule 341(h)(1) table of contents and statement of points and authorities, the Rule 341(c) certificate of compliance, the certificate of service, and those matters to be appended to the brief under Rule 342(a), is 41 pages or 10,607 words.

BY: /s/ Joseph A. Cancila, Jr.

**CERTIFICATE OF FILING AND PROOF OF SERVICE**

I certify that on January 22, 2021, I caused the foregoing Brief of Defendant-Appellant to be electronically filed with the Clerk of the Court of the Illinois Supreme Court by using the Odyssey eFileIL system.

I further certify that the other individuals in this case named below have been served by transmitting a copy via email to the addresses designated by those individuals, on January 22, 2021.

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Under penalties as provided by law pursuant to section 1-109 of the Illinois Code of Civil Procedure [735 ILCS 5/1-109], I certify that the statements set forth in this Certificate of Filing and Proof of Service are true and correct, except as to matters therein stated to be on information and belief and as to such matters I certify as aforesaid that I verily believe the same to be true.

BY: /s/ Joseph A. Cancila, Jr.

## APPENDIX

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**Joint Committee on Administrative Rules****ADMINISTRATIVE CODE****TITLE 50: INSURANCE****CHAPTER I: DEPARTMENT OF INSURANCE****SUBCHAPTER I: PROVISIONS APPLICABLE TO ALL COMPANIES****PART 919 IMPROPER CLAIMS PRACTICE****SECTION 919.80 REQUIRED CLAIM PRACTICES – PRIVATE PASSENGER  
AUTOMOBILE – PROPERTY AND CASUALTY COMPANIES**

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**Section 919.80 Required Claim Practices – Private Passenger Automobile – Property and  
Casualty Companies**

## 8) Actual Cash Value Losses.

- A) When the insurance policy provides for the adjustment and settlement of losses on an actual cash value basis on residential fire and extended coverage as defined in Section 143.13 of the Code [215 ILCS 5/143.13], the company shall determine actual cash value, except for instances in which the insured's interest is limited as set forth in subsection (d)(8)(B), as follows: replacement cost of property at time of loss less depreciation, if any. Upon the insured's request, the company shall provide a copy of the claim file worksheet(s) detailing any and all deductions for depreciation, including, but not necessarily limited to, the age, condition, and expected life of the property.
- B) In cases in which the insured's interest is limited because the property has nominal or no economic value, or a value disproportionate to replacement cost less depreciation, the determination of actual cash value as set forth in subsection (d)(8)(A) is not required. In such cases, the company shall provide, upon the insured's request, a written explanation of the basis for limiting the amount of recovery along with the amount payable under the policy.
- C) When the period within which the insured may bring suit under a residential fire and extended coverage policy is tolled in accordance with Section 143.1 of the Code [215 ILCS 5/143.1], the company, at the time it denies the claim, in whole or in part, shall advise the insured in writing of the number of days the period was tolled, and how many days are left before the expiration of the time to bring suit.

(Source: Amended at 26 Ill. Reg. 11915, effective July 22, 2002)



## SUPREME COURT OF ILLINOIS

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In re: Sproull v. State Farm Fire and Casualty Company  
126446

Today the following order was entered in the captioned case:

Unopposed motion by Appellant for an extension of time for filing  
appellant's brief to and including January 22, 2021. Allowed.

Order entered by Justice Karmeier.

Very truly yours,

A handwritten signature in cursive script that reads "Carolyn Taft Grosboll".

Clerk of the Supreme Court

cc: Christopher William Byron  
David Thrift Butsch  
Jacob Lenga Kahn  
Patrick Dennis Cloud





## SUPREME COURT OF ILLINOIS

SUPREME COURT BUILDING  
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November 18, 2020

In re: Jarret Sproull, Indv., etc., Appellee, v. State Farm Fire and  
Casualty Company, Appellant. Appeal, Appellate Court, Fifth  
District.  
126446

The Supreme Court today ALLOWED the Petition for Leave to Appeal in the above  
entitled cause.

We call your attention to Supreme Court Rule 315(h) concerning certain notices which  
must be filed.

Theis, J., took no part.

Very truly yours,

*Carolyn Taft Gosbell*

Clerk of the Supreme Court

No. \_\_\_\_\_

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**Appeal to the Supreme Court of Illinois**

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**JARRET SPROULL, Individually and on  
behalf of all others similarly situated,  
Plaintiff-Respondent,**

v.

**STATE FARM FIRE AND CASUALTY COMPANY,  
Defendant-Petitioner.**

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On Appeal from Appellate Court, Fifth District  
No. 5-18-0577

Appeal from the Third Judicial Circuit, Madison County, Illinois  
Case No. 16 L 1341  
The Honorable Judge William A. Mudge

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**Petition for Leave to Appeal Pursuant to  
Illinois Supreme Court Rule 315**

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**Oral Argument Requested Pursuant to Illinois Supreme Court Rule 352(a)**

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Carolyn Taft Grosboll  
SUPREME COURT CLERK

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**POINTS AND AUTHORITIES**

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### **PRAYER FOR LEAVE TO APPEAL**

Defendant-Petitioner STATE FARM FIRE AND CASUALTY COMPANY (hereinafter “State Farm”) respectfully petitions this Court for leave to appeal from the opinion of the Appellate Court, Fifth District. This case presents an issue of first impression for Illinois courts – the viability of a “labor depreciation” liability theory – that has been addressed by courts nationwide and calls for resolution by this Court. The Appellate Court’s ruling directly conflicts with the position taken by the majority of state supreme courts that have addressed this issue, plus rulings from two federal appellate courts. The legal question here, once finally resolved, will impact many thousands of Illinois insureds.

### **JUDGMENT BELOW**

Judgment was entered by the Appellate Court, Fifth District, on July 24, 2020. No petition for rehearing was filed. The instant Petition was timely filed within 70 days of the Fifth District’s opinion. See Order, *In re: Illinois Courts Response to COVID-19 Emergency*, M.R. 30370 (Ill. Mar. 24, 2020).

### **POINTS RELIED UPON IN SEEKING REVIEW**

This suit is the Illinois “test case” in a wave of asserted “labor depreciation” class actions against insurers in courts across the country, and the Appellate Court’s erroneous decision is contrary to the majority of decisions by state supreme courts and decisions by two federal appellate courts. The liability theory in these cases challenges the longstanding method that State Farm and other insurers use to calculate “actual cash value” (“ACV”) claim payments for damaged structures. In Illinois, that method is *required* by regulation. Insurers must calculate ACV by estimating the replacement cost of the damaged property and then subtracting depreciation, if any. 50 Ill. Adm. Code 919.80(d)(8)(A) (2002)

(hereinafter, the “ACV Regulation”) (“the company shall determine actual cash value . . . as follows: replacement cost of property at time of loss less depreciation, if any”).

Plaintiff argues – with a view now embraced by the Fifth District – that the “replacement cost” to which depreciation is to be applied in calculating ACV is not the full replacement cost of the damaged property, but rather only the portion of replacement cost associated with the materials needed for repairs. In other words, if the total cost to replace a damaged roof is \$10,000, comprised of \$5,000 for materials and \$5,000 for labor, Plaintiff argues that depreciation should not be applied to the full \$10,000 “replacement cost of property,” but rather only to the \$5,000 replacement cost of materials.

A majority of state supreme courts and two federal appellate courts have rejected this labor depreciation theory as fundamentally unsound:

We agree . . . that absent specific language in the policy, the insured does “not pay for a hybrid policy of actual cash value for roofing materials and replacement costs for labor.” The property is a product of both materials and labor. . . . The unambiguous definition of actual cash value is a depreciation of the whole.

*Henn v. American Family Mutual Insurance Co.*, 894 N.W.2d 179, 189-90 (Neb. 2017) (quoting *Redcorn v. State Farm Fire and Casualty Co.*, 55 P.3d 1017, 1021 (Okla. 2002)); see also *infra* at 13-17.

Moreover, while a minority of courts to address this issue have concluded that the term ACV is ambiguous when the insurance policy does not specifically provide for depreciation of both materials and labor, see, e.g., *Perry v. Allstate Indemnity Co.*, 953 F.3d 417, 423 (6th Cir. 2020) (applying Ohio law, but noting the contrary “majority” position), the Fifth District’s decision goes where no other state supreme court, state appellate court, or federal appellate court has gone. It holds that the *only* reasonable interpretation of ACV is one where depreciation is applied solely to material costs. Appendix (“Appx.”) at 19.

Significantly, the Fifth District’s reasoning conflicts with a 2013 decision by a federal district court in Illinois interpreting the same formula for ACV and concluding that insurers may reasonably apply depreciation to *all* components of replacement cost, including “intangible” costs. See *Gee v. State Farm Fire & Casualty Co.*, No. 11-cv-250, 2013 WL 8284483, at \*3 (N.D. Ill. Sept. 23, 2013). The *Gee* decision correctly recognizes that, under Illinois law, an ACV payment for full replacement costs that have not yet been incurred would over-indemnify the insured. See *id.* at \*2. That holding cannot be reconciled with the Appellate Court’s decision in this case. Clear guidance on these issues from this Court would bring much needed certainty to this frequently litigated area of law.<sup>1</sup>

Moreover, the Fifth District misapplied Illinois law in at least two respects. First, it misapplied Illinois’s rules of statutory construction. Although the term ACV is not defined in the Policy, its meaning is set by regulation (and confirmed by 100 years of legal precedent): “replacement cost of property . . . less depreciation.” 50 Ill. Adm. Code 919.80(d)(8)(A). Under Illinois law, statutes and regulations are construed by giving the terms used their plain and ordinary meaning. Here, the common meaning of “replacement cost of property” (the value to which depreciation is applied) plainly encompasses *all* costs associated with repair and replacement, including labor. Nonetheless, the Appellate Court misconstrued the ACV Regulation by focusing on the single word “property,” observing that its plain meaning – rather than the meaning of the relevant phrase, “replacement cost

<sup>1</sup> As noted by the Fifth District, the labor depreciation theory asserted here was asserted in an earlier Illinois putative class action. See Appx. 6 (citing *Jenkins v. State Farm Fire and Casualty Co.*, 2017 IL App (1st) 160612-U)). The trial court in *Jenkins* accepted the plaintiff’s theory but dismissed the complaint as time barred. 2017 IL App (1st) 160612-U, ¶ 2. The Appellate Court, First District, affirmed the dismissal but did not reach the labor depreciation issue. *Id.* at ¶¶ 29-31.

of property” – encompasses only tangible materials, and then concluding in circular fashion that the Regulation therefore permits application of depreciation only to tangible materials. Appx. 17-18. That is not the plain and ordinary meaning of the ACV Regulation, but rather a strained interpretation that is contrary to Illinois law.

Second, the Fifth District misapplied the “reasonable expectations” doctrine. That doctrine, to the extent it is even applied in Illinois, is used only when hidden or labyrinthian policy language would reduce the coverage a reasonable policyholder would expect to receive. *Continental Casualty Co. v. Howard Hoffman & Associates*, 2011 IL App (1st) 100957, ¶¶ 76-78. Here, there is no such language. Rather, there is a single policy term – ACV – that is defined by regulation. The ACV Regulation states simply that ACV is to be calculated as “replacement cost of property . . . less depreciation.” The reasonable expectations doctrine may not be used to “invalidat[e]” the plain meaning of such language. *Luechtefeld v. Allstate Insurance Co.*, 167 Ill. 2d 148, 158 (1995). Yet the Appellate Court’s decision did precisely that – positing a more complicated definition of ACV than appears in the ACV Regulation (“replacement costs of property less depreciation for materials *and labor*,” Appx. 18), and then concluding that no policyholder would reasonably have expected such a definition to apply. Appx. 18-19. That analysis does not comport with Illinois law.

This Court should exercise its discretion to accept this Petition and reverse the Appellate Court’s decision. The potential impact of this appeal cannot be overstated. Illinois insurers calculate thousands of ACV payments each day and have done so for years consistent with the methodology required by the ACV Regulation. The Appellate Court’s decision, if left undisturbed, threatens to upend insurance practice in Illinois, create

confusion in the lower courts, and encourage a cottage industry of class action litigation over insurers' ACV calculations. Like its sister courts have done in other states, this Court should seize this opportunity to clearly address the viability of Plaintiff's liability theory.

## STATEMENT OF FACTS

### I. Plaintiff's Allegations

Plaintiff's home sustained wind damage on or about December 28, 2015. S.R. 11, ¶¶ 5-7. The home was insured under a State Farm homeowners policy (the "Policy"), which provides the following two-step process for settling a claim for a covered loss:

- a. We will pay the cost to repair or replace with similar construction . . . the damaged part of the property . . . subject to the following:
  - (1) until actual repair or replacement is completed, we will pay only the actual cash value at the time of the loss of the damaged part of the property, up to the applicable limit of liability shown in the **Declarations**, not to exceed the cost to repair or replace the damaged part of the property;
  - (2) when the repair or replacement is actually completed, we will pay the covered additional amount you actually and necessarily spend to repair or replace the damaged part of the property . . . up to the applicable limit of liability shown in the **Declarations**, whichever is less;

\* \* \*

S.R. 98-262 at 255 (bold emphasis original). The Policy does not separately define "ACV."

State Farm inspected Plaintiff's property and prepared an estimate of the cost to repair or replace the damaged portions of the property. S.R. 11 at ¶¶ 10-11; S.R. 24-34. The estimate included twenty-six different line item repairs, of which depreciation was applied to seven, including some that included labor as a component (e.g., "paint the ceiling – one coat"). S.R. 27-30.



State Farm gave Plaintiff a copy of the Estimate and an “Explanation of Building Replacement Cost Benefits” (the “EOB”), which stated that ACV would be calculated by “deducting depreciation from the estimated repair or replacement cost.” S.R. 26. The EOB further stated that if Plaintiff pursued repairs and incurred expenses exceeding his initial claim payment, he could request replacement cost benefits for those additional costs. *Id.*

State Farm estimated \$1,711.54 as the full replacement cost and applied \$394.36 of depreciation, producing an estimated ACV of \$1,317.18. S.R. 11 at ¶¶ 10, 12-13; S.R. 25-26. State Farm then subtracted Plaintiff’s deductible and issued payment for \$317.18. *Id.*

Rather than completing the estimated repairs and seeking replacement cost benefits, Plaintiff filed a putative class action complaint. Appx. 5-6. He alleges that State Farm breached its contractual obligations when it calculated ACV by applying depreciation to both estimated labor costs and estimated material costs – even though both make up the “replacement cost” to which depreciation is applied under the ACV Regulation. See *id.*; *infra* at 19-20. His proposed class is defined as: “All Illinois resident persons and Illinois resident legal entities that received ‘actual cash value’ payments, directly or indirectly, from State Farm for loss or damage to a dwelling or other structure located in the State of Illinois, where the cost of labor as defined herein was depreciated.” S.R. 16 at ¶ 44.

## **II. Illinois’s Insurance Regulation Addressing Actual Cash Value**

Illinois law requires the Director of the Illinois Department of Insurance (the “DOI”) to promulgate rules and regulations to effect “uniformity in all basic policies of fire and lightning insurance” issued in Illinois. 215 ILCS 5/397 (1978). By regulation, the basic form of fire policy in Illinois requires that all insurers at least provide coverage “to the extent of the actual cash value of the property at the time of loss,” without defining

ACV.<sup>2</sup> Although Plaintiff's policy provides for initial payment of ACV (prior to repair) and likewise does not define that term, the DOI has addressed the method for calculating ACV under property insurance policies like Plaintiff's Policy by regulation:

When the insurance policy provides for the adjustment and settlement of losses on an actual cash value basis on residential fire and extended coverage . . . the company shall determine actual cash value . . . as follows: replacement cost of property at time of loss less depreciation, if any.

50 Ill. Adm. Code 919.80(d)(8)(A).

### **III. Procedural History**

After the trial court denied State Farm's motion to dismiss, State Farm moved to certify a question of law pursuant to Rule 308(a) (S.R. 1056-1091). Appx. 10. The trial court granted that motion and certified the following question:

Where Illinois' insurance regulations provide that the "actual cash value" or "ACV" of an insured, damaged structure is determined as "replacement cost of property at time of loss less depreciation, if any," and the policy does not itself define actual cash value, may the insurer depreciate all components of replacement cost (including labor) in calculating ACV?

Appx. 11.

A divided Fifth District panel denied State Farm's Rule 308 Application. *Sproull v. State Farm Fire and Casualty Co.*, No. 5-18-0577 (5th Dist. Jan. 10, 2019). This Court, however, subsequently directed the Fifth District to vacate its order and accept the petition. *Sproull v. State Farm Fire and Casualty Co.*, No. 124484 (Ill. Mar. 20, 2019).

### **IV. The Appellate Court's Ruling**

The Fifth District reformulated the certified question to focus solely on "whether the cost of labor can be depreciated when determining" ACV, and answered it as follows:

<sup>2</sup> Illinois Department of Insurance, Standard Fire Policy at 1, [https://insurance.illinois.gov/Prop\\_Cas\\_IS3\\_Checklists/statutes/StandardFirePolicy.pdf](https://insurance.illinois.gov/Prop_Cas_IS3_Checklists/statutes/StandardFirePolicy.pdf); see also 215 ILCS 5/397; 50 Ill. Adm. Code 2301.100, 2301.30 (2020).

Where Illinois's insurance regulations provide that the "actual cash value" of an insured, damaged structure is determined as "replacement cost of property at time of loss less depreciation, if any," and the policy does not itself define actual cash value, only the property structure and materials are subject to a reasonable deduction for depreciation, and depreciation may not be applied to the intangible labor component.

Appx. 19. The Court noted that State Farm's Policy "does not define 'actual cash value'" and found that State Farm did not demonstrate "that it incorporated [the ACV Regulation] into its policy." *Id.* at 17. The Court further found that even if the ACV Regulation had been incorporated into State Farm's Policy, it would not support a different result. *Id.*

The Court determined that the ACV Regulation should properly be read by emphasizing the word "property," as in "replacement cost of *property* at time of loss less depreciation," and that the plain meaning of "property" refers to tangible materials. *Id.* Based on this reading, it held that "it is clear" that "ACV" in the Regulation "refers to real property" and "does not refer to services, such as labor," and that the use of the word "depreciation" after "property" would lead the "ordinary layperson" to interpret the Regulation as describing "the depreciation of physical, tangible materials." *Id.* at 17-18.

Despite acknowledging that "[t]here is no dispute" that the first step in calculating ACV under Illinois law is a "determination of the 'cost of replacement' of the damaged property" – which cost necessarily includes labor – the Appellate Court held that a reasonable person would not understand that "the 'actual cash value' of a covered loss meant replacement costs of property less depreciation for materials *and labor*." *Id.* at 18. Instead, it held that "an average, ordinary homeowner" would have "reasonably expected" that depreciation would only apply to the tangible materials portion of the replacement cost, and that "it is not reasonable to believe that an average homeowner would consider labor to be a tangible asset included within the definition of depreciation." *Id.* at 18-19.

The Court held that State Farm “sought to apply a technical definition of depreciation that is not evident in the language of the policy or in the regulation . . . .” *Id.*

### **ARGUMENT**

One of the principal factors this Court considers in determining whether to grant discretionary review under Rule 315 is the “importance of the question presented.” Ill. S. Ct. R. 315(a). As one Justice put it, the decision of whether to grant review “turns largely on whether the issue involved warrants an authoritative resolution of statewide impact or whether it is the type of case whose final resolution [may be] entrust[ed] to the appellate court.” *Johnson v. Ames*, 2016 IL 121563, ¶ 25 (Thomas, J., specially concurring). As demonstrated by the six other state supreme courts that have substantively addressed the labor depreciation question, this is precisely the type of case requiring an authoritative resolution by this Court.

#### **I. The Question of Law at Issue Here Affects Thousands of Illinois Insureds.**

This Court has not yet addressed the viability of Plaintiff’s labor depreciation theory but should take advantage of the opportunity presented by this case to do so – just like so many state supreme courts have done. This Court’s review would help avoid confusion and uncertainty in the lower courts and in the insurance industry, for the Fifth District’s decision has thrown a century’s worth of insurance practice in Illinois into doubt.

Illinois long has defined “ACV” as “replacement cost less depreciation.” That definition was set roughly 100 years ago by case precedent. See, e.g., *Whitten v. Cincinnati Insurance Co.*, 189 Ill. App. 3d 90, 98 (4th Dist. 1989) (citing *Smith v. Allemannia Fire Insurance Co. of Pittsburgh*, 219 Ill. App. 506, 513 (3d Dist. 1920), for the proposition that Illinois “case law defines [ACV] as replacement cost less depreciation”). Then, in 2002, the definition was incorporated into an Illinois insurance regulation, which directs that

insurers “shall” calculate ACV as “replacement cost of property at time of loss less depreciation, if any.” 50 Ill. Adm. Code 919.80(d)(8)(A). The ACV Regulation does not limit the categories of “replacement cost” to which depreciation is to be applied, nor does it restrict the manner in which insurers are to apply it. The absence of any such limitations or restrictions “underscores” that the language of the ACV Regulation should be given its broadest possible meaning. *Apostolov v. Johnson*, 2018 IL App (1st) 173084, ¶ 29.

Consistent with this precedent, State Farm and other insurers have for years calculated ACV payments for insured structures pursuant to the same formula: replacement cost less depreciation. Until this wave of labor depreciation class action lawsuits, insurers in Illinois had every indication that it was appropriate to calculate ACV by applying depreciation (if any) to the *full* estimated cost to replace the damaged property, just as the plain text of the ACV Regulation directs. See *Gee*, 2013 WL 8284483, at \*3 (holding that depreciation may properly be applied to “intangible” components of replacement costs in calculating ACV in Illinois).

In fact, the actions of the Illinois DOI – the agency charged with both approving insurance forms and enforcing the Illinois Insurance Code and regulations promulgated thereunder – strongly suggest that it, too, interprets the ACV Regulation as permitting labor depreciation. See *Apostolov*, 2018 IL App (1st) 173084, ¶ 24 (recognizing that courts generally should defer to regulators’ interpretation of their own duly promulgated regulations). Illinois law mandates that the Director “shall . . . withhold approval of any such policy, certificate, [or] endorsement . . . if it contains provisions which . . . are contrary to law or to the public policy of this State.” 215 ILCS 5/143. Yet the DOI has routinely allowed insurers to sell structural damage insurance policies regardless of whether they use



the term “ACV” without defining it or, alternatively, define it to allow depreciation of replacement cost as a whole. (S.R. 375-78 at 378; S.R. 379-82 at 382; S.R. 383).

More recently, some insurers (including State Farm) have also introduced and begun offering insurance policies and endorsements that *specifically* allow for depreciation of labor and other non-material components of replacement cost when ACV is calculated. (S.R. 56, 385). This is strong evidence that the DOI also interprets the ACV Regulation as permitting the application of depreciation to the full estimated replacement cost. See *Gaston v. Founders Insurance Co.*, 365 Ill. App. 3d 303, 319-20 (1st Dist. 2006) (“Where the Director of Insurance takes no action against an insurance policy provision, it can be inferred that the Director felt the provision did not violate any part of the Insurance Code.”).

The Appellate Court’s decision, however, casts doubt and uncertainty over this longstanding, previously undisputed (indeed, mandatory) method for calculating ACV in Illinois. Hundreds of thousands of ACV payments were calculated by insurers across Illinois in the year preceding the Appellate Court’s decision. The Fifth District, however, suggested that no reasonable insured would expect ACV to be calculated in the manner by which it has historically been calculated – a conclusion that no other state supreme court has ever reached.

Not surprisingly, in just the past three months, multiple new labor depreciation class action lawsuits have already been filed in Illinois state courts against insurers whose policies, like Plaintiff’s Policy, do not separately define ACV. See, *e.g.*, Complaint at ¶ 16, *Staunton Lodge No. 177, A.F. & A.M. v. Pekin Insurance Co.*, No. 2020-L-001297 (Cir. Ct. Madison County, Sept. 10, 2020); Complaint at ¶ 37, *Thaxton v. Allstate Indemnity Co.*, No. 2020-L-000908 (Cir. Ct. Madison County, July 2, 2020); Complaint at ¶ 14, *Hester v.*

*Allstate Vehicle and Property Insurance Co.*, No. 20-L0462 (Cir. Ct. St. Clair County, June 12, 2020). More lawsuits are expected. Additionally, the parties in two of the recently filed cases jointly moved to stay pending this Court’s resolution of State Farm’s petition. See Joint Motion to Stay Proceedings ¶¶ 5, 7-8, *Thaxton*, No. 2020-L-000908 (Sept. 15, 2020) (seeking a stay “until the Illinois Supreme Court’s resolution of the *Sproull* matter” given that the “Supreme Court’s resolution of *Sproull* may be directly relevant to this instant matter”; noting that the court in *Hester* granted a similar stay request).

A determination by this Court that Plaintiff’s labor depreciation liability theory is unsound as a matter of Illinois law – as State Farm has urged and as a majority of state supreme courts and two federal appellate courts have held under applicable state law – will bring certainty and clarity to insurance practice in Illinois. First, it will result in the final termination of this action and the other lawsuits that have been and will soon be filed.<sup>3</sup> Second, it will settle the apparent differences of opinion regarding the labor depreciation issue as between Illinois state courts on one side and Illinois federal courts and the Department of Insurance on the other. Both results would also further the underlying purpose of the Insurance Code by bringing “uniformity” to the interpretation and application of structural damage policies in Illinois. See 215 ILCS 5/397. These factors weigh heavily in support of State Farm’s Petition.

<sup>3</sup> Multiple labor depreciation cases have been terminated after an interlocutory appellate ruling rejecting the very same labor depreciation liability theory asserted here. See, e.g., Order, *LaBrier v. State Farm Fire and Cas. Co.*, No. 2:15-cv-04093 (W.D. Mo. Nov. 7, 2017), ECF No. 296 (dismissing plaintiff’s complaint with prejudice following Eighth Circuit’s ruling that the plaintiff’s labor depreciation liability theory is not viable under Missouri law); Order, *Redcorn v. State Farm Fire & Casualty Co.*, No. 5:00-cv-00463-C (W.D. Okla. Feb. 28, 2003), ECF No. 77 (dismissing complaint after Oklahoma Supreme Court’s determination that labor depreciation is permitted under Oklahoma law).

**II. The Appellate Court's Erroneous Decision Puts Illinois at Odds with the Majority of State Supreme Courts, with Two Federal Appellate Courts, and with a Federal District Court Applying Illinois Law.**

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**A. The Fifth District's Decision Conflicts with the Majority Approach Taken by State Supreme Courts and Two Federal Appellate Courts.**

The Fifth District's acceptance of Plaintiff's labor depreciation theory places Illinois out of step with most of its sister states' supreme courts as well as with two federal appellate courts. To date, four of the six state supreme courts to consider the viability of Plaintiff's labor depreciation theory – Oklahoma, Minnesota, Nebraska, and North Carolina – have rejected it as unsound.<sup>4</sup> As the Supreme Court of North Carolina observed in the most recent state supreme court decision on this issue, there is “no justification for differentiating between labor and materials when calculating depreciation, and to do so makes little sense. The value of a house is determined by considering it as a fully assembled whole, not as the simple sum of its material components.” *Accardi*, 838 S.E.2d at 457. The only contrary state supreme court rulings have come in Tennessee and Arkansas, and Arkansas now permits labor depreciation by statute.<sup>5</sup>

At the federal appellate level, two of the four federal appellate courts to have addressed Plaintiff's theory – the Eighth and Tenth Circuits – have also rejected it.<sup>6</sup> The

<sup>4</sup> See *Redcorn*, 55 P.3d at 1019-21; *Wilcox v. State Farm Fire and Casualty Co.*, 874 N.W.2d 780, 784-85 (Minn. 2016); *Henn*, 894 N.W.2d at 189-90; *Accardi v. Hartford Underwriters Insurance Co.*, 838 S.E.2d 454, 457 (N.C. 2020).

<sup>5</sup> *Lammert v. Auto-Owners (Mutual) Insurance Co.*, 572 S.W.3d 170, 177 (Tenn. 2019); *Adams v. Cameron Mutual Insurance Co.*, 430 S.W.3d 675, 678 (Ark. 2013); ARK. CODE § 23-88-106 (2017).

<sup>6</sup> *In re State Farm Fire and Cas. Co. (“LaBrier”)*, 872 F.3d 567, 573 (8th Cir. 2017) (Missouri law); *Graves v. American Family Mutual Insurance Co.*, 686 F. App'x 536, 540 (10th Cir. 2017) (Kansas law). But see *Stuart v. State Farm Fire and Casualty Co.*, 910 F.3d 371, 374 (8th Cir. 2018) (applying *Adams* as Arkansas law for pre-2014 claims, but noting that it was “superseded by statute”).



reasoning in those cases is similar to the reasoning adopted by the majority of state supreme courts. The Tenth Circuit, for example, observed in *Graves* that there is “no reason to dissect depreciation into separate components of materials and labor costs” and that, “[b]ased on the plain and ordinary meaning of ‘depreciation,’ a reasonably prudent insured would not expect the insurer to apply such an unorthodox depreciation method when determining actual cash value.” 686 F. App’x at 540. Contrary rulings at the federal appellate level have come from panels in the Fifth and Sixth Circuits.<sup>7</sup>

Every state supreme court to reject the viability of Plaintiff’s theory, as well as each of the two federal appellate courts to do so, has concluded that the “replacement cost less depreciation” definition of ACV – whether supplied by the insurance policy or (as here) state law – was unambiguous.<sup>8</sup> Just as in those cases, the “replacement cost less depreciation” formula for ACV is well-established in Illinois, having been used for roughly 100 years. See *supra* at 17-19; see also *Lytle v. Country Mutual Insurance Co.*, 2015 IL App (1st) 142169, ¶ 22 (finding two-step loss-settlement provision providing ACV and replacement cost coverage unambiguous and noting that “this court has construed similar contract language and found the policy clear and unambiguous”) (collecting cases).

Moreover, the reasoning employed by the courts rejecting Plaintiff’s labor depreciation theory also comports with Illinois law. As several of those courts have recognized, paying an insured the full estimated costs of labor necessary for repairs at the

<sup>7</sup> *Mitchell v. State Farm Fire and Casualty Co.*, 954 F.3d 700, 707 (5th Cir. 2020) (Mississippi law); *Hicks v. State Farm Fire and Casualty Co.*, 751 F. App’x 703, 708-10 (6th Cir. 2018) (Kentucky law); *Perry*, 953 F.3d at 423 (Ohio law; relying on *Hicks*).

<sup>8</sup> See *Accardi*, 838 S.E.2d at 457; *Henn*, 894 N.W.2d at 190; *Wilcox*, 874 N.W.2d at 784-85; *Redcorn*, 55 P.3d at 1019-21; *LaBrier*, 872 F.3d at 573; *Graves*, 686 F. App’x at 540.

ACV stage would violate principles of indemnity by placing the insured into a better position than she was in prior to the loss. See, *e.g.*, *Redcorn*, 55 P.3d at 1021 (holding that “indemnity is served” by depreciating “both materials and labor” in calculating ACV); *Accardi*, 838 S.E.2d at 297 (holding that adopting plaintiff’s labor depreciation theory would “provide a benefit to plaintiff for which he did not pay”); *Graves*, 686 F. App’x at 539 (holding that plaintiff’s theory would pay her the full value of “labor costs she never incurred,” a result “contrary to the principle of indemnity”). Illinois likewise recognizes the important public policy that, for purposes of indemnity, insureds should be paid the value of their loss but should not receive a windfall or profit. *Lyon Metal Products, LLC v. Protection Mutual Insurance Co.*, 321 Ill. App. 3d 330, 344 (2d Dist. 2001).

Courts rejecting Plaintiff’s labor depreciation theory have also recognized that paying estimated labor costs in full at the ACV stage “would in effect reduce, if not eliminate, the distinction between an ‘actual cash value’ policy and the more expensive ‘replacement cost’ policy.” *Graves*, 686 F. App’x at 537; *accord Redcorn*, 55 P.3d at 1021 (“Redcorn chose an ‘actual cash value’ policy . . . . He did not pay for a hybrid policy of actual cash value for roofing materials and replacement costs for labor.”). Thus, when a policy (like Plaintiff’s Policy) provides for settlement of covered losses in two steps – ACV first, and replacement cost second – full labor costs are to be paid only *after* the insured “submit[s] the required materials for replacement cost value.” *Henn*, 894 N.W.2d at 189; *accord Graves*, 686 F. App’x at 539 (holding that plaintiff could have recovered full labor costs by having “the repairs completed by the one-year deadline” in her policy for seeking replacement cost benefits). Illinois courts also consistently have enforced policies requiring repair as a precondition for the insurer’s payment of full, undepreciated repair cost. See,



*e.g., National Tea Co. v. Commerce & Industry Insurance Co.*, 119 Ill. App. 3d 195, 201 (1st Dist. 1983) (“[R]epair or replacement is a condition precedent to recovery . . . in excess of actual cash value.”).

In contrast to these decisions, a minority of state supreme courts and two federal appellate courts have upheld the viability of Plaintiff’s labor depreciation theory, but all have done so only after concluding that ACV was ambiguous.<sup>9</sup> In other words, each court declined to dismiss the plaintiff’s claims only after concluding that, while the insurer’s interpretation of ACV as permitting labor depreciation was reasonable, the plaintiff’s contrary interpretation of ACV as prohibiting it was *also* reasonable. State Farm submits that such a conclusion is unsupported under Illinois law for the reasons set forth above.

Importantly, however, the Fifth District’s decision is also inconsistent with these courts’ decisions. In particular, it held that the “replacement cost less depreciation” definition of ACV could not reasonably be interpreted in any manner *other than* the manner suggested by Plaintiff – *i.e.*, as replacement cost less depreciation applied only to the material components of replacement cost. To State Farm’s knowledge, no other state supreme court, state appellate court or federal appellate court has reached such a conclusion. The Fifth District’s reasoning and decision should be reversed.

**B. The Appellate Court’s District’s Decision Also Conflicts with Prior Illinois Authority.**

The Fifth District’s decision fails to acknowledge a conflicting 2013 decision by a federal district court in Illinois holding that, under Illinois law, the “non-material” sales tax component of replacement cost was properly depreciable when calculating the actual cash

<sup>9</sup> See *Lammert*, 572 S.W.3d at 179; *Adams*, 430 S.W.3d at 678; *Mitchell*, 954 F.3d at 706-07; *Hicks*, 751 F. App’x at 708-09; *Perry*, 953 F.3d at 421.

value of personal property. *Gee v. State Farm Fire & Cas. Co.*, No. 11-cv-250, 2013 WL 8284483, at \*1, \*3 (N.D. Ill. Sept. 23, 2013). The plaintiff in *Gee*, similar to Plaintiff here, alleged that under the “replacement cost less depreciation” formula, an “intangible” cost like sales tax could not be depreciated because it did not age. *Id.* at \*1-2. The court rejected that argument, reasoning that if a cost is a part of “replacement cost,” then it is also subject to depreciation under the formula. *Id.* Otherwise, the insured would receive “more than the amount necessary to make him whole” *Id.* at \*2.

The court in *Gee* relied in part on two out-of-state decisions with similar reasoning: *Tolar v. Allstate Texas Lloyd’s Co.*, 772 F. Supp. 2d 825 (N.D. Tex. 2011), and *Goff v. State Farm Florida Insurance Co.*, 999 So.2d 684 (Fla. App. 2008). See *Gee*, 2013 WL 8284483, at \*2. In *Tolar*, the court rejected claims that sales tax and general contractor overhead and profit (“GCOP”) could not be depreciated under the “replacement cost less depreciation” formula for ACV. 772 F. Supp. 2d at 828-29. It held that “[b]ecause GCOP, sales tax, repair costs, and property value together represent the total replacement cost value, it follows naturally that GCOP, sales tax, repair costs, and property value ought to be depreciated together to reach the ACV payment.” *Id.* at 831 (rejecting the plaintiff’s proposed calculation method as “convoluted” and “unreasonable”). Similarly, in *Goff*, the court held that all components of replacement cost, including GCOP, are properly depreciable under the “replacement cost less depreciation” formula for ACV. 999 So.2d at 689-90. Notably, both *Gee* and *Tolar* were cited favorably by another court in its rejection of Plaintiff’s labor depreciation theory. See *Papurello v. State Farm Fire and Casualty Co.*, 144 F. Supp. 3d 746, 769-71 & n.11 (W.D. Pa. 2015).

The Fifth District’s decision directly conflicts with *Gee*. Absent clarification from this Court, insurers in Illinois may well face inconsistent and conflicting guidance in the future on these recurring issues. In particular, while federal courts sitting in diversity “ought” to give great weight to a decision from an Illinois Appellate Court in the absence of clear authority from this Court, they are not bound by such a decision when they are persuaded that this Court would decide the issue differently. *Allstate Insurance Co. v. Menards, Inc.*, 285 F.3d 630, 637 (7th Cir. 2002). Likewise, should a conflict arise among Illinois appellate courts, each circuit court would be bound by the decision of the appellate court of the district in which it sits. *Aleckson v. Village of Round Lake Park*, 176 Ill. 2d 82, 92 (1997). This case presents an important opportunity for this Court to bring uniformity and certainty to the key issues of Illinois insurance law raised in this case so as to avoid any further conflicting decisions.

### **III. The Appellate Court’s Decision Misapplied Illinois Law.**

#### **A. The Fifth District’s Interpretation of the ACV Regulation Disregarded Illinois’s Rules of Statutory Construction.**

Illinois’s rules of statutory construction apply equally to administrative regulations. *Union Electric Co. v. Department of Revenue*, 136 Ill. 2d 385, 396-97 (1990). They provide first and foremost that courts should carry out the intent of the drafter as indicated by “the express language of the [regulation], which should be given its plain and ordinary meaning.” *Rogers v. Imeri*, 2013 IL 115860, ¶ 13. Importantly, courts should not depart from that plain meaning by adding “exceptions, limitations, or conditions” absent from the face of the regulation. *Boehle v. OSF Healthcare System*, 2018 IL App (2d) 160975, ¶ 17.

The Fifth District’s decision departed from these longstanding principles. While the ACV Regulation directs insurers to apply “depreciation, if any,” to the “replacement cost

of property,” the Appellate Court effectively added the following limitation: “replacement cost of property at time of loss less depreciation, if any, applied only to the materials component of replacement cost.” Such a reading is unsupported under Illinois law. See, e.g., *Biekert v. Maram*, 388 Ill. App. 3d 1114, 1125-26 (5th Dist. 2009) (rejecting proposed limitation that did not appear in text of applicable regulation). That is particularly true in this case, given that the ACV Regulation uses the term “replacement cost of property” – the value to which depreciation is applied – without any limitations or exceptions. See *Apostolov*, 2018 IL App (1st) 173084, ¶ 29. The Appellate Court’s singular focus on the word “property” (see *supra* at 7-8) distorted the plain meaning of the ACV Regulation.

**B. The Fifth District Improperly Applied the Limited “Reasonable Expectations” Doctrine.**

To the extent Illinois courts even apply the so-called “reasonable expectations” doctrine, they do so only when “painstaking study of the policy provisions would . . . negate[]” the objectively reasonable expectations of the policyholder as to the available coverage. *Continental*, 2011 IL App (1st) 100957, ¶¶ 76-77 (noting that multiple courts have rejected application of the doctrine in Illinois). Even then, the language in question must be ambiguous. *Smagala v. Owen*, 307 Ill. App. 3d 213, 219 (1st Dist. 1999). The doctrine may not be used to “invalidat[e]” the plain meaning of terms “simply to avoid disappointment to the insured.” *Menke v. Country Mutual Insurance Co.*, 78 Ill. 2d 420, 426 (1980).

In this case, the Appellate Court purported to apply the “reasonable expectations” of Illinois policyholders despite the absence of complicated or ambiguous policy language, and in doing so invalidated the plain meaning of that language. See Appx. 18-19. That was error. The relevant policy language here (“ACV”) is defined in straightforward and

unambiguous terms by the ACV Regulation: “replacement cost of property . . . less depreciation, if any.” 50 Ill. Adm. Code 919.80(d)(8)(A). Applying this language as written, so that depreciation is applied to the total “replacement cost of property” (including any intangible cost components), does not eliminate or reduce any coverage that would otherwise be available to policyholders in Illinois. In fact, the only complicated language in this case is the language that the Appellate Court added to the ACV Regulation – “replacement costs of property less depreciation for materials and labor” – before concluding that a reasonable policyholder would not expect *that language* to apply. Appx. 18 (underlined emphasis added). That analysis does not comport with Illinois law.

### CONCLUSION

WHEREFORE, for the foregoing reasons, State Farm Fire and Casualty Company respectfully petitions this Court for leave to appeal from the judgment of the Appellate Court, Fifth District, entered on July 24, 2020.

Dated: October 2, 2020

Respectfully submitted,

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**CERTIFICATE OF COMPLIANCE**

I certify that this brief conforms to the requirements of Rules 341(a) and (b). The length of this brief, excluding the pages or words contained in the Rule 341(d) cover, the Rule 341(h)(1) statement of points and authorities, the Rule 341(c) certificate of compliance, the certificate of service, and those matters to be appended to the brief under Rule 342(a), is 20 pages.

BY: /s/ Joseph A. Cancila, Jr.

## CERTIFICATE OF FILING AND PROOF OF SERVICE

I certify that on October 2, 2020, I caused the foregoing Petition for Leave to Appeal Pursuant to Illinois Supreme Court Rule 315 to be electronically filed with the Clerk of the Illinois Supreme Court by using the Odyssey eFileIL system.

I further certify that the other individuals in this case, named below have been served by transmitting a copy via email to the addresses designated by those individuals on October 2, 2020.

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Under penalties as provided by law pursuant to section 1-109 of the Illinois Code of Civil Procedure [735 ILCS 5/1-109], I certify that the statements set forth in this Certificate of Filing and Proof of Service are true and correct, except as to matters therein stated to be on information and belief and as to such matters I certify as aforesaid that I verily believe the same to be true.

BY: /s/ Joseph A. Cancila, Jr.

## APPENDIX

**TABLE OF CONTENTS TO APPENDIX**

Opinion of the Appellate Court.....Appx. 1

**NOTICE**  
Decision filed 07/24/20. The text of this decision may be changed or corrected prior to the filing of a Petition for Rehearing or the disposition of the same.

2020 IL App (5th) 180577

NO. 5-18-0577

IN THE

APPELLATE COURT OF ILLINOIS

FIFTH DISTRICT

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JARRET SPROULL, Individually and on Behalf of All	)	Appeal from the
Others Similarly Situated,	)	Circuit Court of
	)	Madison County.
Plaintiff-Appellee,	)	
	)	
v.	)	No. 16-L-1341
	)	
STATE FARM FIRE AND CASUALTY	)	
COMPANY,	)	Honorable
	)	William A. Mudge,
Defendant-Appellant.	)	Judge, presiding.

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JUSTICE CATES delivered the judgment of the court, with opinion.  
Justices Moore and Barberis concurred in the judgment and opinion.

**OPINION**

¶ 1 Plaintiff, Jarret Sproull, filed a putative class action complaint against defendant, State Farm Fire and Casualty Company (State Farm), and sought damages for breach of contract and declaratory relief. Plaintiff alleged that State Farm improperly depreciated labor costs when it calculated the “actual cash value” of covered losses and that State Farm concealed this practice from plaintiff and similarly situated policyholders. State Farm moved to dismiss the complaint for failure to state a claim and argued that its method of calculating actual cash value fully complied with the terms of its policy and Illinois law. The trial court denied State Farm’s motion to dismiss, finding that the term “actual cash value” was ambiguous and that it should be strictly construed against State Farm. The trial court subsequently granted State Farm’s motion to certify the



following question for interlocutory review pursuant to Illinois Supreme Court Rule 308(a) (eff. July 1, 2017):

“Where Illinois’ insurance regulations provide that the ‘actual cash value’ or ‘ACV’ of an insured, damaged structure is determined as ‘replacement cost of property at time of loss less depreciation, if any,’ and the policy does not itself define actual cash value, may the insurer depreciate all components of replacement cost (including labor) in calculating ACV?”

¶ 2 This court initially denied State Farm’s application for leave to appeal under Rule 308(a). *Sproull v. State Farm Fire & Casualty Co.*, No. 5-18-0577 (Jan. 10, 2019). The Illinois Supreme Court then denied State Farm’s petition for leave to appeal but issued a supervisory order directing this court to vacate its January 10, 2019, order and allow State Farm’s application for leave to appeal. *Sproull v. State Farm Fire & Casualty Co.*, No. 124484 (Ill. Mar. 20, 2019) (supervisory order). Accordingly, we vacated our prior order and granted State Farm’s Rule 308(a) application. *Sproull v. State Farm Fire & Casualty Co.*, No. 5-18-0577 (Apr. 26, 2019).

### ¶ 3 I. BACKGROUND

¶ 4 The basic facts are not disputed. On December 28, 2015, plaintiff’s home sustained wind damage during a storm. Plaintiff submitted a timely property damage claim under a homeowners policy issued to him by State Farm.

¶ 5 The State Farm policy covered replacement costs for structural damage and contained a two-step process for settling a claim for a covered loss.

“Coverage A—Dwelling

1. A1—Replacement Cost Loss Settlement—Similar Construction

a. We will pay the cost to repair or replace with similar construction and for the same use on the premises shown in the Declarations, the damaged parts of the property covered \*\*\*, subject to the following:

(1) until actual repair or replacement is completed, we will pay only the actual cash value at the time of the loss of the damaged part of the property, up to the applicable limit of liability shown in the Declarations, not to exceed the cost to repair or replace the damaged part of the property;

(2) when the repair or replacement is actually completed, we will pay the covered additional amount you actually and necessarily spend to repair or replace the damaged part of the property, or an amount up to the applicable limit of liability shown in the Declarations, whichever is less;

(3) to receive any additional payments on a replacement cost basis, you must complete the actual repair or replacement of the damaged part of the property within two years after the date of loss, and notify us within 30 days after the work has been completed;

\*\*\*.”

¶ 6 The State Farm policy does not define the term “actual cash value” or explain how actual cash value is calculated. It does not inform the policyholder that actual cash value is the replacement cost of the property at the time of loss, less depreciation, if any. The policy does not define “depreciation,” and it does not indicate that labor costs are subject to depreciation.

¶ 7 On January 23, 2016, a State Farm adjuster inspected plaintiff's home and determined that plaintiff sustained a covered loss. The adjuster used an electronic software program called "Xactimate" to prepare the repair estimate. The adjuster identified 26 line-item repairs and input that data into the program. The Xactimate program provided an estimated cost for each component of the repair items. The Xactimate software contained an option that allowed the adjuster to mark boxes of his own choosing in order to depreciate one or more of the individual components of the repair cost, including materials, non-materials (labor), removal, overhead and profit, and sales tax. In the absence of active intervention by the adjuster, the software program automatically depreciated for materials only. In this case, the adjuster ticked the box to depreciate the labor component on some repair items.

¶ 8 Using the Xactimate program, the adjuster generated an estimate report. A copy of the estimate report was subsequently provided to plaintiff. According to the estimate, depreciation was applied to both material costs and labor costs on 7 of the 26 repair items. The estimate indicated that repair and replacement cost totaled \$1711.54, and that depreciation totaled \$394.36. The "actual cash value" of plaintiff's loss was calculated by subtracting \$394.36 in depreciation from \$1711.54 in estimated repair costs, which equaled \$1317.18. After accounting for the \$1000 deductible, plaintiff received a payment of \$317.18.

¶ 9 An "Explanation of Building Replacement Cost Benefits" (Explanation of Benefits) accompanied the estimate provided to plaintiff. The Explanation of Benefits provided, in pertinent part:

"Your insurance policy provides replacement cost coverage for some or all of the loss or damage to your dwelling or structures. Replacement cost coverage pays the actual

and necessary cost of repair or replacement, without a deduction for depreciation, subject to your policy's limit of liability. To receive replacement costs benefits you must:

1. Complete the actual repair or replacement of the damaged part of the property within two years of the date of loss; and
2. Notify us within 30 days after the work has been completed.
3. Confirm completion of repair or replacement, by submitting invoices, receipts or other documentation to your agent or claim office.

Until these requirements have been satisfied, our payment(s) to you will be for the actual cash value of the damaged part of the property, *which may include a deduction for depreciation.*

\* \* \*

The estimate to repair or replace your damaged property is \$1,711.54. The enclosed payment to you of \$317.18 is for the actual cash value of the damaged property at the time of loss, less any deductible that may apply. We determined the actual cash value by deducting depreciation from the estimated repair or replacement cost. *Our estimate details the depreciation applied to your loss.* Based on our estimate, the additional amount available to you for the replacement cost benefits (recoverable depreciation) is \$394.36.” (Emphases added.)

¶ 10 On September 23, 2016, plaintiff filed a putative class action complaint. Plaintiff alleged that State Farm breached its contractual obligations to plaintiff and similarly situated policyholders when it improperly calculated the actual cash value of covered losses by depreciating labor costs in addition to the cost of materials. Plaintiff also alleged that State Farm's practice of depreciating intangible items, such as labor, was deceptive. Plaintiff sought an order certifying the class, a

judgment declaring that State Farm's insurance contract did not allow a deduction for depreciation of labor, and an award of damages that would make all class members whole. The itemized estimate and the Explanation of Benefits were attached to the complaint.

¶ 11 State Farm filed a combined motion, under section 2-619.1 of the Code of Civil Procedure (735 ILCS 5/2-619.1 (West 2014)), to stay the proceedings, or alternatively, to dismiss plaintiff's complaint. In its motion to stay the proceedings under section 2-619(a)(3) (735 ILCS 5/2-619(a)(3) (West 2014)), State Farm alleged that another class action case involving duplicate claims (*Jenkins v. State Farm Fire & Casualty Co.*, No. 15-CH-8242 (Cir. Ct. Cook County, May 21, 2015)), was pending in the Illinois Appellate Court First District, having been dismissed by the circuit court of Cook County.<sup>1</sup>

¶ 12 State Farm also moved to dismiss plaintiff's complaint under section 2-615 of the Code of Civil Procedure (735 ILCS 5/2-615 (West 2014)). State Farm argued that plaintiff could not state a cause of action for breach of contract or declaratory relief because its method for calculating actual cash value fully complied with the terms of its policy and applicable Illinois insurance regulations. State Farm further argued that the term "actual cash value" was not subject to more than one reasonable interpretation and was unambiguous. Additionally, State Farm claimed that a

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<sup>1</sup>In *Jenkins v. State Farm Fire & Casualty Co.*, plaintiff Jenkins filed a purported class action complaint for breach of contract and declaratory judgment in the circuit court of Cook County. Jenkins alleged State Farm had improperly depreciated labor costs when it calculated the actual cash value of a covered structural loss. State Farm moved to dismiss Jenkins' complaint, alleging that it was time-barred by the policy's one-year limitation and that it failed to state a cause of action. The circuit court denied State Farm's motion to dismiss for failure to state a claim, reasoning that labor does not lose value over time or due to wear and tear. The court dismissed the action based upon plaintiff's failure to timely file it within the one-year period allowed under the policy. *Jenkins v. State Farm Fire & Casualty Co.*, No. 15-CH-8242 (Cir. Ct. Cook County, May 21, 2015). Jenkins appealed. State Farm filed a cross-appeal, challenging the circuit court's determination that labor should not be depreciated in calculating actual cash value under its policy. Our colleagues in the First District affirmed the circuit court's decision to dismiss the action based on the one-year limitation in the policy and dismissed State Farm's cross-appeal as moot. *Jenkins v. State Farm Fire & Casualty Co.*, 2017 IL App (1st) 160612-U.



dismissal of the contract claim was warranted because plaintiff did not allege any facts to demonstrate that he had been damaged by the alleged breach.

¶ 13 In a supporting memorandum,<sup>2</sup> State Farm asserted that section 919.80(d)(8)(A) of Title 50 of the Illinois Administrative Code (50 Ill. Adm. Code 919.80(d)(8)(A) (2002)) provided that the method for calculating “actual cash value,” under insurance policies similar to plaintiff’s policy, was “replacement cost of property at time of loss less depreciation, if any.” State Farm argued that no provision within section 919.80(d)(8)(A) limited depreciation to the materials’ component of replacement cost and that administrative regulations, when unambiguous, should be applied as written.

¶ 14 In its memorandum, State Farm further indicated that the Illinois Department of Insurance permitted several insurance companies to sell homeowners policies that (i) provided for the initial payment based on the actual cash value of a loss, (ii) identified the various components of replacement costs (including both material and nonmaterial components), and (iii) specified that when calculating actual cash value all components of replacement cost were depreciable. Copies of homeowners policies from Shelter Insurance Company and Farmers Insurance Company were attached as supporting exhibits.

¶ 15 The Shelter Insurance policy defined “actual cash value” as “total restoration cost less depreciation.” Within the definition, Shelter noted that where a state’s laws “limit the factors that may be considered in determining actual cash value, only those factors allowed by law will be considered.” The Shelter policy provided that depreciation was based on “the decrease in value of

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<sup>2</sup>In its supporting memorandum, State Farm noted that plaintiff did not attach the insurance policy to his complaint and that the failure to attach a contract in a breach of contract claim was grounds for dismissal under section 2-606 of the Code of Civil Procedure (735 ILCS 5/2-606 (West 2014)). Rather than raise this point as a basis for dismissal, State Farm elected to attach a certified copy of the policy to its pleadings so that the policy was before the court. State Farm then proceeded with its other section 2-615 arguments “in the interest of judicial economy.”

the property since it was new” and that “the condition, age, extent of use, and obsolescence of the property, and the property as a whole” would be considered in determining depreciation. The policy further stated that depreciation applied to “the labor and applicable sales tax necessary to complete covered repairs and replacements.” The Farmers Insurance policy defined “actual cash value” as “the reasonable replacement cost at the time of loss less deduction for depreciation.” It also informed policyholders: “We may depreciate all replacement costs, including but not limited to the costs of materials and labor.”

¶ 16 In its memorandum, State Farm acknowledged that it had recently amended its Illinois homeowners policy, adding “Form FE-3650 Actual Cash Value Endorsement.” The endorsement, containing a copyright date of 2015, was attached to the memorandum as an exhibit.<sup>3</sup> In its endorsement, State Farm defined the term “actual cash value” and expressly stated that labor costs were subject to depreciation. State Farm noted that the endorsement did not take effect until at

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<sup>3</sup> “Endorsement FE-3650 Actual Cash Value Endorsement

The following is added to any provision which uses the term ‘actual cash value’:

Actual cash value means the value of the damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property, less a deduction to account for pre-loss depreciation. For this calculation, all components of this estimated cost including, but not limited to:

1. materials, including any tax;
  2. labor, including any tax; and
  3. overhead and profit;
- are subject to depreciation.

The depreciation deduction may include such considerations as:

1. age
  2. condition;
  3. reduction in useful life;
  4. obsolescence; and
  5. any pre-loss damage including wear, tear, or deterioration;
- of the damaged part of the property. All other policy provisions apply.

FE-3650      © Copyright, State Farm Mutual Automobile Insurance Company, 2015”

least February 1, 2016, “long after” plaintiff’s policy was issued.<sup>4</sup> State Farm argued that the endorsement could not be construed as an admission that the language in plaintiff’s policy was ambiguous or different in substance or operation.

¶ 17 In response, plaintiff argued that a stay of the proceedings was unnecessary because the only issue certain to be addressed in the *Jenkins* appeal was whether Jenkins’ individual lawsuit had been timely filed. Plaintiff further argued that the term “actual cash value” was not defined in the policy and was ambiguous because it was subject to more than one reasonable interpretation. Plaintiff noted that other insurers, such as Shelter Insurance and Farmers Insurance, had issued policies that expressly stated that labor costs were subject to depreciation, while State Farm declined to define “actual cash value” or to inform policyholders of its intent to apply depreciation to labor costs.

¶ 18 On March 8, 2017, State Farm’s combined motion was heard and taken under advisement. On May 16, 2017, the trial court granted State Farm’s request to stay the proceedings pending a resolution of the *Jenkins* appeal. On June 20, 2017, our colleagues in the First District affirmed the dismissal of the *Jenkins* action based upon Jenkins’s failure to file his suit within the one-year limitation in the policy. *Jenkins v. State Farm Fire & Casualty Co.*, 2017 IL App (1st) 160612-U. Following a status hearing on August 9, 2017, the trial court lifted the stay order and permitted the parties to file supplemental arguments. Both parties indicated that the depreciation of labor costs was a novel issue in Illinois, and they submitted case law from other jurisdictions in support of their respective arguments.

¶ 19 On February 26, 2018, the trial court denied State Farm’s section 2-615 motion to dismiss. In its order, the trial court agreed there were no Illinois cases addressing the issue. The court

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<sup>4</sup>The record contains a renewal certificate indicating that plaintiff’s policy was renewed and in effect from November 25, 2015, to November 25, 2016.



provided a thoughtful analysis, reviewing the case law from other jurisdictions and recognizing the split of authority on the issue. The court found that the term “actual cash value” was not defined in the State Farm policy and was susceptible to more than one reasonable interpretation. The court further found that State Farm drafted the policy and could have stated that labor costs were subject to depreciation. The court concluded that the term “actual cash value” was ambiguous and that the ambiguity should be construed in favor of the insured and against the insurer.

¶ 20 On April 18, 2018, State Farm filed a motion to certify a question of law pursuant to Rule 308(a). State Farm argued that the labor depreciation question raised a new and undecided question under Illinois law and that a resolution of the question would materially advance the ultimate termination of the litigation. In response, plaintiff asked the trial court to certify the class before certifying a question of law for interlocutory review. Plaintiff argued that certification of a class would remove the risk that State Farm would later argue against class certification because a common question had already been resolved. Plaintiff also proposed modifications to the question proposed by State Farm.

¶ 21 On November 14, 2018, the trial court denied plaintiff’s motion to determine the issue of class certification prior to certifying a question of law and certified the question of law proposed by State Farm. State Farm’s application for leave to appeal under Rule 308(a) was ultimately granted. Upon motions filed pursuant to Illinois Supreme Court Rule 345 (eff. Sept. 20, 2010), the American Property Casualty Insurance Association and the National Association of Mutual Insurance Companies<sup>5</sup> were granted leave to jointly file an *amicus curiae* brief in support of State

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<sup>5</sup>American Property Casualty Insurance Association and National Association of Mutual Insurance Companies identify themselves as national trade organizations representing property and casualty insurers writing business in Illinois, nationwide, and globally.

Farm's position, and United Policyholders<sup>6</sup> was granted leave to file an *amicus curiae* brief in support of plaintiff's position.

¶ 22

## II. ANALYSIS

¶ 23 Illinois Supreme Court Rule 308(a) (eff. July 1, 2017) gives the appellate court discretion to grant an appeal from an interlocutory order not otherwise appealable if the trial court finds that the order “involves a question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation.” Generally, the scope of review in a Rule 308 appeal is limited to the question of law identified by the trial court. *Rozsavolgyi v. City of Aurora*, 2017 IL 121048, ¶ 21. A reviewing court will decline to answer a certified question where the answer is dependent upon the underlying facts of a case or where the question calls for an answer that is advisory or provisional. *Rozsavolgyi*, 2017 IL 121048, ¶ 21. A question certified under Rule 308 presents a question of law that is reviewed *de novo*. *Rozsavolgyi*, 2017 IL 121048, ¶ 21.

¶ 24 In this case, the trial court certified the following question:

“Where Illinois’ insurance regulations provide that the ‘actual cash value’ or ‘ACV’ of an insured, damaged structure is determined as ‘replacement cost of property at time of loss less depreciation, if any,’ and the policy does not itself define actual cash value, may the insurer depreciate all components of replacement cost (including labor) in calculating ACV?”

¶ 25 The certified question involves the interpretation of a personal homeowners insurance policy, drafted and issued by State Farm. When interpreting the language in an insurance policy, the general principles of contract construction apply. *Hobbs v. Hartford Insurance Co. of the*

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<sup>6</sup>United Policyholders identifies itself as a not-for-profit public interest consumer advocacy organization.



*Midwest*, 214 Ill. 2d 11, 17 (2005). A court's primary objective in construing the language in an insurance policy is to determine and give effect to the intent of the parties as expressed by the agreement. *Hobbs*, 214 Ill. 2d at 17; *Outboard Marine Corp. v. Liberty Mutual Insurance Co.*, 154 Ill. 2d 90, 108 (1992). If the language in the policy is clear and unambiguous, the provision will be applied as written, unless it contravenes public policy. *Outboard Marine*, 154 Ill. 2d at 108. Whether an ambiguity exists turns on whether the policy language is subject to more than one reasonable interpretation. *Hobbs*, 214 Ill. 2d at 17. Where competing reasonable interpretations of a policy exist, courts will construe the policy in favor of the insured and against the insurer who drafted the policy. *Outboard Marine*, 154 Ill. 2d at 108-09.

¶ 26 A policy term is not rendered ambiguous simply because the term is not defined within the policy or because the parties can suggest creative possibilities for its meaning. *Hobbs*, 214 Ill. 2d at 17. Undefined terms will be given their plain, ordinary, and popular meaning; that is, they will be construed with reference to "the average, ordinary, normal \*\*\* reasonable [person]." (Internal quotation marks omitted.) *Outboard Marine*, 154 Ill. 2d at 115. A court will not strain to find an ambiguity where none exists; likewise, a court will not adopt an interpretation that rests on fine or tenuous distinctions that the average person, for whom the policy is written, cannot be expected to understand. *Founders Insurance Co. v. Munoz*, 237 Ill. 2d 424, 433 (2010); *Canadian Radium & Uranium Corp. v. Indemnity Insurance Co. of North America*, 411 Ill. 325, 334 (1952) (construction to be given insurance contract should be a natural and reasonable one).

¶ 27 We begin our analysis from a historical perspective, recognizing that property insurance was borne of fire insurance policies, and that property insurance policies, like those fire policies, were contracts of indemnity. *Couch on Insurance* 3d § 148.1 (June 2020). Furthermore, the fundamental principle of a contract of indemnity is to place the insured in as good a position, as

reasonably practicable, as he would have been had the loss not occurred. See generally *Outboard Marine*, 154 Ill. 2d at 103; *General Casualty Co. v. Tracer Industries, Inc.*, 285 Ill. App. 3d 418, 423 (1996).

¶ 28 The homeowners policy at issue provided for replacement costs for structural damage and contained a two-step process for settling a covered loss. In step one of the process, which applied prior to the completion of the actual repair or replacement of the damaged property, State Farm was to pay the actual cash value, at the time of the loss, of the damaged part of the property. Thus, State Farm was obligated to indemnify plaintiff, thereby placing plaintiff in the position he enjoyed prior to the loss. In step two, which applied when the repairs were completed, State Farm was to make additional payments for the actual and necessary repairs to the damaged property.

¶ 29 The parties' disagreement here centers on whether labor costs may be depreciated when calculating the actual cash value of damaged property under the homeowners insurance policy at issue. State Farm claims that its method for calculating actual cash value fully complies with section 919.80(d)(8)(A) of Title 50 of the Code (50 Ill. Adm. Code 919.80(d)(8)(A) (2002)). State Farm asserts that section 919.80(d)(8)(A) directs insurance companies to determine "actual cash value" as "replacement cost of property at time of loss less depreciation, if any," and that no provision within section 919.80(d)(8)(A) limits depreciation to materials only. 50 Ill. Adm. Code 919.80(d)(8)(A) (2002). In response, plaintiff asserts that under section 919.80(d)(7)(C) (50 Ill. Adm. Code 919.80(d)(7)(C) (2002)), repair estimates must be of a sufficient amount to allow repairs to be made "in a workmanlike manner." Plaintiff reasons that if actual cash value is calculated as replacement costs, less depreciation for materials and labor, the insured's payment would not be sufficient to allow repairs to be done in a "workmanlike manner." As evidenced by their arguments, both parties have failed to consider the regulation in its entirety and to give the

words used their plain, ordinary, and commonly understood meanings. *People ex rel. Madigan v. Illinois Commerce Comm'n*, 231 Ill. 2d 370, 380 (2008).

¶ 30 Section 919.80 of Title 50 of the Code (50 Ill. Adm. Code 919.80 (2002)) regulates insurance claim practices involving private passenger automobiles. It also regulates claim practices of property and casualty companies. 50 Ill. Adm. Code 919.80 (2002).

¶ 31 Section 919.80(d)(7) sets forth required claims practices by property and casualty companies for fire and extended coverage losses. 50 Ill. Adm. Code 919.80(d)(7) (2002). Subsection A of section 919.80(d)(7) addresses unreasonable delay in payment of claims made on fire and extended coverage insurance policies. 50 Ill. Adm. Code 919.80(d)(7)(A) (2002). Subsection B requires insurers to provide reasonable written explanations for delays in the resolution of those claims. 50 Ill. Adm. Code 919.80(d)(7)(B) (2002). Subsection C of section 919.80(d)(7) addresses partial losses and provides in part:

“If partial losses are settled on the basis of a written estimate prepared by or for the company, the company shall supply upon request of the insured, a copy of the estimate upon which the settlement is based. The estimate prepared by or for the company shall be reasonable, in accordance with applicable policy provisions, and of an amount which will allow for repairs to be made in a workmanlike manner.” 50 Ill. Adm. Code 919.80(d)(7)(C) (2002).

¶ 32 Section 919.80(d)(8) sets forth the formula for calculating actual cash value losses and provides in pertinent part:

“(A) When the insurance policy provides for the adjustment and settlement of losses on an actual cash value basis on residential fire and extended coverage as



defined in Section 143.13 of the Code [215 ILCS 5/143.13],<sup>7</sup> the company shall determine actual cash value \*\*\* as follows: replacement cost of property at time of loss less depreciation, if any. Upon the insured's request, the company shall provide a copy of the claim file worksheet(s) detailing any and all deductions for depreciation, including, but not necessarily limited to, the age, condition, and expected life of the property." 50 Ill. Adm. Code 919.80(d)(8)(A) (2002).

¶ 33 It is no coincidence that the provisions for calculating actual cash value follow the provisions covering claims practices for property losses due to fire. As mentioned above, property insurance coverage evolved from insurance policies that indemnified policyholders for losses caused by fire. A century ago, in *Smith v. Allemannia Fire Insurance Co. of Pittsburg*, 219 Ill. App. 506, 512-13 (1920), the Illinois Appellate Court construed an indemnity clause in a fire policy and announced that it would follow the rule that stated that "actual cash value" means "reproduction value less depreciation for age and not market value." The *Smith* rule, defining actual cash value as reproduction value less depreciation for age, has been applied by Illinois courts when calculating damages under other types of actual cash value policies. See, e.g., *C.L. Maddox, Inc. v. Royal Insurance Co. of America*, 208 Ill. App. 3d 1042 (1991); *Carey v. American Family Brokerage, Inc.*, 391 Ill. App. 3d 273, 281-82 (2009).

¶ 34 Decades after the *Smith* rule was announced, this court was asked to consider the definition of actual cash value where the loss was occasioned by an explosion and fire. *C.L. Maddox*, 208 Ill. App. 3d 1042. In *C.L. Maddox*, the parties did not dispute that the insurance policy at issue was an "actual cash value" policy. The trial court defined actual cash value as reproduction costs minus depreciation and excluded evidence of the building's fair market value. *C.L. Maddox*, 208

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<sup>7</sup>Under section 143.13, a policy of fire and extended coverage means "a policy delivered or issued for delivery in this State, that includes but is not limited to, the perils of fire and extended coverage, and covers real property used principally for residential purposes." 215 ILCS 5/143.13(b) (West 2014).

Ill. App. 3d at 1054. On appeal, the defendant claimed that fair market value was relevant to the determination of actual cash value. Relying on *Smith*, this court held that “actual cash value means reproduction costs less depreciation for age and not market value.”<sup>8</sup> *C.L. Maddox*, 208 Ill. App. 3d at 1055.

¶ 35 In *Carey*, 391 Ill. App. 3d 273, the owners of a building filed a breach of contract action against their insurer after their building was damaged by a fire. During trial, plaintiff’s expert estimated that the replacement costs for the building totaled \$398,725. The expert acknowledged that she did not employ an actual cash valuation, so she did not consider or calculate depreciation. Following a bench trial, the court awarded damages based on replacement costs rather than the actual cash value called for in the policy. The appellate court found that the proper measure of damages was based on actual cash value. *Carey*, 391 Ill. App. 3d at 280. The court set aside the award and remanded the case for a new trial on damages. Relying on the rule announced in *Smith*, the *Carey* court held that the proper calculation of actual cash value under both Illinois law and the insurance policy at issue was “replacement cost less depreciation.” *Carey*, 391 Ill. App. 3d at 281. In discussing damages, the court pointed out that depreciation in an insurance context, rather than an accounting context, meant “the decrease in the actual value of property based on its physical condition, age, use, and other factors that affect the remaining usefulness of the property.” *Carey*, 391 Ill. App. 3d at 281 (citing Black’s Law Dictionary 473 (8th ed. 2004)). Another dictionary reference defines “depreciation” as “a reduction in value of an asset with the passage of time, due in particular to wear and tear.” Concise Oxford American Dictionary 243 (2006). Considering these references, the plain, common, and ordinary meaning of depreciation is a

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<sup>8</sup>At the time *C.L. Maddox* was decided, Illinois Department of Insurance Rule 9.19(15) defined “actual cash value” as reproduction costs minus depreciation. *C.L. Maddox*, 208 Ill. App. 3d at 1054-55.



reduction in value of a property because of aging and wear and tear to the physical structure of that property.

¶ 36 The State Farm policy at issue here does not define “actual cash value” or “depreciation.” The policy does not inform the insured that “actual cash value” will be calculated as replacement cost less depreciation for the costs of labor and materials. State Farm has not demonstrated that it incorporated section 919.80(d)(8)(A) into its policy. State Farm’s reliance on section 919.80(d)(8)(A), even if it had been incorporated into the policy, would not have resolved the issue in favor of State Farm. Indeed, the regulation relied on by State Farm states that actual cash value is calculated as “replacement cost of *property* at time of loss less depreciation, if any.” (Emphasis added.) This provision specifically pertains to replacement cost of the damaged “property,” less depreciation of that “property.” According to the dictionary definitions, property refers to something tangible, something that is owned, or possessed.<sup>9</sup> Again, the insurance regulations governing required claims practices are to be construed together, and the terms used therein, unless otherwise defined, are to be given their plain and ordinary meaning. *Madigan*, 231 Ill. 2d at 380. Thus, it is clear, based upon the plain language of the State Farm policy at issue and the language in the Code that “actual cash value” refers to real property—an asset that can lose value over time due to wear and deterioration, resulting from use or the elements, and does not refer to services, such as labor. We note that this definition of “property” is further supported by the language in State Farm’s own policy. The subject policy defines “property damage” as “physical damage to or destruction of *tangible* property, including loss of use” of that property. (Emphasis added.) Thus,

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<sup>9</sup>Indeed, depending on which dictionary is referred to, there are multiple definitions of the word “property.” All of the varying definitions, however, refer to something tangible, owned, or possessed. See Merriam-Webster Online Dictionary, <https://www.merriam-webster.com/dictionary/property> (last visited July 20, 2020) [<https://perma.cc/P7HD-9CD4>]; Concise Oxford American Dictionary 710 (2006); Black’s Law Dictionary 1095 (5th ed. 1979).

an ordinary layperson may reasonably interpret “depreciation, if any,” to describe the depreciation of physical, tangible materials, particularly where the language follows the word “property.”

¶ 37 As previously noted, the certified question before us has not been previously considered with regard to this State Farm policy under Illinois law. There is no dispute, however, that under Illinois law, the term “actual cash value” begins with a determination of the “cost of replacement” of the damaged property. *General Casualty Co.*, 285 Ill. App. 3d at 422. In the fire-related claims cases decided by Illinois courts, the cost of replacement has always allowed for a deduction for depreciation of the property based on age. *C.L. Maddox*, 208 Ill. App. 3d 1042; *Smith*, 219 Ill. App. at 513.

¶ 38 The parties and the *amici* have cited cases from other jurisdictions that reveal that courts are split on whether depreciation may be applied to labor costs when determining actual cash value under state law. Compare, *e.g.*, *Redcorn v. State Farm Fire & Casualty Co.*, 2002 OK 15, 55 P.3d 1017 (under the broad evidence rule, depreciation of labor and materials was appropriate in determining the ACV of a covered loss where ACV was not defined in insurance policy), with *Adams v. Cameron Mutual Insurance Co.*, 2013 Ark. 475, 430 S.W.3d 675 (cost of labor may not be depreciated when determining ACV under indemnity policy that does not define ACV), *superseded by statute*, Ark. Code Ann. § 23-88-106(a)(2) (West 2017); see also *Wilcox v. State Farm Fire & Casualty Co.*, 874 N.W.2d 780, 785 (Minn. 2016) (labor costs may be depreciable depending on facts and circumstances of the particular case).

¶ 39 In answering the certified question before us, we remain mindful that we must consider whether the average, ordinary, reasonable person, for whom the policy was written, would have understood that the “actual cash value” of a covered loss meant replacement costs of property less depreciation for materials *and labor*. *Outboard Marine*, 154 Ill. 2d at 115. We think not. We

conclude that an average, ordinary homeowner who purchased the State Farm policy at issue would have reasonably expected that depreciation would apply only to property, *i.e.*, physical structures and tangible materials, as those lose value with age, use, and wear and tear. We further conclude that it is not reasonable to believe that an average homeowner would consider labor to be a tangible asset included within the definition of depreciation. State Farm sought to apply a technical definition of depreciation that is not evident in the language of the policy or in the regulation upon which it relies. Courts will not adopt an interpretation which rests on fine distinctions that the average person, for whom the policy is written, cannot be expected to understand. *Outboard Marine*, 154 Ill. 2d at 115; *Canadian Radium & Uranium Corp.*, 411 Ill. at 334. Our resolution is in keeping with the primary purpose of an indemnity clause in an insurance contract.

¶ 40

### III. CONCLUSION

¶ 41 The original certified question in this case referred to all components of replacement cost, including labor. The parties' arguments in the trial court and this court addressed only whether the labor component could be depreciated. Thus, we have reformulated the common question of law, pursuant to Rule 308 and have limited our response to the sole issue of whether the cost of labor can be depreciated when determining the actual cash value of a loss as defined under "Coverage A" of the State Farm policy at issue. *Crawford County Oil, LLC v. Weger*, 2014 IL App (5th) 130382, ¶ 11. Accordingly, we conclude that the answer to the certified question, as reformulated, is "No." Where Illinois's insurance regulations provide that the "actual cash value" of an insured, damaged structure is determined as "replacement cost of property at time of loss less depreciation, if any," and the policy does not itself define actual cash value, only the property structure and materials are subject to a reasonable deduction for depreciation, and depreciation may not be applied to the intangible labor component.

¶ 42 Finally, we have considered several motions to cite additional authorities from jurisdictions outside Illinois, which were filed by the parties after oral arguments were heard and the case was under advisement. Initially, we ordered each motion to be taken with the case. Because the language in an insurance policy is interpreted under the laws of Illinois, decisions from other jurisdictions generally provide limited guidance. Nevertheless, we have hereby granted each motion to cite additional authority, and we reviewed those decisions as we considered the issues before us.

¶ 43 Certified question answered; cause remanded.

2020 IL App (5th) 180577

NO. 5-18-0577

IN THE  
APPELLATE COURT OF ILLINOIS  
FIFTH DISTRICT

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JARRET SPROULL, Individually and on Behalf of All	)	Appeal from the
Others Similarly Situated,	)	Circuit Court of
	)	Madison County.
Plaintiff-Appellee,	)	
	)	
v.	)	No. 16-L-1341
	)	
STATE FARM FIRE AND CASUALTY	)	
COMPANY,	)	Honorable
	)	William A. Mudge,
Defendant-Appellant.	)	Judge, presiding.

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**Opinion Filed:** July 24, 2020

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**Justices:** Honorable Judy L. Cates, J.

Honorable James R. Moore, J., and  
Honorable John B. Barberis, J.  
Concur

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**NOTICE**

Decision filed 07/24/20. The text of this decision may be changed or corrected prior to the filing of a Petition for Rehearing or the disposition of the same.

2020 IL App (5th) 180577

NO. 5-18-0577

IN THE

APPELLATE COURT OF ILLINOIS

FIFTH DISTRICT

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JARRET SPROULL, Individually and on Behalf of All	)	Appeal from the
Others Similarly Situated,	)	Circuit Court of
	)	Madison County.
Plaintiff-Appellee,	)	
	)	
v.	)	No. 16-L-1341
	)	
STATE FARM FIRE AND CASUALTY	)	
COMPANY,	)	Honorable
	)	William A. Mudge,
Defendant-Appellant.	)	Judge, presiding.

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JUSTICE CATES delivered the judgment of the court, with opinion.  
Justices Moore and Barberis concurred in the judgment and opinion.

**OPINION**

¶ 1 Plaintiff, Jarret Sproull, filed a putative class action complaint against defendant, State Farm Fire and Casualty Company (State Farm), and sought damages for breach of contract and declaratory relief. Plaintiff alleged that State Farm improperly depreciated labor costs when it calculated the “actual cash value” of covered losses and that State Farm concealed this practice from plaintiff and similarly situated policyholders. State Farm moved to dismiss the complaint for failure to state a claim and argued that its method of calculating actual cash value fully complied with the terms of its policy and Illinois law. The trial court denied State Farm’s motion to dismiss, finding that the term “actual cash value” was ambiguous and that it should be strictly construed against State Farm. The trial court subsequently granted State Farm’s motion to certify the

following question for interlocutory review pursuant to Illinois Supreme Court Rule 308(a) (eff. July 1, 2017):

“Where Illinois’ insurance regulations provide that the ‘actual cash value’ or ‘ACV’ of an insured, damaged structure is determined as ‘replacement cost of property at time of loss less depreciation, if any,’ and the policy does not itself define actual cash value, may the insurer depreciate all components of replacement cost (including labor) in calculating ACV?”

¶ 2 This court initially denied State Farm’s application for leave to appeal under Rule 308(a). *Sproull v. State Farm Fire & Casualty Co.*, No. 5-18-0577 (Jan. 10, 2019). The Illinois Supreme Court then denied State Farm’s petition for leave to appeal but issued a supervisory order directing this court to vacate its January 10, 2019, order and allow State Farm’s application for leave to appeal. *Sproull v. State Farm Fire & Casualty Co.*, No. 124484 (Ill. Mar. 20, 2019) (supervisory order). Accordingly, we vacated our prior order and granted State Farm’s Rule 308(a) application. *Sproull v. State Farm Fire & Casualty Co.*, No. 5-18-0577 (Apr. 26, 2019).

### ¶ 3 I. BACKGROUND

¶ 4 The basic facts are not disputed. On December 28, 2015, plaintiff’s home sustained wind damage during a storm. Plaintiff submitted a timely property damage claim under a homeowners policy issued to him by State Farm.

¶ 5 The State Farm policy covered replacement costs for structural damage and contained a two-step process for settling a claim for a covered loss.

#### “Coverage A—Dwelling

##### 1. A1—Replacement Cost Loss Settlement—Similar Construction

a. We will pay the cost to repair or replace with similar construction and for the same use on the premises shown in the Declarations, the damaged parts of the property covered \*\*\*, subject to the following:

(1) until actual repair or replacement is completed, we will pay only the actual cash value at the time of the loss of the damaged part of the property, up to the applicable limit of liability shown in the Declarations, not to exceed the cost to repair or replace the damaged part of the property;

(2) when the repair or replacement is actually completed, we will pay the covered additional amount you actually and necessarily spend to repair or replace the damaged part of the property, or an amount up to the applicable limit of liability shown in the Declarations, whichever is less;

(3) to receive any additional payments on a replacement cost basis, you must complete the actual repair or replacement of the damaged part of the property within two years after the date of loss, and notify us within 30 days after the work has been completed;

\*\*\*.”

¶ 6 The State Farm policy does not define the term “actual cash value” or explain how actual cash value is calculated. It does not inform the policyholder that actual cash value is the replacement cost of the property at the time of loss, less depreciation, if any. The policy does not define “depreciation,” and it does not indicate that labor costs are subject to depreciation.

¶ 7 On January 23, 2016, a State Farm adjuster inspected plaintiff's home and determined that plaintiff sustained a covered loss. The adjuster used an electronic software program called "Xactimate" to prepare the repair estimate. The adjuster identified 26 line-item repairs and input that data into the program. The Xactimate program provided an estimated cost for each component of the repair items. The Xactimate software contained an option that allowed the adjuster to mark boxes of his own choosing in order to depreciate one or more of the individual components of the repair cost, including materials, non-materials (labor), removal, overhead and profit, and sales tax. In the absence of active intervention by the adjuster, the software program automatically depreciated for materials only. In this case, the adjuster ticked the box to depreciate the labor component on some repair items.

¶ 8 Using the Xactimate program, the adjuster generated an estimate report. A copy of the estimate report was subsequently provided to plaintiff. According to the estimate, depreciation was applied to both material costs and labor costs on 7 of the 26 repair items. The estimate indicated that repair and replacement cost totaled \$1711.54, and that depreciation totaled \$394.36. The "actual cash value" of plaintiff's loss was calculated by subtracting \$394.36 in depreciation from \$1711.54 in estimated repair costs, which equaled \$1317.18. After accounting for the \$1000 deductible, plaintiff received a payment of \$317.18.

¶ 9 An "Explanation of Building Replacement Cost Benefits" (Explanation of Benefits) accompanied the estimate provided to plaintiff. The Explanation of Benefits provided, in pertinent part:

"Your insurance policy provides replacement cost coverage for some or all of the loss or damage to your dwelling or structures. Replacement cost coverage pays the actual

and necessary cost of repair or replacement, without a deduction for depreciation, subject to your policy's limit of liability. To receive replacement costs benefits you must:

1. Complete the actual repair or replacement of the damaged part of the property within two years of the date of loss; and
2. Notify us within 30 days after the work has been completed.
3. Confirm completion of repair or replacement, by submitting invoices, receipts or other documentation to your agent or claim office.

Until these requirements have been satisfied, our payment(s) to you will be for the actual cash value of the damaged part of the property, *which may include a deduction for depreciation.*

\* \* \*

The estimate to repair or replace your damaged property is \$1,711.54. The enclosed payment to you of \$317.18 is for the actual cash value of the damaged property at the time of loss, less any deductible that may apply. We determined the actual cash value by deducting depreciation from the estimated repair or replacement cost. *Our estimate details the depreciation applied to your loss.* Based on our estimate, the additional amount available to you for the replacement cost benefits (recoverable depreciation) is \$394.36.” (Emphases added.)

¶ 10 On September 23, 2016, plaintiff filed a putative class action complaint. Plaintiff alleged that State Farm breached its contractual obligations to plaintiff and similarly situated policyholders when it improperly calculated the actual cash value of covered losses by depreciating labor costs in addition to the cost of materials. Plaintiff also alleged that State Farm’s practice of depreciating intangible items, such as labor, was deceptive. Plaintiff sought an order certifying the class, a



judgment declaring that State Farm's insurance contract did not allow a deduction for depreciation of labor, and an award of damages that would make all class members whole. The itemized estimate and the Explanation of Benefits were attached to the complaint.

¶ 11 State Farm filed a combined motion, under section 2-619.1 of the Code of Civil Procedure (735 ILCS 5/2-619.1 (West 2014)), to stay the proceedings, or alternatively, to dismiss plaintiff's complaint. In its motion to stay the proceedings under section 2-619(a)(3) (735 ILCS 5/2-619(a)(3) (West 2014)), State Farm alleged that another class action case involving duplicate claims (*Jenkins v. State Farm Fire & Casualty Co.*, No. 15-CH-8242 (Cir. Ct. Cook County, May 21, 2015)), was pending in the Illinois Appellate Court First District, having been dismissed by the circuit court of Cook County.<sup>1</sup>

¶ 12 State Farm also moved to dismiss plaintiff's complaint under section 2-615 of the Code of Civil Procedure (735 ILCS 5/2-615 (West 2014)). State Farm argued that plaintiff could not state a cause of action for breach of contract or declaratory relief because its method for calculating actual cash value fully complied with the terms of its policy and applicable Illinois insurance regulations. State Farm further argued that the term "actual cash value" was not subject to more than one reasonable interpretation and was unambiguous. Additionally, State Farm claimed that a

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<sup>1</sup>In *Jenkins v. State Farm Fire & Casualty Co.*, plaintiff Jenkins filed a purported class action complaint for breach of contract and declaratory judgment in the circuit court of Cook County. Jenkins alleged State Farm had improperly depreciated labor costs when it calculated the actual cash value of a covered structural loss. State Farm moved to dismiss Jenkins' complaint, alleging that it was time-barred by the policy's one-year limitation and that it failed to state a cause of action. The circuit court denied State Farm's motion to dismiss for failure to state a claim, reasoning that labor does not lose value over time or due to wear and tear. The court dismissed the action based upon plaintiff's failure to timely file it within the one-year period allowed under the policy. *Jenkins v. State Farm Fire & Casualty Co.*, No. 15-CH-8242 (Cir. Ct. Cook County, May 21, 2015). Jenkins appealed. State Farm filed a cross-appeal, challenging the circuit court's determination that labor should not be depreciated in calculating actual cash value under its policy. Our colleagues in the First District affirmed the circuit court's decision to dismiss the action based on the one-year limitation in the policy and dismissed State Farm's cross-appeal as moot. *Jenkins v. State Farm Fire & Casualty Co.*, 2017 IL App (1st) 160612-U.

dismissal of the contract claim was warranted because plaintiff did not allege any facts to demonstrate that he had been damaged by the alleged breach.

¶ 13 In a supporting memorandum,<sup>2</sup> State Farm asserted that section 919.80(d)(8)(A) of Title 50 of the Illinois Administrative Code (50 Ill. Adm. Code 919.80(d)(8)(A) (2002)) provided that the method for calculating “actual cash value,” under insurance policies similar to plaintiff’s policy, was “replacement cost of property at time of loss less depreciation, if any.” State Farm argued that no provision within section 919.80(d)(8)(A) limited depreciation to the materials’ component of replacement cost and that administrative regulations, when unambiguous, should be applied as written.

¶ 14 In its memorandum, State Farm further indicated that the Illinois Department of Insurance permitted several insurance companies to sell homeowners policies that (i) provided for the initial payment based on the actual cash value of a loss, (ii) identified the various components of replacement costs (including both material and nonmaterial components), and (iii) specified that when calculating actual cash value all components of replacement cost were depreciable. Copies of homeowners policies from Shelter Insurance Company and Farmers Insurance Company were attached as supporting exhibits.

¶ 15 The Shelter Insurance policy defined “actual cash value” as “total restoration cost less depreciation.” Within the definition, Shelter noted that where a state’s laws “limit the factors that may be considered in determining actual cash value, only those factors allowed by law will be considered.” The Shelter policy provided that depreciation was based on “the decrease in value of

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<sup>2</sup>In its supporting memorandum, State Farm noted that plaintiff did not attach the insurance policy to his complaint and that the failure to attach a contract in a breach of contract claim was grounds for dismissal under section 2-606 of the Code of Civil Procedure (735 ILCS 5/2-606 (West 2014)). Rather than raise this point as a basis for dismissal, State Farm elected to attach a certified copy of the policy to its pleadings so that the policy was before the court. State Farm then proceeded with its other section 2-615 arguments “in the interest of judicial economy.”

the property since it was new” and that “the condition, age, extent of use, and obsolescence of the property, and the property as a whole” would be considered in determining depreciation. The policy further stated that depreciation applied to “the labor and applicable sales tax necessary to complete covered repairs and replacements.” The Farmers Insurance policy defined “actual cash value” as “the reasonable replacement cost at the time of loss less deduction for depreciation.” It also informed policyholders: “We may depreciate all replacement costs, including but not limited to the costs of materials and labor.”

¶ 16 In its memorandum, State Farm acknowledged that it had recently amended its Illinois homeowners policy, adding “Form FE-3650 Actual Cash Value Endorsement.” The endorsement, containing a copyright date of 2015, was attached to the memorandum as an exhibit.<sup>3</sup> In its endorsement, State Farm defined the term “actual cash value” and expressly stated that labor costs were subject to depreciation. State Farm noted that the endorsement did not take effect until at

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<sup>3</sup> “Endorsement FE-3650 Actual Cash Value Endorsement

The following is added to any provision which uses the term ‘actual cash value’:

Actual cash value means the value of the damaged part of the property at the time of loss, calculated as the estimated cost to repair or replace such property, less a deduction to account for pre-loss depreciation. For this calculation, all components of this estimated cost including, but not limited to:

1. materials, including any tax;
  2. labor, including any tax; and
  3. overhead and profit;
- are subject to depreciation.

The depreciation deduction may include such considerations as:

1. age
  2. condition;
  3. reduction in useful life;
  4. obsolescence; and
  5. any pre-loss damage including wear, tear, or deterioration;
- of the damaged part of the property. All other policy provisions apply.

FE-3650      © Copyright, State Farm Mutual Automobile Insurance Company, 2015”

least February 1, 2016, “long after” plaintiff’s policy was issued.<sup>4</sup> State Farm argued that the endorsement could not be construed as an admission that the language in plaintiff’s policy was ambiguous or different in substance or operation.

¶ 17 In response, plaintiff argued that a stay of the proceedings was unnecessary because the only issue certain to be addressed in the *Jenkins* appeal was whether Jenkins’ individual lawsuit had been timely filed. Plaintiff further argued that the term “actual cash value” was not defined in the policy and was ambiguous because it was subject to more than one reasonable interpretation. Plaintiff noted that other insurers, such as Shelter Insurance and Farmers Insurance, had issued policies that expressly stated that labor costs were subject to depreciation, while State Farm declined to define “actual cash value” or to inform policyholders of its intent to apply depreciation to labor costs.

¶ 18 On March 8, 2017, State Farm’s combined motion was heard and taken under advisement. On May 16, 2017, the trial court granted State Farm’s request to stay the proceedings pending a resolution of the *Jenkins* appeal. On June 20, 2017, our colleagues in the First District affirmed the dismissal of the *Jenkins* action based upon Jenkins’s failure to file his suit within the one-year limitation in the policy. *Jenkins v. State Farm Fire & Casualty Co.*, 2017 IL App (1st) 160612-U. Following a status hearing on August 9, 2017, the trial court lifted the stay order and permitted the parties to file supplemental arguments. Both parties indicated that the depreciation of labor costs was a novel issue in Illinois, and they submitted case law from other jurisdictions in support of their respective arguments.

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<sup>4</sup>The record contains a renewal certificate indicating that plaintiff’s policy was renewed and in effect from November 25, 2015, to November 25, 2016.



¶ 19 On February 26, 2018, the trial court denied State Farm’s section 2-615 motion to dismiss. In its order, the trial court agreed there were no Illinois cases addressing the issue. The court provided a thoughtful analysis, reviewing the case law from other jurisdictions and recognizing the split of authority on the issue. The court found that the term “actual cash value” was not defined in the State Farm policy and was susceptible to more than one reasonable interpretation. The court further found that State Farm drafted the policy and could have stated that labor costs were subject to depreciation. The court concluded that the term “actual cash value” was ambiguous and that the ambiguity should be construed in favor of the insured and against the insurer.

¶ 20 On April 18, 2018, State Farm filed a motion to certify a question of law pursuant to Rule 308(a). State Farm argued that the labor depreciation question raised a new and undecided question under Illinois law and that a resolution of the question would materially advance the ultimate termination of the litigation. In response, plaintiff asked the trial court to certify the class before certifying a question of law for interlocutory review. Plaintiff argued that certification of a class would remove the risk that State Farm would later argue against class certification because a common question had already been resolved. Plaintiff also proposed modifications to the question proposed by State Farm.

¶ 21 On November 14, 2018, the trial court denied plaintiff’s motion to determine the issue of class certification prior to certifying a question of law and certified the question of law proposed by State Farm. State Farm’s application for leave to appeal under Rule 308(a) was ultimately granted. Upon motions filed pursuant to Illinois Supreme Court Rule 345 (eff. Sept. 20, 2010), the American Property Casualty Insurance Association and the National Association of Mutual



Insurance Companies<sup>5</sup> were granted leave to jointly file an *amicus curiae* brief in support of State Farm's position, and United Policyholders<sup>6</sup> was granted leave to file an *amicus curiae* brief in support of plaintiff's position.

¶ 22

## II. ANALYSIS

¶ 23 Illinois Supreme Court Rule 308(a) (eff. July 1, 2017) gives the appellate court discretion to grant an appeal from an interlocutory order not otherwise appealable if the trial court finds that the order “involves a question of law as to which there is substantial ground for difference of opinion and that an immediate appeal from the order may materially advance the ultimate termination of the litigation.” Generally, the scope of review in a Rule 308 appeal is limited to the question of law identified by the trial court. *Rozsavolgyi v. City of Aurora*, 2017 IL 121048, ¶ 21. A reviewing court will decline to answer a certified question where the answer is dependent upon the underlying facts of a case or where the question calls for an answer that is advisory or provisional. *Rozsavolgyi*, 2017 IL 121048, ¶ 21. A question certified under Rule 308 presents a question of law that is reviewed *de novo*. *Rozsavolgyi*, 2017 IL 121048, ¶ 21.

¶ 24 In this case, the trial court certified the following question:

“Where Illinois’ insurance regulations provide that the ‘actual cash value’ or ‘ACV’ of an insured, damaged structure is determined as ‘replacement cost of property at time of loss less depreciation, if any,’ and the policy does not itself define actual cash value, may the insurer depreciate all components of replacement cost (including labor) in calculating ACV?”

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<sup>5</sup>American Property Casualty Insurance Association and National Association of Mutual Insurance Companies identify themselves as national trade organizations representing property and casualty insurers writing business in Illinois, nationwide, and globally.

<sup>6</sup>United Policyholders identifies itself as a not-for-profit public interest consumer advocacy organization.

¶ 25 The certified question involves the interpretation of a personal homeowners insurance policy, drafted and issued by State Farm. When interpreting the language in an insurance policy, the general principles of contract construction apply. *Hobbs v. Hartford Insurance Co. of the Midwest*, 214 Ill. 2d 11, 17 (2005). A court's primary objective in construing the language in an insurance policy is to determine and give effect to the intent of the parties as expressed by the agreement. *Hobbs*, 214 Ill. 2d at 17; *Outboard Marine Corp. v. Liberty Mutual Insurance Co.*, 154 Ill. 2d 90, 108 (1992). If the language in the policy is clear and unambiguous, the provision will be applied as written, unless it contravenes public policy. *Outboard Marine*, 154 Ill. 2d at 108. Whether an ambiguity exists turns on whether the policy language is subject to more than one reasonable interpretation. *Hobbs*, 214 Ill. 2d at 17. Where competing reasonable interpretations of a policy exist, courts will construe the policy in favor of the insured and against the insurer who drafted the policy. *Outboard Marine*, 154 Ill. 2d at 108-09.

¶ 26 A policy term is not rendered ambiguous simply because the term is not defined within the policy or because the parties can suggest creative possibilities for its meaning. *Hobbs*, 214 Ill. 2d at 17. Undefined terms will be given their plain, ordinary, and popular meaning; that is, they will be construed with reference to "the average, ordinary, normal \*\*\* reasonable [person]." (Internal quotation marks omitted.) *Outboard Marine*, 154 Ill. 2d at 115. A court will not strain to find an ambiguity where none exists; likewise, a court will not adopt an interpretation that rests on fine or tenuous distinctions that the average person, for whom the policy is written, cannot be expected to understand. *Founders Insurance Co. v. Munoz*, 237 Ill. 2d 424, 433 (2010); *Canadian Radium & Uranium Corp. v. Indemnity Insurance Co. of North America*, 411 Ill. 325, 334 (1952) (construction to be given insurance contract should be a natural and reasonable one).

¶ 27 We begin our analysis from a historical perspective, recognizing that property insurance was borne of fire insurance policies, and that property insurance policies, like those fire policies, were contracts of indemnity. Couch on Insurance 3d § 148.1 (June 2020). Furthermore, the fundamental principle of a contract of indemnity is to place the insured in as good a position, as reasonably practicable, as he would have been had the loss not occurred. See generally *Outboard Marine*, 154 Ill. 2d at 103; *General Casualty Co. v. Tracer Industries, Inc.*, 285 Ill. App. 3d 418, 423 (1996).

¶ 28 The homeowners policy at issue provided for replacement costs for structural damage and contained a two-step process for settling a covered loss. In step one of the process, which applied prior to the completion of the actual repair or replacement of the damaged property, State Farm was to pay the actual cash value, at the time of the loss, of the damaged part of the property. Thus, State Farm was obligated to indemnify plaintiff, thereby placing plaintiff in the position he enjoyed prior to the loss. In step two, which applied when the repairs were completed, State Farm was to make additional payments for the actual and necessary repairs to the damaged property.

¶ 29 The parties' disagreement here centers on whether labor costs may be depreciated when calculating the actual cash value of damaged property under the homeowners insurance policy at issue. State Farm claims that its method for calculating actual cash value fully complies with section 919.80(d)(8)(A) of Title 50 of the Code (50 Ill. Adm. Code 919.80(d)(8)(A) (2002)). State Farm asserts that section 919.80(d)(8)(A) directs insurance companies to determine "actual cash value" as "replacement cost of property at time of loss less depreciation, if any," and that no provision within section 919.80(d)(8)(A) limits depreciation to materials only. 50 Ill. Adm. Code 919.80(d)(8)(A) (2002). In response, plaintiff asserts that under section 919.80(d)(7)(C) (50 Ill. Adm. Code 919.80(d)(7)(C) (2002)), repair estimates must be of a sufficient amount to allow

repairs to be made “in a workmanlike manner.” Plaintiff reasons that if actual cash value is calculated as replacement costs, less depreciation for materials and labor, the insured’s payment would not be sufficient to allow repairs to be done in a “workmanlike manner.” As evidenced by their arguments, both parties have failed to consider the regulation in its entirety and to give the words used their plain, ordinary, and commonly understood meanings. *People ex rel. Madigan v. Illinois Commerce Comm’n*, 231 Ill. 2d 370, 380 (2008).

¶ 30 Section 919.80 of Title 50 of the Code (50 Ill. Adm. Code 919.80 (2002)) regulates insurance claim practices involving private passenger automobiles. It also regulates claim practices of property and casualty companies. 50 Ill. Adm. Code 919.80 (2002).

¶ 31 Section 919.80(d)(7) sets forth required claims practices by property and casualty companies for fire and extended coverage losses. 50 Ill. Adm. Code 919.80(d)(7) (2002). Subsection A of section 919.80(d)(7) addresses unreasonable delay in payment of claims made on fire and extended coverage insurance policies. 50 Ill. Adm. Code 919.80(d)(7)(A) (2002). Subsection B requires insurers to provide reasonable written explanations for delays in the resolution of those claims. 50 Ill. Adm. Code 919.80(d)(7)(B) (2002). Subsection C of section 919.80(d)(7) addresses partial losses and provides in part:

“If partial losses are settled on the basis of a written estimate prepared by or for the company, the company shall supply upon request of the insured, a copy of the estimate upon which the settlement is based. The estimate prepared by or for the company shall be reasonable, in accordance with applicable policy provisions, and of an amount which will allow for repairs to be made in a workmanlike manner.” 50 Ill. Adm. Code 919.80(d)(7)(C) (2002).



¶ 32 Section 919.80(d)(8) sets forth the formula for calculating actual cash value losses and provides in pertinent part:

“A) When the insurance policy provides for the adjustment and settlement of losses on an actual cash value basis on residential fire and extended coverage as defined in Section 143.13 of the Code [215 ILCS 5/143.13],<sup>7</sup> the company shall determine actual cash value \*\*\* as follows: replacement cost of property at time of loss less depreciation, if any. Upon the insured’s request, the company shall provide a copy of the claim file worksheet(s) detailing any and all deductions for depreciation, including, but not necessarily limited to, the age, condition, and expected life of the property.” 50 Ill. Adm. Code 919.80(d)(8)(A) (2002).

¶ 33 It is no coincidence that the provisions for calculating actual cash value follow the provisions covering claims practices for property losses due to fire. As mentioned above, property insurance coverage evolved from insurance policies that indemnified policyholders for losses caused by fire. A century ago, in *Smith v. Allemannia Fire Insurance Co. of Pittsburg*, 219 Ill. App. 506, 512-13 (1920), the Illinois Appellate Court construed an indemnity clause in a fire policy and announced that it would follow the rule that stated that “actual cash value” means “reproduction value less depreciation for age and not market value.” The *Smith* rule, defining actual cash value as reproduction value less depreciation for age, has been applied by Illinois courts when calculating damages under other types of actual cash value policies. See, e.g., *C.L. Maddox, Inc. v. Royal Insurance Co. of America*, 208 Ill. App. 3d 1042 (1991); *Carey v. American Family Brokerage, Inc.*, 391 Ill. App. 3d 273, 281-82 (2009).

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<sup>7</sup>Under section 143.13, a policy of fire and extended coverage means “a policy delivered or issued for delivery in this State, that includes but is not limited to, the perils of fire and extended coverage, and covers real property used principally for residential purposes.” 215 ILCS 5/143.13(b) (West 2014).



¶ 34 Decades after the *Smith* rule was announced, this court was asked to consider the definition of actual cash value where the loss was occasioned by an explosion and fire. *C.L. Maddox*, 208 Ill. App. 3d 1042. In *C.L. Maddox*, the parties did not dispute that the insurance policy at issue was an “actual cash value” policy. The trial court defined actual cash value as reproduction costs minus depreciation and excluded evidence of the building’s fair market value. *C.L. Maddox*, 208 Ill. App. 3d at 1054. On appeal, the defendant claimed that fair market value was relevant to the determination of actual cash value. Relying on *Smith*, this court held that “actual cash value means reproduction costs less depreciation for age and not market value.”<sup>8</sup> *C.L. Maddox*, 208 Ill. App. 3d at 1055.

¶ 35 In *Carey*, 391 Ill. App. 3d 273, the owners of a building filed a breach of contract action against their insurer after their building was damaged by a fire. During trial, plaintiff’s expert estimated that the replacement costs for the building totaled \$398,725. The expert acknowledged that she did not employ an actual cash valuation, so she did not consider or calculate depreciation. Following a bench trial, the court awarded damages based on replacement costs rather than the actual cash value called for in the policy. The appellate court found that the proper measure of damages was based on actual cash value. *Carey*, 391 Ill. App. 3d at 280. The court set aside the award and remanded the case for a new trial on damages. Relying on the rule announced in *Smith*, the *Carey* court held that the proper calculation of actual cash value under both Illinois law and the insurance policy at issue was “replacement cost less depreciation.” *Carey*, 391 Ill. App. 3d at 281. In discussing damages, the court pointed out that depreciation in an insurance context, rather than an accounting context, meant “the decrease in the actual value of property based on its

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<sup>8</sup>At the time *C.L. Maddox* was decided, Illinois Department of Insurance Rule 9.19(15) defined “actual cash value” as reproduction costs minus depreciation. *C.L. Maddox*, 208 Ill. App. 3d at 1054-55.

physical condition, age, use, and other factors that affect the remaining usefulness of the property.” *Carey*, 391 Ill. App. 3d at 281 (citing Black’s Law Dictionary 473 (8th ed. 2004)). Another dictionary reference defines “depreciation” as “a reduction in value of an asset with the passage of time, due in particular to wear and tear.” Concise Oxford American Dictionary 243 (2006). Considering these references, the plain, common, and ordinary meaning of depreciation is a reduction in value of a property because of aging and wear and tear to the physical structure of that property.

¶ 36 The State Farm policy at issue here does not define “actual cash value” or “depreciation.” The policy does not inform the insured that “actual cash value” will be calculated as replacement cost less depreciation for the costs of labor and materials. State Farm has not demonstrated that it incorporated section 919.80(d)(8)(A) into its policy. State Farm’s reliance on section 919.80(d)(8)(A), even if it had been incorporated into the policy, would not have resolved the issue in favor of State Farm. Indeed, the regulation relied on by State Farm states that actual cash value is calculated as “replacement cost of *property* at time of loss less depreciation, if any.” (Emphasis added.) This provision specifically pertains to replacement cost of the damaged “property,” less depreciation of that “property.” According to the dictionary definitions, property refers to something tangible, something that is owned, or possessed.<sup>9</sup> Again, the insurance regulations governing required claims practices are to be construed together, and the terms used therein, unless otherwise defined, are to be given their plain and ordinary meaning. *Madigan*, 231 Ill. 2d at 380. Thus, it is clear, based upon the plain language of the State Farm policy at issue and the language

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<sup>9</sup>Indeed, depending on which dictionary is referred to, there are multiple definitions of the word “property.” All of the varying definitions, however, refer to something tangible, owned, or possessed. See Merriam-Webster Online Dictionary, <https://www.merriam-webster.com/dictionary/property> (last visited July 20, 2020) [<https://perma.cc/P7HD-9CD4>]; Concise Oxford American Dictionary 710 (2006); Black’s Law Dictionary 1095 (5th ed. 1979).

in the Code that “actual cash value” refers to real property—an asset that can lose value over time due to wear and deterioration, resulting from use or the elements, and does not refer to services, such as labor. We note that this definition of “property” is further supported by the language in State Farm’s own policy. The subject policy defines “property damage” as “physical damage to or destruction of *tangible* property, including loss of use” of that property. (Emphasis added.) Thus, an ordinary layperson may reasonably interpret “depreciation, if any,” to describe the depreciation of physical, tangible materials, particularly where the language follows the word “property.”

¶ 37 As previously noted, the certified question before us has not been previously considered with regard to this State Farm policy under Illinois law. There is no dispute, however, that under Illinois law, the term “actual cash value” begins with a determination of the “cost of replacement” of the damaged property. *General Casualty Co.*, 285 Ill. App. 3d at 422. In the fire-related claims cases decided by Illinois courts, the cost of replacement has always allowed for a deduction for depreciation of the property based on age. *C.L. Maddox*, 208 Ill. App. 3d 1042; *Smith*, 219 Ill. App. at 513.

¶ 38 The parties and the *amici* have cited cases from other jurisdictions that reveal that courts are split on whether depreciation may be applied to labor costs when determining actual cash value under state law. Compare, *e.g.*, *Redcorn v. State Farm Fire & Casualty Co.*, 2002 OK 15, 55 P.3d 1017 (under the broad evidence rule, depreciation of labor and materials was appropriate in determining the ACV of a covered loss where ACV was not defined in insurance policy), with *Adams v. Cameron Mutual Insurance Co.*, 2013 Ark. 475, 430 S.W.3d 675 (cost of labor may not be depreciated when determining ACV under indemnity policy that does not define ACV), *superseded by statute*, Ark. Code Ann. § 23-88-106(a)(2) (West 2017); see also *Wilcox v. State*



*Farm Fire & Casualty Co.*, 874 N.W.2d 780, 785 (Minn. 2016) (labor costs may be depreciable depending on facts and circumstances of the particular case).

¶ 39 In answering the certified question before us, we remain mindful that we must consider whether the average, ordinary, reasonable person, for whom the policy was written, would have understood that the “actual cash value” of a covered loss meant replacement costs of property less depreciation for materials *and labor*. *Outboard Marine*, 154 Ill. 2d at 115. We think not. We conclude that an average, ordinary homeowner who purchased the State Farm policy at issue would have reasonably expected that depreciation would apply only to property, *i.e.*, physical structures and tangible materials, as those lose value with age, use, and wear and tear. We further conclude that it is not reasonable to believe that an average homeowner would consider labor to be a tangible asset included within the definition of depreciation. State Farm sought to apply a technical definition of depreciation that is not evident in the language of the policy or in the regulation upon which it relies. Courts will not adopt an interpretation which rests on fine distinctions that the average person, for whom the policy is written, cannot be expected to understand. *Outboard Marine*, 154 Ill. 2d at 115; *Canadian Radium & Uranium Corp.*, 411 Ill. at 334. Our resolution is in keeping with the primary purpose of an indemnity clause in an insurance contract.

¶ 40

### III. CONCLUSION

¶ 41 The original certified question in this case referred to all components of replacement cost, including labor. The parties’ arguments in the trial court and this court addressed only whether the labor component could be depreciated. Thus, we have reformulated the common question of law, pursuant to Rule 308 and have limited our response to the sole issue of whether the cost of labor can be depreciated when determining the actual cash value of a loss as defined under “Coverage A” of the State Farm policy at issue. *Crawford County Oil, LLC v. Weger*, 2014 IL App (5th)

130382, ¶ 11. Accordingly, we conclude that the answer to the certified question, as reformulated, is “No.” Where Illinois’s insurance regulations provide that the “actual cash value” of an insured, damaged structure is determined as “replacement cost of property at time of loss less depreciation, if any,” and the policy does not itself define actual cash value, only the property structure and materials are subject to a reasonable deduction for depreciation, and depreciation may not be applied to the intangible labor component.

¶ 42 Finally, we have considered several motions to cite additional authorities from jurisdictions outside Illinois, which were filed by the parties after oral arguments were heard and the case was under advisement. Initially, we ordered each motion to be taken with the case. Because the language in an insurance policy is interpreted under the laws of Illinois, decisions from other jurisdictions generally provide limited guidance. Nevertheless, we have hereby granted each motion to cite additional authority, and we reviewed those decisions as we considered the issues before us.

¶ 43 Certified question answered; cause remanded.



2020 IL App (5th) 180577

NO. 5-18-0577

IN THE

APPELLATE COURT OF ILLINOIS  
FIFTH DISTRICT

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JARRET SPROULL, Individually and on Behalf of All Others Similarly Situated,	)	Appeal from the
	)	Circuit Court of
	)	Madison County.
Plaintiff-Appellee,	)	
	)	
v.	)	No. 16-L-1341
	)	
STATE FARM FIRE AND CASUALTY COMPANY,	)	
	)	Honorable
	)	William A. Mudge,
Defendant-Appellant.	)	Judge, presiding.

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**Opinion Filed:** July 24, 2020

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**Justices:** Honorable Judy L. Cates, J.  
  
Honorable James R. Moore, J., and  
Honorable John B. Barberis, J.  
Concur

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**FILED**  
April 26, 2019  
APPELLATE  
COURT CLERK

5-18-0577

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JARRET SPROULL, individually and on  
behalf of all others similarly situated,  
Plaintiff-Respondent,  
v.  
STATE FARM FIRE AND CASUALTY  
COMPANY,  
Defendant-Applicant.

Madison County  
Trial Court/Agency No.: 16L1341

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ORDER

This cause has been considered on the grant of supervisory relief by the Illinois Supreme Court and the court being advised in the premises, finds:

That on the March 20, 2019, the Illinois Supreme Court denied defendant's petition for leave to appeal and, in the exercise of its supervisory authority, directed this court to vacate its January 10, 2019, order denying defendant's application for leave to appeal pursuant to Supreme Court Rule 308 and further directed this court to allow the application for leave to appeal;

That the Supreme Court's mandate issued on April 24, 2019.

IT IS THEREFORE ORDERED as follows:

That this court's January 10, 2019, order denying the application for leave to appeal shall be, and the same hereby is, VACATED and held for naught;

That defendant's application for leave to appeal shall be, and the same hereby is, ALLOWED;

That defendant-appellant's brief is due 35 days from the date of this order.



# SUPREME COURT OF ILLINOIS

SUPREME COURT BUILDING  
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March 20, 2019

In re: Jarret Sproull, Indv., etc., respondent, v. State Farm Fire and  
Casualty Company, petitioner. Leave to appeal, Appellate Court,  
Fifth District.  
124484

The Supreme Court today DENIED the Petition for Leave to Appeal in the above  
entitled cause and entered the following supervisory order:

In the exercise of this Court's supervisory authority, the Appellate Court,  
Fifth District, is directed to vacate its order in Sproull v. State Farm Fire  
and Casualty Company, case No. 5-18-0577 (01/10/19), denying  
defendant's application for leave to appeal pursuant to Rule 308. The  
appellate court is directed to allow defendant's application for leave to  
appeal.

The mandate of this Court will issue to the Appellate Court on 04/24/2019.

Theis, J., took no part.

Very truly yours,

*Carolyn Taft Gusboell*

Clerk of the Supreme Court

**FILED**

January 10, 2019

APPELLATE  
COURT CLERK

5-18-0577

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JARRET SPROULL, individually and on  
behalf of all others similarly situated,  
Plaintiff-Respondent,  
v.  
STATE FARM FIRE AND CASUALTY  
COMPANY,  
Defendant-Applicant.

Madison County  
Trial Court/Agency No.: 16L1341

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ORDER

This cause coming to be heard on defendant's application for leave to appeal and supporting record, plaintiff's answer and the court being advised in the premises:

IT IS THEREFORE ORDERED that defendant's application for leave to appeal pursuant to Supreme Court Rule 308 is hereby DENIED.

CHAPMAN and CATES, JJ., vote to deny the application; BARBERIS, J., votes to grant the application.



FILED  
NOV 14 2018  
CLERK OF CIRCUIT COURT # 82  
THIRD JUDICIAL CIRCUIT  
MADISON COUNTY, ILLINOIS

IN THE CIRCUIT COURT  
THIRD JUDICIAL CIRCUIT  
MADISON COUNTY, ILLINOIS

JARRET SPROULL, individually and on behalf of all others similarly situated,	]	
	]	
	]	
Plaintiff,	]	
v.	]	No. 16-L-1341
	]	
STATE FARM FIRE AND	]	
CASUALTY COMPANY,	]	
	]	
Defendant.	]	

ORDER

This matter comes before the Court on State Farm's Motion for Certification of a Question Pursuant to Illinois Supreme Court Rule 308 and Conditional Stay of Proceedings. This motion has been fully briefed and argued by both sides. The Court, now being fully advised in the premises, finds and orders as follows:

**State Farm's Motion for Certification of a Question Pursuant to Illinois Supreme Court Rule 308 Is Hereby Granted.**

State Farm has satisfied the prerequisites of Illinois Supreme Court Rule 308 for the certification of a question. Rule 308(a) permits the appeal of an interlocutory order when the trial court finds that: "(1) the 'order involves a question of law as to which there is substantial ground for difference of opinion' and (2) 'an immediate appeal from the order may materially advance the ultimate termination of the litigation.'" *Santiago v. E.W. Bliss Co.*, 2012 IL 111792, ¶ 12, 362 Ill. Dec. 462, 465, 973 N.E.2d 858, 861 (quoting Ill. S. Ct. R. 308).

This Court's order of February 26, 2018, denying State Farm's Motion to Dismiss fulfills these criteria. This court concluded that State Farm's insurance policy use of the term "actual cash value" was ambiguous.

This Court's decision is consistent with a previous trial court decision from Cook County. *Jenkins v. State Farm Fire & Cas. Co.*, No. 15-CH-08242 (Ill. Cir. Ct., Cook Cty. Feb. 4, 2016). As to the specific contract terms at issue, after State Farm's motion to certify was fully briefed and argued, the Sixth Circuit Court of Appeals issued a decision in *Hicks v. State Farm Fire & Cas. Co.*, --- Fed. Appx. ---, 2018 WL 4961391 (6th Cir. Oct. 15, 2018), holding that "State Farm miscalculated 'actual cash value' ('ACV') when it depreciated the cost of labor and materials rather than simply materials." *Id.* at \*1. *Hicks* held that "the instructive precedents" are from states "that define actual cash value as replacement cost less depreciation, like Illinois, Ohio and Alabama." *Id.* at \*7.



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In so holding, the *Hicks* court cited this Court's February 26, 2018 decision, and decisions from state and federal courts in Alabama and Ohio—all of which construed materially identical policy language—for the proposition that the insurers' policies did not unambiguously allow depreciation of labor costs when calculating ACV. *Id.* (in addition to *Sproull*, citing *Arnold v. State Farm Fire & Cas. Co.*, 268 F. Supp. 3d 1297, 1304-05, 1312 (S.D. Ala. 2017) and *Ingram v. Liberty Ins. Co.*, No. 16CVH06-5538, slip. op. at 5-6 (Ohio Cir. Ct. Mar. 13, 2018)).

However, neither the Illinois Supreme Court nor the Illinois Appellate Court has addressed this question. And courts across the country have grappled with this issue and have come to differing conclusions. Some have found that insurance companies may depreciate labor when calculating ACV while others have found that insurance companies cannot. This national split in authority reflects the substantial ground for difference in opinion involved in the question of "labor depreciation" and weighs in favor of a Rule 308 certification.

Additionally, an immediate appeal of the February 26th order may "materially advance the ultimate termination of the litigation" because the question to be presented for review is "controlling" and "one possible resolution would necessarily dispose of the case." *Voss v. Lincoln Mall Mgmt. Co.*, 166 Ill. App. 3d 442, 448, 116 Ill. Dec. 841, 846, 519 N.E.2d 1056, 1061 (1st Dist. 1988). Here, if the Fifth District were to decide that State Farm's policy unambiguously allows calculation of ACV with "labor depreciation" applied, the case will terminate.

Finally, the Court recognizes that the parties dispute the exact wording of the question to be certified.

State Farm's proposed question reads as follows:

Where Illinois' insurance regulations provide that the "actual cash value" or "ACV" of an insured, damaged structure is determined as "replacement cost of property at time of loss less depreciation, if any," and the policy does not itself define actual cash value, may the insurer depreciate all components of replacement cost (including labor) in calculating ACV?

Plaintiff proposed questions read as follows:

- i. Under Illinois law, may an insurer in making an actual cash value payment withhold a portion of repair labor as depreciation when the policy does not define the term "actual cash value"?
- ii. Under Illinois law, may an insurance company pay less than the actual cash value of a loss under the terms of a policy that provides "until actual repair or replacement is completed, we will only pay the actual cash value at the time of the loss of the damaged part of the property,

not to exceed the cost to repair or replace the damaged part of the property”?

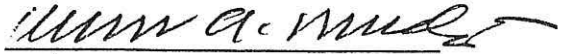
The Court will certify the issue as phrased by State Farm for consideration of the Appellate Court of Illinois. As a consequence, pursuant to Illinois Supreme Court Rule 308, this Court certifies the following question to the Illinois Appellate Court for the Fifth District:

**Where Illinois' insurance regulations provide that the "actual cash value" or "ACV" of an insured, damaged structure is determined as "replacement cost of property at time of loss less depreciation, if any," and the policy does not itself define actual cash value, may the insurer depreciate all components of replacement cost (including labor) in calculating ACV?**

State Farm's request for a conditional stay of proceedings together with Plaintiff's request for a briefing schedule on his Motion for Class Certification is addressed by separate order.

IT IS SO ORDERED.

Entered: NOV 14 2018

  
William A. Mudge  
Judge Presiding

*Clerk to send copies to attorneys of record.*

IN THE CIRCUIT COURT  
THIRD JUDICIAL CIRCUIT  
MADISON COUNTY, ILLINOIS

**FILED**

FEB 26 2018

CLERK OF CIRCUIT COURT #11  
THIRD JUDICIAL CIRCUIT  
MADISON COUNTY, ILLINOIS

JARRET SPROULL,

Plaintiff,

vs.

STATE FARM AND CASUALTY  
COMPANY,

Defendant.

Case No. 16-L-1341

**ORDER**

This matter comes before the Court on Defendant's Motion to Stay or Dismiss. This matter has been fully briefed and argued by both sides. The court, now being fully advised in the premises, finds and orders as follows:

**I. FACTUAL BACKGROUND**

Sproull's home was damaged by wind on or about December 28, 2015. Sproull timely submitted a property damage claim to request payment for his loss to State Farm, the insurer of his home. State Farm determined that the loss was covered. Per Sproull's homeowner's policy "Policy," State Farm made a payment to Sproull for the actual cash value "ACV" of the damaged property at the time of the loss. In calculating the ACV payment, State Farm depreciated both labor and material costs. The Policy does not define the term "ACV" nor does it specify how the ACV estimate should be calculated. The parties do not dispute State Farm's practice of depreciating material costs in calculating the ACV payment. The parties do, however, dispute whether it was appropriate for State Farm to depreciate labor cost when ACV is not defined in the Policy.

**II. COURT'S DISCUSSION AND RULING**

The undefined term "Actual Cash Value" in the Policy is ambiguous

When construing the language of an insurance policy, a court's primary objective is to ascertain and give effect to the intentions of the parties as expressed by the words of the policy. *Cent. Ill. Light Co. v. Home Ins. Co.*, 213 Ill. 2d 141, 144, 290 Ill. Dec. 155, 157, 821

Case No. 16-L-1341

Page 1 of 6

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N.E.2d 206, 208 (2004). An insurance policy, like any contract, is to be construed as a whole, giving effect to every provision, if possible, because it must be assumed that every provision was intended to serve a purpose. *Martindell v. Lake Shore National Bank*, 15 Ill.2d 272, 283, 154 N.E.2d 683 (1958). If the words used in the policy are clear and unambiguous, they must be given their plain, ordinary, and popular meaning. *Outboard Marine Corp. v. Liberty Mutual Insurance Co.*, 154 Ill.2d 90, 108, 180 Ill.Dec. 691, 607 N.E.2d 1204 (1992). However, if the words used in the policy are reasonably susceptible to more than one meaning, they are ambiguous and will be strictly construed against the drafter. *Id.* at 108-09. An ambiguity will be found if the language of the contract is obscure in meaning through indefiniteness of expression. *Platt v. Gateway International Motorsports Corp.*, 351 Ill.App.3d 326, 330, 286 Ill.Dec. 222, 813 N.E.2d 279 (2004). A contract is not rendered ambiguous merely because the parties disagree on its meaning. *Johnstowne Centre Partnership v. Chin*, 99 Ill.2d 284, 288, 76 Ill.Dec. 80, 458 N.E.2d 480 (1983). On the other hand, a contract is not necessarily unambiguous when each party insists that the language unambiguously supports its position. Rather, whether a contract is ambiguous is a question of law. *Quake Construction, Inc. v. American Airlines, Inc.*, 141 Ill.2d 281, 288, 152 Ill.Dec. 308, 565 N.E.2d 990 (1990).

Illinois courts have established that when there is an ambiguity in an insurance policy, all exclusions, conditions or provisions which tend to limit or defeat liability should be construed most favorably to the insured. *Econ. Fire & Cas. Co. v. Bassett*, 170 Ill. App. 3d 765, 769, 525 N.E.2d 539, 541 (5th Dist. 1988). The reason for this rule is twofold: (1) the intent of an insured in purchasing an insurance policy is to obtain coverage, and therefore any ambiguity jeopardizing such coverage should be construed consistent with the insured's intent; and (2) the insurer is the drafter of the policy and could have drafted the ambiguous provision clearly and specifically. *Murphy v. State Farm Mut. Auto. Ins. Co.*, 234 Ill. App. 3d 222, 226, 599 N.E.2d 446, 449 (5th Dist. 1992)

Sproull alleges that State Farm concealed that when it applied depreciation for a particular line item repair or replacement tasks, depreciation was applied to the total cost for that line item and not just for material costs. Therefore, Sproull argues that the term "ACV" is ambiguous and State Farm wrongfully depreciated labor cost because it failed to expressly define "ACV" and expressly mention what costs will be depreciated in the ACV calculations. Defendant contends that the term "ACV" in its policy is unambiguous and, therefore, it properly depreciated labor along with materials cost when calculating Sproull's ACV payment. Since there is no dispute regarding the depreciation of materials, the issue before the Court is whether an insured, in determining the ACV of a covered loss, can depreciate labor when the policy fails to define the term. Since no Illinois court or statute has addressed the issue directly, it is one of first impression in Illinois.

Although the term is not defined in the Policy, State Farm contends that section 919.80(d)(8)(A) of the Illinois Administrative Code allows for depreciation of both labor and material components. The specific provision states: "When the insurance policy provides for the adjustment and settlement of losses on an actual cash value basis on



residential; fire and extended coverage...the company shall determine actual cash value...as follows: replacement cost of property at the time of loss less depreciation, if any." See 50 Ill. Admin. Code § 919.80(d)(8)(A). Defendant is correct in stating that this section governs how an insurer is able to calculate the ACV in a policy like Sproull's, but it is important to note that, the Illinois Administrative Code provides the parameters for the calculation of ACV—it does not expressly allow depreciation of labor nor has it been interpreted by any Illinois court to depreciate labor. Further, unlike other state departments of insurance, the Illinois Department of Insurance has provided no guidance as to the interpretation of the current regulation nor has expressly stated whether labor costs can be depreciated when calculating an ACV estimate.

Since this case is one of first impression, the parties presented case law from other jurisdictions to support their arguments. The parties have acknowledged that there is a split amongst courts as to whether labor depreciation is permissible. State and federal courts, such as Nebraska<sup>1</sup>, Minnesota<sup>2</sup>, U.S. Court of Appeals for the 10<sup>th</sup> Circuit<sup>3</sup>, U.S. District Court for the Western District of Pennsylvania<sup>4</sup>, and Florida District Court of Appeals,<sup>5</sup> have held that the labor cost may be depreciated. Conversely, other courts, such as Arkansas, U.S. District Court for the Eastern District of Kentucky, U.S. District Court for the Western District of Missouri, and the U.S. District Court for the Southern District of Alabama,<sup>6</sup> have held that labor depreciation is prohibited when the insurer fails to specify in its policy the items it intends to depreciate in calculating ACV payments. This Court has decided to follow the precedent set by latter courts, as they are consistent with contract law and general principles of indemnity.

In *Adams v. Cameron Mut. Ins.*, 430 S.W.3d 675, 676 (Ark. 2013), the Supreme Court of Arkansas held that labor costs may not be depreciated in the determination of ACV. In *Adams*, the parties agreed that some form of depreciation was allowed in computing actual

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<sup>1</sup> See *Henn v. American Family Mutual Insurance Co.*, 295 Neb. 859 (Neb. 2017) (holding that undefined term "actual cash value" was not because ambiguous because Nebraska has well-developed case law on the definition of actual cash value, thus depreciation of both materials and materials was proper).

<sup>2</sup> See *Wilcox v. State Farm Fire & Cas. Co.*, 874 N.W.2d 780 (Minn. 2016) ( holding that even though homeowner's insurance policy failed to define the term "actual cash value", Minnesota had adopted the broad evidence rule, thus the trier of fact could consider labor-cost depreciation in determining the actual cash value of a covered loss when the estimated cost to repair or replace the damaged property included both materials and embedded labor components).

<sup>3</sup> See *Graves v. Am. Family Mut. Ins. Co.*, 686 F. App'x 536, 540 (10th Cir. 2017) (affirming depreciation of labor cost by insured was appropriate because the term "AVC", as defined in the holder's policy, allowed labor costs to be depreciated).

<sup>4</sup> See *Papurello v. State Farm Fire & Cas. Co.*, 144 F. Supp. 3d 746 (W.D. Pa. 2015) (holding that labor is plainly "plainly and logically depreciable").

<sup>5</sup> See *Goff v. State Farm Fla. Ins. Co.*, 999 So. 2d 684 (Fla. 2d Dist. Ct. App. 2008) (holding that insurer could depreciate "overhead and profit" in a policy that did not define actual cash value).

<sup>6</sup> See *Arnold v. State Farm Fire & Cas. Co.*, 268 F. Supp. 3d 1297 (S.D. Ala. 2017), motion to certify appeal denied, CV 17-0148-WS-C, 2017 WL 5451749 (S.D. Ala. Nov. 14, 2017) (holding that the undefined term "actual cash value" in insurance policy did not unambiguously include depreciation of labor costs).



cash value, but the policy failed to provide a definition for ACV or a calculation methodology as to which components could be depreciated in the ACV calculations. *Id.* at 677. The court held that the undefined term "actual cash value" as used in the insurance policy was ambiguous because the policy was fairly susceptible to more than one interpretation. *Id.* at 678. Further, the court reasoned that allowing an insurer to depreciate the cost of labor would have left the insured with a significant out-of-pocket loss, which was inconsistent with the principal of indemnity. *Id.* at 678-79. Therefore, the court held that the insurer improperly depreciated labor costs in determining the insured's ACV payment. *Id.* at 678-79. A couple years later, the Eastern District of Kentucky adopted the *Adams* decision in *Bailey v. State Farm Fire & Cas. Co.*, 2015 U.S. Dist. 2015 WL 1401640, at 1 (E.D. Ky. Mar. 25, 2015). In *Bailey*, the court noted that neither state law nor the policy expressly provided for the depreciation of labor. *Id.* at 5. Thus, it held that the insured wrongfully depreciated the labor costs in determining the insured's ACV payment. *Id.* at 8. The court reasoned that the "very idea of depreciating the value of labor defies good common society. To adequately indemnify its insureds, State Farm should pay the cost of materials, depreciated for wear and tear, plus the cost of their installation." *Id.*

Similarly, in *Riggins v. Am. Family Mut. Ins. Co.*, 217 F. Supp. 3d 1017, 1019, 1022 (W.D. Mo. 2016), the court held that labor depreciation is impermissible when the policy at issue defined "actual cash value" to include "the amount it costs to repair or replace property with property of like kind and quality less depreciation for physical deterioration and obsolescence." The court found that the phrase "for physical deterioration and obsolescence" limited the type depreciation that may be factored into a calculation of "actual cash value." *Id.* at 1021-22. As a result, defendant's calculation of ACV, which included depreciation of labor, was improper. *Id.* at 1022. Subsequently, in *Boss v. Travelers Home & Marine Ins. Co.*, 2016 U.S. Dist., 2016 WL 3983833 (W.D. Mo.), the court barred labor depreciation where both "actual cash value" and "depreciation" were undefined by the insurance policy.

Like in *Adams*, *Bailey*, and *Boss*, in the present case, State Farm did not define the term "ACV". Similarly to these courts' reasoning, the Court is unable to interpret the term because State Farm, as the drafter, failed to expressly state the cost items included in depreciation calculations. Further, in *Riggins*, the court examined and interpreted the defined term "actual cash value" to limit the type of depreciation costs. Thus, *Riggins* reinforces that a court will analyze the term "ACV" and determine if labor costs are permissible under the policy when an insurer defines the term—but not when the insurer has failed to so. It is the drafter's principle duty in contract drafting to inform the insureds what he is contractually bidding himself to and what costs the insurer is expressly depreciating (i.e. labor costs, material costs, sales tax, a combination of each, etc.). The Court cannot assume the responsibility of defining a term State Farm had the opportunity to draft more specifically to align with its depreciation practices.

In contrast, State Farm relies on *Graves v. Am. Family Mut. Ins. Co.*, 686 F. App'x 536, 540 (10th Cir. 2017) & *Basham v. United Servs. Auto. Ass'n*, No. 16-CV-03057-RBJ, 2017 WL



3217768, at 1 (D. Colo. July 28, 2017) to assert that the term "ACV" is not ambiguous, and could be interpreted to depreciate labor. However, one key difference in these cases is the fact that the insurers of those policies asked the court to interpret the policies *defined* term "ACV". In *Graves*, the policy holder relied on case law which held that, in calculating the actual cash value, an insurer could not consider labor depreciation because neither the policy nor state law provided for such a reduction. *Id.* at 549. However, the court rejected to follow these cases because neither case involved a policy which defined "ACV" *Id.* at 539-540. Additionally, the court declined to consider the *Black's Law Dictionary* descriptions of different depreciation methods reasoning that the policy defined the pertinent term. *Id.* at 540. The court interpreted the defined term to allow for depreciation, thus holding that the insurer did not impermissibly depreciate labor costs in determining the actual cash value of the insured's loss. *Id.* at 540. Unlike *Graves*, the term "ACV" is not defined in the Policy. Consequently, by *Graves'* own precedent, State Farm cannot argue that the term is unambiguous, when considering the policy as a whole, it did not define the term nor expressly state the items the insured should expect to be depreciated. Since "ACV" is not "clearly and specifically" defined in the Policy, the term is open to several interpretations, rendering it ambiguous.

Further, in *Basham*, the plaintiff's policy also defined the term "ACV". *Id.* at 1. As here, the court acknowledged the split decisions amongst courts on the issue of labor depreciation. *Id.* at 3. It summarized that five of the cases presented to the court involved policies that did not define actual cash value or otherwise "provide how actual cash value will be calculated"; two others cases concerned policies that explicitly limit depreciation to "physical deterioration and obsolescence" alone; and a similar number of cases construed policies with these exact features to allow depreciation of labor costs. *Id.* Ultimately, the court reasoned that it did not need to pick a side in the debate because plaintiff's policy *defined* "ACV", and it did not provide for depreciation based solely on physical deterioration and obsolescence. *Id.* Therefore, the court held that the insured did not improperly depreciate labor costs in calculating the ACV of plaintiff's losses. *Id.* at 4. Unlike *Basham*, here the Policy does not define ACV. There is no language in the Policy to suggest that State Farm will depreciate intangible labor costs when calculating ACV, thus the calculations for the items that should be considered in depreciation cannot be interpreted to include labor as State Farm urges the Court to do so.

The Court holds that the term "ACV" is not one of "plain, ordinary, [or] popular meaning" since every insurance company can include the items to be calculated in determining the ACV. A "variety of methods are used to determine the value of real property, including market value, replacement cost, replacement cost minus depreciation, and stream of income." *Evanston Ins. Co. v. Cogswell Properties, LLC*, 2009 WL 198745, at 4 (W.D. Mich. Jan. 23, 2009). Consequently, the term could apply to only materials, or it could be interpreted to apply to both materials and labor required to repair or replace damaged property. *Adams v. Cameron Mutual Insurance Co.*, 430 S.W.3d 675, 676 (Ark. 2013). When reading the Policy, an ordinary reasonable insured could not deduce that the definition would encompass the depreciation value of the material *and* labor costs. A reasonable insured,

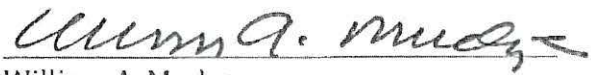
armed only with policy language and everyday meaning of words used could reasonably have understood depreciation in its everyday sense applies only to physical deterioration because labor does not sustain physical deterioration since it is not a physical component, and by failing to define the term, it could not conclude that the policy did not call for such depreciation. *Arnold v. State Farm Fire & Cas. Co.*, 268 F. Supp. 3d 1297, 1304 (S.D. Ala. 2017). Therefore, since "ACV" is not defined in the Policy and the term is reasonably susceptible to more than one meaning, it is held ambiguous. As the drafter of the Policy, if State Farm intended to depreciate labor, "it could have easily modified its insurance policy to do so," and in failing to do so, the term will be "construed liberally in favor of the insured and "most strongly against the insurer." *Nat'l Union Fire Ins. Co. of Pittsburgh, Penn. v. Glenview Park Dist.*, 158 Ill. 2d 116, 123, 632 N.E.2d 1039, 1042 (1994).

Lastly Defendant's argument that labor is plainly and logically depreciable is unpersuasive. Illinois courts have held that the purpose of an insurance contract is to indemnify the insured. *Travelers Ins. Cos. v. P.C. Quote, Inc.* 211 Ill.App.3d 719, 156 Ill. Dec. 138, 570 N.E.2d 614 (1991). In other words, the insurance policy attempts to place the insured back in the position he or she enjoyed before the loss. *Bailey v. State Farm Fire & Cas. Co.*, 2015 U.S. Dist. LEXIS 37568, at 5 (E.D. Ky. Mar. 25, 2015). Consequently, the very idea of depreciating the value of labor defies good common society. *Id.* When considering the purpose of insurance and the idea of labor depreciation, this Court holds that, in order to adequately indemnify its insured, State Farm should pay the cost of materials depreciated for wear and tear, plus the cost of installation. The practice of depreciation of labor would not unjustly enrich the insured, but rather, the reverse is true, the insured could be in a worst position and, ultimately, not be made whole after the loss. Accordingly, it is not logical for the Court to interpret the undefined term in the Policy and permit labor depreciation because: 1). it's not logical to depreciate labor and 2). the interpretation could lead to under indemnification of the insured, defying the purpose of the insurance policy.

Therefore, the term "actual cash value" is ambiguous and the term is strictly construed against State Farm.

WHEREFORE, for the reasons stated above, Defendant's Motion to Stay or Dismiss is DENIED.

Enter: **FEB 26 2018**

  
William A. Mudge  
Judge Presiding

*Clerk to send copies to attorneys of record.*



**IN THE CIRCUIT COURT  
THIRD JUDICIAL CIRCUIT  
MADISON COUNTY, ILLINOIS**

**FILED**  
SEP 23 2016  
CLERK OF CIRCUIT COURT #11  
THIRD JUDICIAL CIRCUIT  
MADISON COUNTY, ILLINOIS

JARRET SPROULL, individually and on  
behalf of all others similarly situated,

Plaintiff,

vs.

STATE FARM FIRE AND CASUALTY  
COMPANY,

Defendant.

Case No. 16L1341

DEMAND FOR JURY TRIAL

**CLASS ACTION COMPLAINT FOR DAMAGES AND DECLARATORY RELIEF**

Comes now Plaintiff Jarret Sproull, individually and on behalf of all others similarly situated, and for his Complaint against Defendant State Farm Fire and Casualty Company, states and alleges the following:

**PARTIES AND RESIDENCY**

1. Plaintiff resides at 3603 Franor Street, Alton, Illinois, located in Madison County, Illinois.
2. Defendant State Farm Fire and Casualty Company ("State Farm") is organized under the laws of the State of Illinois and headquartered in Urbana County, Bloomington, Illinois.
3. State Farm has offices within, and is doing business within, Madison County.
4. The putative class members for this class action of Illinois resident policyholders, as more specifically defined below, are spread throughout all of the counties of the State of Illinois.

Case No. \_\_\_\_\_  
Page 1 of 14

**FACTUAL BACKGROUND**

5. Plaintiff contracted with State Farm for an insurance policy providing coverage for certain losses to a dwelling and other structures owned by Plaintiff located at 3603 Franor Street, Alton, Illinois.

6. At all times relevant to this action, Plaintiff's property was insured under State Farm Policy No. 73-BP-R427-1.

7. On or about December 28, 2015, Plaintiff suffered wind damage to his insured residence, including various rooms in his residence. He timely submitted a property damage claim to State Farm requesting payment for his covered loss.

8. On or about January 23, 2016, State Farm sent an adjuster, Jack West, to inspect the damage to Plaintiff's property.

9. State Farm determined that Plaintiff had sustained a covered loss to his property.

10. As set forth in a written estimate provided to the Plaintiff by State Farm, Claim Number 13793G205, State Farm's adjuster determined that the insured building sustained a loss with a replacement cost value ("RCV") of \$1,711.54.

11. A copy of the estimate provided to Plaintiff is attached hereto at Exhibit 1.

12. In calculating the actual cash value ("ACV") payment obligations to the Plaintiff, State Farm subtracted from the adjuster's RCV estimate: (1) the \$1000 deductible; and (2) an additional \$394.36, including taxes, for depreciation.

13. Plaintiff then received a net ACV payment from State Farm of \$317.18 on his claim.

14. State Farm does not interpret its policy to require a "fair market value" methodology to determine the actual cash value of a loss. Rather, in adjusting Plaintiff's claim,

Case No. \_\_\_\_\_  
Page 2 of 14

State Farm affirmatively and unilaterally chose to use a "replacement cost less depreciation" methodology to calculate the loss. State Farm has waived its right to contend that it is improper to calculate actual cash value under another methodology.

15. Plaintiff was underpaid on his ACV claim as described below.

16. The estimate upon which the Plaintiff's ACV payment was based indicates that State Farm depreciated amounts from certain categories of damaged property.

17. In recent years, State Farm has been aware of ongoing disputes between members of the insurance industry, on the one hand, and state insurance regulators and policyholders, on the other hand, over the practice of depreciating not only finished goods, construction materials and physical property due to wear, tear, condition and obsolescence, but also the new practice of depreciating non-tangible items, such as labor.

18. In this Complaint, whenever reference is made to depreciation of labor, this means that State Farm is improperly depreciating intangible, non-materials, specifically, labor and the equipment costs of laborers, as well as "removal" costs under the software program described below.

19. Other property insurers within the State of Illinois do not depreciate intangibles such as labor when adjusting property claims. State Farm did not always depreciate labor when adjusting property loss claims. However, State Farm's practice changed. State Farm uses Xactware Solutions, Inc.'s "Xactimate" estimating program to calculate the replacement and repair cost values of property damage in the State of Illinois. As reflected by the screen shot attached hereto at Exhibit 2, Xactimate software allows an insurer to depreciate materials only through clicking on a box with a mouse. State Farm is fully capable of setting Xactimate to its default setting to depreciate only materials when estimating structural repairs.



20. As one legal article states: "Xactimate includes an option to select 'Depreciate Material Only.' It is there because it has been the option for much of insurance claim settlement history." Don Wood and John Wood, *Insurance Recovery After Hurricane Sandy: Correcting the Improper Depreciation of Intangibles Under Property Insurance Policies*, 42 TORTS, INSURANCE & COMPENSATION LAW JOURNAL at 24 (Winter 2013).

21. Contrary to the practice of many other property insurers acting within the State of Illinois, State Farm does not state in its written estimates provided to policyholders that Xactimate software has been set to depreciate non-tangible items such as labor.

22. To conceal its practice of depreciating labor from policyholders, State Farm does not separate the labor charges from materials in the estimates provided to insureds, therefore making it impossible for a policyholder to know that State Farm depreciated labor, and not merely materials.

23. To further conceal its practice of depreciating labor in the estimating process, for some line items that only contain obvious labor costs standing alone, such as roof tear-off charges or debris removal, State Farm does not depreciate labor – all to help avoid detection of its depreciation of non-tangible labor in other line items.

24. To further conceal its practice of depreciating labor in the estimating process, State Farm did not amend its Illinois insurance policy language for the Plaintiff's insurance policy, as a number of insurance companies have attempted, to alert policyholders and regulators of its intention to depreciate non-tangible labor.

25. State Farm was under an affirmative duty to disclose the manner in which it calculates ACV payments. When providing written estimates to Plaintiff and similarly situated policyholders, State Farm was under a duty to be truthful.

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26. State Farm was in a superior position to know that it was depreciating labor through its estimating software. State Farm controlled the settings for the software.

27. State Farm fraudulently concealed its breaches of contract from the Plaintiff and similarly situated policyholders.

28. The facts misrepresented, concealed or not disclosed to the Plaintiff and similarly situated policyholders would have been material facts that a reasonable person would have considered important in deciding whether to accept the ACV payments from State Farm.

29. State Farm took affirmative steps to prevent policyholders from learning of these facts. This concealment was done to avoid detection by policyholders and regulators who could challenge its practices within the State of Illinois and elsewhere.

30. State Farm had sole possession of, and access to, material facts concerning labor depreciation.

31. The concealment of information and the misrepresentation concerning the definition of "depreciation" in the estimate was performed by State Farm with the intent that policyholders, including Plaintiff, believe that only materials were being depreciated.

#### **POLICY TERMS AND CLAIMS SETTLEMENT PRACTICES**

32. The policies of insurance State Farm issued to Plaintiff and other members of the proposed class provide ACV coverage for both total loss of and partial loss to covered dwellings and other structures, with an option to seek RCV at the policyholder's option.

33. It is State Farm's custom and practice to initially pay policyholders ACV of covered partial loss claims, net of any applicable deductible. If an insured is interested in seeking RCV, at the policyholder's option, and in order to qualify for additional payment and recover the RCV of the covered loss, the insured party must repair, rebuild or replace the damaged property within a

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specific time frame, follow the policy procedures in seeking payment, and submit contractor invoices, receipts and documentation to State Farm for reimbursement.

34. At all times relevant hereto, State Farm's methodology for calculating ACV has been to determine the cost of repairing or replacing the damaged property then deduct depreciation.

35. Repair and replacement cost is calculated as of the date of the loss.

36. The phrase "actual cash value" is used but not defined in the State Farm policies.

37. In the context of insurance law, "depreciation" is defined as "[a] decline in an asset's value because of use, wear, obsolescence, or age." BLACK'S LAW DICTIONARY 506 (9th ed. 2009) (emphasis added). This legal definition is similar to the definition often provided by State Farm to policyholders in written estimates. Materials used in the repair or replacement of damaged property, e.g. roofing shingles, diminish in value over time due to use, wear, obsolescence, and age. As such, those are assets that can be depreciated.

38. In contrast, labor is not susceptible to aging or wearing. Its value does not diminish over time. Conceptually, and practically, depreciation simply cannot be applied to labor costs.

39. In order to recover the RCV of their covered loss, Plaintiff and similar consumers are required to pay out of pocket the difference between the cost of materials and labor necessary to repair or replace the damaged property and the depreciated ACV payment they receive from State Farm. In addition, the policyholder must assume responsibility for the deductible.

40. While an insurer may lawfully depreciate material costs in calculating the amount of an ACV payment owed to an insured, it may not depreciate labor costs. State Farm's failure to pay the full cost of the labor necessary to repair or replace Plaintiff's damaged property in the ACV payment left Plaintiff underpaid for his losses.

41. Further, State Farm's practice unfairly encourages policyholders not to repair and replace their property, as they may have insufficient funds to commence repair and replacement if excessive "depreciation" is charged against their claims on top of their deductible obligations. State Farm profits in the event the consumer fails to seek RCV value for his or her claim. As stated by a legal commentator:

If the insurance policy is a Replacement Cost Value (RCV) policy, the lowering of the estimate by the depreciated amount on the initial settlement can be a setback even if it can be recovered on completion of work, since it forces the policyholder to come out of pocket for the amount withheld and then seek reimbursement. There is no question but that many policyholders cannot come up with the difference, which means the RCV policy is effectively settled as an ACV only policy. Excessive depreciation becomes a hindrance to indemnification.

Wood *et al.*, *supra*, at 19.

42. State Farm materially breached its duty to indemnify Plaintiff and putative class members by depreciating labor costs associated with repairs to Plaintiff and putative class members' property in the ACV payments, thereby paying Plaintiff and putative class members less than what they were entitled to receive under the terms of their insurance contract.

#### **CLASS ACTION ALLEGATIONS**

43. Pursuant to Illinois Code of Civil Procedure 5/2-802(a), Plaintiff brings this lawsuit as a class action on behalf of himself and all others similarly situated. This action satisfies the requirements of numerosity, commonality, typicality, and adequacy of representation.

44. The proposed class which Plaintiff seeks to represent is defined as follows:

All Illinois resident persons and Illinois resident legal entities that received "actual cash value" payments, directly or indirectly, from State Farm for loss or damage to a dwelling or other structure located in the State of Illinois, where the cost of labor as defined herein was depreciated.

45. Plaintiff limits the class definition as required by applicable statute of limitations, accrual of the statute of limitations, tolling of statute of limitations, the tolling effect, if any, and

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the doctrines of waiver, estoppel and fraudulent concealment, all to be determined by the Court.

Plaintiff reserves the right to amend the class definition of the putative class.

46. State Farm has been previously sued for improperly depreciating labor in Cook County, Illinois in a putative class action lawsuit entitled *Jenkins v. State Farm Fire and Casualty Co.*, Case No. 15-CH-8242. In that case, the Hon. Kathleen Kennedy ruled that it is improper to depreciate labor under controlling law. However, Judge Kennedy dismissed the case under the insurance policy's suit limitation clause. That action is currently pending in the appellate courts.

47. Specifically, on February 4, 2016, Judge Kennedy held:

[B]ecause labor does not lose value over time or due to wear and tear, the logic being depreciating materials does not apply to labor. This logic does not conflict with the Illinois insurance regulations which state that the ACV should be determined as RCV less depreciation, but do not establish how to calculate depreciation. However, the regulations intend to ensure that repairs are made in a workmanlike manner, allowing depreciation (inaudible). For these reasons, Plaintiff sufficiently pled facts to state a breach of the insurance contract.

48. Plaintiff seeks to extend the statute of limitations for himself and the putative class to the fullest extent permissible under the so-called *American Pipe* doctrine, adopted by the Illinois Supreme Court. *Steinberg v. Chicago Medical School*, 69 Ill.2d 300, 371 N.E.2d 634 (Ill. 1977). The extension includes both *American Pipe* tolling and "tolling effect."

49. The members of the proposed class are so numerous that joinder of all members is impracticable. Plaintiff reasonably believes that thousands of people geographically dispersed across Illinois have been damaged by State Farm's actions.

50. The names and addresses of the members of the putative class are identifiable and ascertainable through the electronic records maintained by State Farm.

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51: Common questions of law and fact exist as to all putative class members and predominate over any questions affecting only individual class members. The questions of law and fact common to the putative class include, but are not limited to:

- A. Whether State Farm's insurance policies allow State Farm to depreciate labor in calculating ACV payments for covered losses;
- B. Whether State Farm's standard form insurance policies are ambiguous concerning the depreciation of labor costs in calculating ACV payments, and if so, how State Farm's insurance policies should be interpreted;
- C. Whether State Farm's depreciation of labor costs in making ACV payments for covered losses constitutes a breach of the insurance contracts issued by State Farm to the Plaintiff and other putative class members;
- D. Whether Plaintiff and other putative class members have been damaged by State Farm's breaches, as alleged herein, and if so:
  - 1. What is the nature and extent of those damages; and
  - 2. What relief should be awarded to the Plaintiff and other putative class members;
- E. What is the applicable class period, including whether State Farm engaged in conduct, by act or omission, that tolls, estops or precludes State Farm from reliance upon the insurance policies' suit limitation clause or applicable statute of limitations;
- F. Whether the Plaintiff and putative class members are entitled to any relief, equitable or monetary, from State Farm;
- G. Whether the Plaintiff and putative class members are entitled to a declaration, as well as potential supplemental relief, under the Uniform Declaratory Judgment Act; and
- H. Whether the Plaintiff and class members are entitled to equitable relief in the form of specific performance, unjust enrichment or restitutionary damages.

52. Plaintiff's claims are typical of the claims of all putative class members, as they are all similarly affected by State Farm's custom and practice concerning labor depreciation. Further, Plaintiff's claim is typical of the claims of all putative class members because his claims arise from

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the same underlying facts and are based on the same factual and legal theories. Plaintiff is no different in any material respect from any other member of the putative class.

53. Plaintiff and his counsel will fairly and adequately protect the interests of the members of the putative class. Plaintiff's interests do not conflict with the interests of the putative class he seeks to represent. Plaintiff has retained counsel who are competent and experienced in class action and insurance litigation.

54. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy. Joining all putative class members in one action is impracticable and prosecuting individual actions is not feasible. The size of the individual claims is likely not large enough to justify filing a separate action for each claim. For many, if not most putative class members, a class action is the only procedural mechanism that will afford them an opportunity for legal redress and justice. Even if putative class members had the resources to pursue individual litigation, that method would be unduly burdensome to the courts in which such cases would proceed. Individual litigation exacerbates the delay and increases the expense for all parties, as well as the court system. Individual litigation could result in inconsistent adjudications of common issues of law and fact.

55. In contrast, a class action will minimize case management difficulties and provide multiple benefits to the litigating parties, including efficiency, economy of scale, unitary adjudication with consistent results and equal protection of the rights of Plaintiff and putative class members. These benefits would result from the comprehensive and efficient supervision of the litigation by a single court.

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56. Class certification is further warranted because State Farm has acted or refused to act on grounds that apply generally to the class, so that final injunctive relief or corresponding declaratory relief is appropriate respecting the class as a whole.

**COUNT I  
BREACH OF CONTRACT**

57. The Plaintiff realleges the foregoing paragraphs as if set forth in full here.

58. State Farm entered into policies of insurance with the Plaintiff and other members of the putative class. These insurance policies govern the relationship between State Farm, Plaintiff and other putative class members, as well as the manner in which claims for covered losses are handled.

59. State Farm drafted the insurance policies at issue and they are essentially identical in all respects material to this litigation.

60. In order to receive ACV claim payments, Plaintiff and other putative class members must have and did comply with all material provisions and fulfilled their respective duties with regard to their insurance policies.

61. The policies of insurance State Farm issued to Plaintiff and other members of the putative class state that in the event of a partial loss State Farm may fulfill its initial contractual obligation to an insured party by paying the ACV of the loss. At all times relevant hereto, State Farm's custom and practice has been, and is, to make such payments based upon State Farm's calculation of the ACV for the partial loss, less any applicable deductible.

62. State Farm breached its contractual duty to pay Plaintiff and putative class members the ACV of their claims by unlawfully depreciating labor costs.



63. State Farm's actions in breaching its contractual obligations to Plaintiff and putative class members benefitted, and continue to benefit, State Farm. Likewise, State Farm's actions damaged, and continue to damage, Plaintiff and other putative class members.

64. State Farm's actions in breaching its contractual obligations, as described herein, are the direct and proximate cause of damages to Plaintiff and other putative class members.

65. In light of the foregoing, Plaintiff and other putative class members are entitled to recover damages sufficient to make them whole for all amounts State Farm unlawfully withheld from their ACV payments as labor cost depreciation.

66. Plaintiff and other putative class members seek any equitable relief as may be permitted under Illinois law to remedy the ongoing breaches of contract.

## COUNT II DECLARATORY JUDGMENT AND RELIEF

67. The Plaintiff realleges the foregoing paragraphs as if set forth in full here.

68. This Court is empowered by Illinois Code of Civil Procedure 5/2-701 to declare the rights and legal relations of parties regardless of whether or not further relief is or could be claimed.

69. A party may seek to have insurance contracts, before or after a breach, construed to obtain a declaration of rights, status, and other legal relations thereunder adjudicated.

70. Illinois law permits equitable relief whenever necessary or proper supplemental to a declaration of rights.

71. Plaintiff and putative class members have complied with all relevant conditions precedent in their contracts.

72. Plaintiff seeks, personally and on behalf of the putative classes, a declaration that their consumer property insurance contracts prohibit deduction of depreciation for labor.

73. Plaintiff further seeks, personally and on behalf of the putative classes, any and all

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equitable relief available under the law that the Court deems necessary and proper to the administration of justice, including but not limited to identifying and locating policyholders, and notifying the same of the circumstances complained of and the restoration of their rights and remediation of their losses, and preclusion by State Farm in engaging in the conduct described herein, all as may be permitted by law.

74. Plaintiff and putative class members have suffered injuries.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff Jarret Sproull, on behalf of himself and others similarly situated, respectfully requests that this Court:

1. Certify the class identified herein or as amended during litigation;
2. Enter a declaratory judgment as requested herein;
3. Enter a preliminary and permanent injunction and equitable relief against Defendant and its officers, agents, successors, employees, representatives, and any and all persons acting in concert with them, from engaging in each of the policies, practices, customs, and usages complained of herein;
4. Enter an order that Defendant specifically perform and carry out policies, practices, and programs that remediate and eradicate the effects of its past and present practices complained of herein;
5. Award damages (including prejudgment interest) to named representative and certified class members under the terms of their contracts;
6. Award Plaintiff and the putative class costs, expenses, and disbursements incurred herein; and
7. Grant such other and further relief as the Court deems necessary and proper.

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Respectfully Submitted:

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***Attorneys for Plaintiff and  
Putative Class Representative***

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A.101



State Farm  
 PO Box 106169  
 Atlanta, GA 30348-6169  
 Phone: 1-877-783-1200  
 Fax: 844-236-3646

## Structural Damage Claim Policy

When you have a covered structural damage claim to your real property, you should know:

- We want you to receive quality repair work to restore the damages to your property.
- We will provide you with a detailed estimate of the scope of the damage and costs of repairs. Should the contractor you select have questions concerning our estimate, they should contact your claim representative directly.
- Depending upon the complexity of your repair, our estimate may or may not include an allowance for general contractor's overhead and profit. If you have questions regarding general contractor's overhead and profit and whether general contractor services are appropriate for your loss, please contact your claim representative before proceeding with repairs.
- There may be building codes, ordinances, laws, or regulations that affect the repairs of your property. These items may or may not be covered by your policy. Please contact your claim representative if you have any questions regarding coverage which may be available under your policy.
- If you select a contractor whose estimate is the same as or lower than our estimate, based on the same scope of damages, we will pay based upon their estimate. If your contractor's estimate is higher than ours, you should contact your claim representative prior to beginning repairs.
- State Farm® cannot authorize any contractor to proceed with work on your property. Repairs should proceed only with your authorization.
- State Farm does not guarantee the quality of the workmanship of any contractor or guarantee that the work will be accomplished within any specific time frame.
- It is understood that the contractor is hired by you, our insured, and that they work for you - not State Farm.

If you have any questions or need additional information regarding your claim, please contact your claim representative immediately.



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A.102

## State Farm

SPROULL, JARRET

13-793G-205

Insured:	SPROULL, JARRET	Estimate:	13-793G-205
Property:	3603 Franor St	Claim Number:	13793G205
	Alton, IL 62002-3117	Policy Number:	73-BP-R427-1
Home:	618-402-3179	Price List:	ILES28_DEC15
Cellular:	618-402-7545		Restoration/Service/Remodel
Type of Loss:	Wind Damage		
Deductible:	\$1,000.00		
Date of Loss:	12/28/2015		
Date Inspected:	1/23/2016		

## Summary for Coverage A - Dwelling - 35 Windstorm and Hail

Line Item Total	1,687.24
Material Sales Tax	24.30
Replacement Cost Value	1,711.54
Less Depreciation (Including Taxes)	(394.36)
Less Deductible	(1,000.00)
Net Actual Cash Value Payment	\$317.18

## Maximum Additional Amounts Available If Incurred:

Total Line Item Depreciation (Including Taxes)	394.36
Replacement Cost Benefits	394.36
Total Maximum Additional Amount Available If Incurred	394.36
Total Amount of Claim If Incurred	\$711.54

West, Jack  
866-787-8676 x 13147

**ALL AMOUNTS PAYABLE ARE SUBJECT TO THE TERMS, CONDITIONS AND LIMITS OF YOUR POLICY.**

Date: 7/12/2016 9:57 AM

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## Explanation of Building Replacement Cost Benefits

### Homeowner Policy

#### Coverage A - Dwelling - 35 Windstorm and Hail

To: Name: SPROULL, JARRET  
 Address: 3603 Franor St  
 City: Alton  
 State/Zip: IL, 62002-3117

Insured: SPROULL, JARRET  
 Date of Loss: 12/28/2015

Claim Number: 13793G205  
 Cause of Loss: WIND

Your insurance policy provides replacement cost coverage for some or all of the loss or damage to your dwelling or structures. Replacement cost coverage pays the actual and necessary cost of repair or replacement, without a deduction for depreciation, subject to your policy's limit of liability. To receive replacement cost benefits you must:

1. Complete the actual repair or replacement of the damaged part of the property within two years of the date of loss; and
2. Notify us within 30 days after the work has been completed.
3. Confirm completion of repair or replacement, by submitting invoices, receipts or other documentation to your agent or claim office.

Until these requirements have been satisfied, our payment(s) to you will be for the actual cash value of the damaged part of the property, which may include a deduction for depreciation.

Without waiving the above requirements, we will consider paying replacement cost benefits prior to actual repair or replacement if we determine repair or replacement costs will be incurred because repairs are substantially under way or you present a signed contract acceptable to us.

The estimate to repair or replace your damaged property is \$1,711.54. The enclosed claim payment to you of \$317.18 is for the actual cash value of the damaged property at the time of loss, less any deductible that may apply. We determined the actual cash value by deducting depreciation from the estimated repair or replacement cost. Our estimate details the depreciation applied to your loss. Based on our estimate, the additional amount available to you for replacement cost benefits (recoverable depreciation) is \$ 394.36.

If you cannot have the repairs completed for the repair/replacement cost estimated, please contact your claim representative prior to beginning repairs.

All policy provisions apply to your claim.

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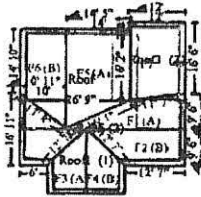
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SPROULL, JARRET

## State Farm

13-793G-205 . . . . .

### Dwelling



### Roof

1,353.41 Surface Area	13.53 Number of Squares
159.74 Total Perimeter Length	73.64 Total Ridge Length

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
Inspection determined there was no direct physical loss to shingles on front, right, rear, and left slopes. Inspection also determined there was no direct physical loss to roofing components.						
<b>Totals: Roof</b>		<b>0.00</b>	<b>0.00</b>		<b>0.00</b>	<b>0.00</b>

### Interior



### Dining Room

**Height: Sloped**

284.75 SF Walls	105.64 SF Ceiling
390.39 SF Walls & Ceiling	105.39 SF Floor
43.38 LF Ceil. Perimeter	39.26 LF Floor Perimeter

### Missing Wall - Goes to Floor

4' 1" X 6' 8"

**Opens into KITCHEN**

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
<b><u>Ceiling</u></b>						
1. R&R 1/2" drywall - hung, taped, ready for texture						
12.00 SF						REVISED
2. R&R Batt insulation - 6" - R21 - paper faced						
12.00 SF	1.40	0.89	17.69			17.69
3. Seal/prime then paint the surface area (2 coats)						
30.00 SF	0.68	0.35	20.75			20.75
4. Texture drywall - light hand texture						
30.00 SF	0.34	0.12	10.32			10.32
5. Paint the ceiling - one coat						
105.64 SF	0.48	0.91	51.62	8/15 yrs Avg.	(27.54) 53.33%	24.08
<b><u>Walls</u></b>						
6. Seal the surface area w/PVA primer - one coat						
16.00 SF	0.41	0.06	6.62			6.62

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## State Farm

SPROULL, JARRET

13-793G-205

## CONTINUED - Dining Room

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
7. Paint the surface area - one coat						
16.00 SF	0.48	0.14	7.82			7.82
8. Paint the walls - one coat						
284.75 SF	0.48	2.46	139.14	8/15 yrs Avg.	(74.21) 53.33%	64.93
*****Revisions completed by Damarcus Williams UGER on 7/12/20116*****						
9. Content Manipulation charge - per hour						
2.00 HR	36.93	0.00	73.86			73.86
10. R&R Fiberboard - 1"						
105.64 SF	1.08	2.74	116.83	8/20 yrs Avg.	(46.74) 40.00%	70.09
11. R&R Batt insulation - 10" - R30 - unfaced batt						
105.64 SF	1.44	7.05	159.17			159.17
<b>Totals: Dining Room</b>		<b>14.72</b>	<b>603.82</b>		<b>148.49</b>	<b>455.33</b>



## Kitchen

Height: 8'

204.48 SF Walls	115.69 SF Ceiling
320.18 SF Walls & Ceiling	115.69 SF Floor
37.61 LF Ceil. Perimeter	22.11 LF Floor Perimeter

Missing Wall - Goes to Floor	11' 10" X 6' 8"	Opens into Exterior
Missing Wall - Goes to Floor	7' 4" X 6' 8"	Opens into Exterior
Missing Wall - Goes to Floor	4' 1" X 6' 8"	Opens into DINING_ROOM
Missing Wall - Goes to Ceiling	7' 9" X 1' 2"	Opens into HALLWAY

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
<b>Ceiling</b>						
12. R&R 1/2" drywall - hung, taped, ready for texture						
4.00 SF	1.54	0.14	6.30			6.30
13. R&R Batt insulation - 6" - R19 - paper faced						
4.00 SF	1.06	0.19	4.43			4.43
14. Seal/prime then paint the surface area (2 coats)						
16.00 SF	0.68	0.19	11.07			11.07
15. Texture drywall - light hand texture						
16.00 SF	0.34	0.06	5.50			5.50

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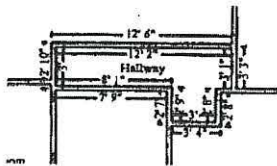
SPROULL, JARRET

State Farm

13-793G-205

## CONTINUED - Kitchen

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
16. Paint the ceiling - one coat						
115.69 SF	0.48	1.00	56.53	8/15 yrs Avg.	(30.15) 53.33%	26.38
<b>Walls</b>						
17. R&R 1/2" drywall - hung, taped, ready for texture						
12.00 SF	1.54	0.41	18.89			18.89
18. Texture drywall - machine - knockdown						
30.00 SF	0.31	0.09	9.39			9.39
19. Seal/prime then paint the surface area (2 coats)						
30.00 SF	0.68	0.35	20.75			20.75
20. Paint the walls - one coat						
204.48 SF	0.48	1.77	99.92	8/15 yrs Avg.	(53.29) 53.33%	46.63
*****Revisions completed by Damarcus Williams UGER on 7/12/20116*****						
21. Content Manipulation charge - per hour						
1.50 HR	36.93	0.00	55.40			55.40
<b>Totals: Kitchen</b>		<b>4.20</b>	<b>288.18</b>		<b>83.44</b>	<b>204.74</b>



## Hallway

Height: 7' 3"

253.65 SF Walls	44.62 SF Ceiling
298.27 SF Walls & Ceiling	44.62 SF Floor
27.67 LF Ceil. Perimeter	35.75 LF Floor Perimeter

Missing Wall - Goes to Ceiling

3' 1" X 3"

Opens into LIVING\_ROOM

Missing Wall - Goes to Ceiling

8' 1" X 5"

Opens into KITCHEN

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
<b>Walls</b>						
22. Paint the walls - one coat						
253.65 SF	0.48	2.19	123.94	8/15 yrs Avg.	(66.10) 53.33%	57.84
*****Revisions completed by Damarcus Williams UGER on 7/12/20116*****						
23. Content Manipulation charge - per hour						
0.50 HR	36.93	0.00	18.47			18.47
<b>Totals: Hallway</b>		<b>2.19</b>	<b>142.41</b>		<b>66.10</b>	<b>76.31</b>

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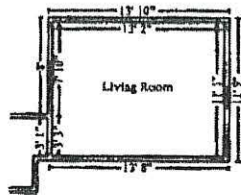
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SPROULL, JARRET

## State Farm

13-793G-205



## Living Room

Height: 7' 8"

369.67 SF Walls  
515.60 SF Walls & Ceiling  
48.50 LF Ceil. Perimeter

145.93 SF Ceiling  
145.93 SF Floor  
48.50 LF Floor Perimeter

Missing Wall - Goes to Ceiling

3' 3" X 8"

Opens into HALLWAY

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
<b>Walls</b>						
24. Paint the walls - one coat						
369.67 SF	0.48	3.19	180.63	8/15 yrs Avg.	(96.33) 53.33%	84.30
*****Revisions completed by Darnarcus Williams UGER on 7/12/20116*****						
25. Content Manipulation charge - per hour						
1.00 HR	36.93	0.00	36.93			36.93
<b>Totals: Living Room</b>		<b>3.19</b>	<b>217.56</b>		<b>96.33</b>	<b>121.23</b>

## Debris Removal

0.00 SF Walls                      0.00 SF Ceiling                      0.00 SF Walls & Ceiling  
0.00 SF Floor                      0.00 SF Short Wall                      0.00 LF Floor Perimeter  
0.00 SF Long Wall                      0.00 LF Ceil. Perimeter

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
26. Haul debris - per pickup truck load - including dump fees.						
1.00 EA	120.11	0.00	120.11			120.11
<b>Totals: Debris Removal</b>		<b>0.00</b>	<b>120.11</b>		<b>0.00</b>	<b>120.11</b>

## Area Totals: Interior

1,112.55 SF Walls                      411.89 SF Ceiling                      1,524.43 SF Walls and Ceiling  
411.64 SF Floor                      462.10 Total Area                      145.61 LF Floor Perimeter  
411.64 Floor Area                      127.84 Exterior Perimeter                      157.15 LF Ceil. Perimeter  
959.57 Exterior Wall Area                      of Walls                      1,112.55 Interior Wall Area

<b>Total: Interior</b>	<b>24.30</b>	<b>1,372.08</b>	<b>394.36</b>	<b>977.72</b>
------------------------	--------------	-----------------	---------------	---------------

## Exterior

## Front Elevation

Date: 7/12/2016 9:57 AM

Page: 7

SPROULL, JARRET

## State Farm

13-793G-205

0.00 SF Walls  
0.00 SF Floor  
0.00 SF Long Wall

0.00 SF Ceiling  
0.00 SF Short Wall

0.00 SF Walls & Ceiling  
0.00 LF Floor Perimeter  
0.00 LF Ceil. Perimeter

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
Inspection determined there was no direct physical loss to this elevation.						
<b>Totals: Front Elevation</b>		0.00	0.00		0.00	0.00

## Right Elevation

0.00 SF Walls  
0.00 SF Floor  
0.00 SF Long Wall

0.00 SF Ceiling  
0.00 SF Short Wall

0.00 SF Walls & Ceiling  
0.00 LF Floor Perimeter  
0.00 LF Ceil. Perimeter

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
Inspection determined there was no direct physical loss to this elevation.						
<b>Totals: Right Elevation</b>		0.00	0.00		0.00	0.00

## Rear Elevation

0.00 SF Walls  
0.00 SF Floor  
0.00 SF Long Wall

0.00 SF Ceiling  
0.00 SF Short Wall

0.00 SF Walls & Ceiling  
0.00 LF Floor Perimeter  
0.00 LF Ceil. Perimeter

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
Inspection determined there was no direct physical loss to this elevation.						
<b>Totals: Rear Elevation</b>		0.00	0.00		0.00	0.00

## Left Elevation

0.00 SF Walls  
0.00 SF Floor  
0.00 SF Long Wall

0.00 SF Ceiling  
0.00 SF Short Wall

0.00 SF Walls & Ceiling  
0.00 LF Floor Perimeter  
0.00 LF Ceil. Perimeter

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
Inspection determined there was no direct physical loss to this elevation.						

Date: 7/12/2016 9:57 AM

Page: 8

## State Farm

SPROULL, JARRET

13-793G-205

## CONTINUED - Left Elevation

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
Totals: Left Elevation		0.00	0.00		0.00	0.00

## Labor Minimums Applied

QUANTITY	UNIT PRICE	TAX	RCV	AGE/LIFE CONDITION	DEPREC. DEP %	ACV
* 27. Drywall labor minimum						
1.00 EA	182.05	0.00	182.05			182.05
* 28. Flat roof/membrane roofing labor minimum						
1.00 EA	157.41	0.00	157.41			157.41
Totals: Labor Minimums Applied		0.00	339.46		0.00	339.46
Line Item Totals: 13-793G-205		24.30	1,711.54		394.36	1,317.18

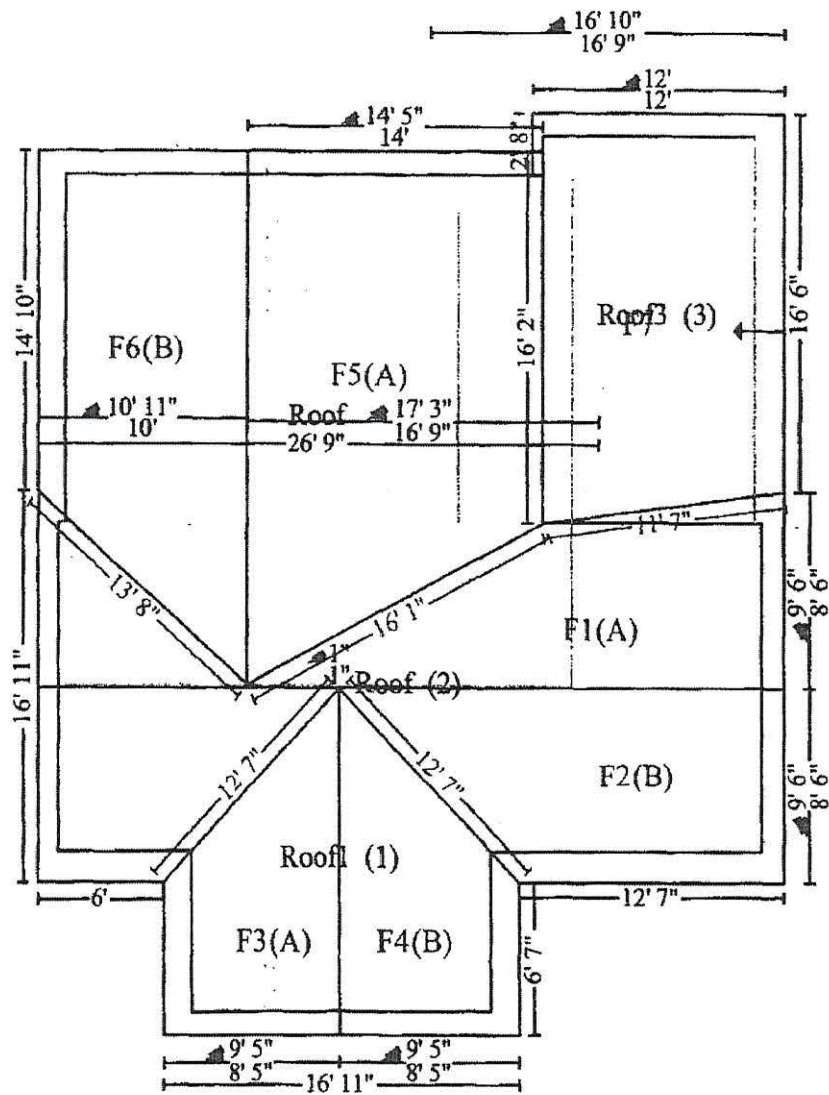
## Grand Total Areas:

1,112.55 SF Walls	411.89 SF Ceiling	1,524.43 SF Walls and Ceiling
411.64 SF Floor		145.61 LF Floor Perimeter
		157.15 LF Ceil. Perimeter
411.64 Floor Area	462.10 Total Area	1,112.55 Interior Wall Area
1,147.75 Exterior Wall Area	127.84 Exterior Perimeter of Walls	
1,353.41 Surface Area	13.53 Number of Squares	319.48 Total Perimeter Length
73.64 Total Ridge Length		

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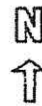
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Dwelling



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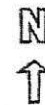
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Dwelling



### Interior



Date: 7/12/2016 9:57 AM



# Property Loss Adjusting

Volume I

Edited by

**JAMES J. MARKHAM, J.D., CPCU, AIC, AIAF**  
*Director of Curriculum*



First Edition • 1990

**INSURANCE INSTITUTE OF AMERICA**  
720 Providence Road, Malvern, Pennsylvania 19355-0770



## 226—Property Loss Adjusting

## Depreciation Fallacies

When depreciation does apply in the valuation of a loss, it must be carefully evaluated and calculated. In making the calculation, the adjuster must use sound judgment and avoid common fallacies about depreciation.

**Maximum Amounts.** Some adjusters believe that personal property never depreciates more than 50 percent. There is no basis in fact for such a generalization. It may be true for some items, especially those with a nearly indefinite lifespan, but most types of personal property can and will lose value to the point of worthlessness.

**Material Only.** Some adjusters believe only the material and not the labor should be depreciated. This makes little sense. An object derives value from both the material and labor that went into it. For example, assume that a twenty-year-old living room couch has served its useful life and is to be disposed of. More than just the material has depreciated: if material costs \$150, and the labor to manufacture the piece (including profit) costs \$200, the couch was worth \$350. Now, twenty years later, all of its value has been "used up," not just the value represented by the material. The entire couch is worthless.

**Book Depreciation.** The book depreciation of an item for tax purposes should not be used by the adjuster as a controlling factor in an insurance claim. Businesses will depreciate property as fast as possible for tax purposes, but property does not actually depreciate at this rate. While book depreciation and actual depreciation may happen to coincide, an adjuster should not expect this to be the case.

## Depreciation

Actual cash value must be determined differently for different types of property. The following discussion highlights how different types of property may be depreciated as well as some factors that affect the changes in value of a given item of property.

**Straight Line Depreciation.** In most jurisdictions and in most circumstances, personal property is depreciated using the straight line method, in which a fixed percentage or fraction is deducted from the replacement cost every year. Buildings too are typically depreciated using the straight line method and might be subject to a 1 percent depreciation per year. However, there is nothing really scientific about this approach. The longevity of a building, like an item of personal property, depends on a number of factors. It is not uncommon for a building to be utilized well after 100 years (1 percent a year

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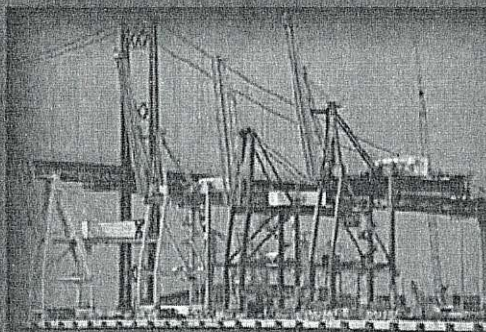
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# The Appraisal of Real Estate

14<sup>th</sup> Edition





participants sell rights, not land and buildings. The breakdown into land and building components is important because it creates many issues that would not be relevant in the other approaches, where the land is not separated from the buildings. For example, the allocation of external obsolescence is an issue for the cost approach, but not for the income capitalization and sales comparison approaches.

To apply the cost approach, an appraiser estimates the market's perception of the difference between the property improvements being appraised and a newly constructed building with optimal utility (i.e., the ideal improvement identified in highest and best use analysis). In its classic form, the cost approach produces an opinion of the value of the fee simple estate. If the purpose of the appraisal is to estimate the value of an interest other than fee simple, an adjustment will be required. For example, a property rights adjustment could be made as a lump-sum adjustment at the end of the cost approach. This would be particularly important when the interest appraised is the leased fee encumbered by a long-term lease.

In applying the cost approach, an appraiser must distinguish between two cost bases—reproduction cost and replacement cost—and use one of the two consistently throughout the analysis. The market and physical condition of the appraised property usually suggest whether an exact replica of the subject property (reproduction cost) or a substitute property of comparable size and use (replacement cost) would be the basis of a more suitable comparison. The term *modern equivalent asset* is used in international valuation standards to describe an asset that provides “similar function and equivalent utility to the asset being valued” rather than a replica designed and constructed using current materials and techniques.<sup>1</sup>

Appraisers estimate the cost to construct existing structures and site improvements (including direct costs, indirect costs, and an appropriate entrepreneurial incentive or profit) using one of three traditional techniques:

- the comparative-unit method
- the unit-in-place method
- the quantity survey method

Appraisers then deduct all depreciation in the property improvements from the cost of the new structure as of the effective appraisal date. (Outside the United States, the term *depreciated replacement cost method* is often used to describe the application of the cost approach in this manner.) The amount of depreciation present is estimated using one or more of three fundamental methods:

- the market extraction method
- the economic age-life method
- the breakdown method

#### cost approach

A set of procedures through which a value indication is derived for the fee simple estate by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive or profit; deducting depreciation from the total cost; and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

1. International Valuation Standards Council, *Technical Information Paper 2: The Cost Approach for Tangible Assets* (London: INSC, 2012), Paragraph 8, s.v., “Modern Equivalent Asset.”

preciation from all causes when that sort of measurement is necessary.

### Cost Estimates

To develop cost estimates for the total building, appraisers must consider direct costs (also known as *hard costs*) and indirect costs (also known as *soft costs*). Both direct and indirect costs are essential to a reliable cost estimate. (The traditional data sources and appraisal techniques used to estimate building costs are discussed in Chapter 28.)

Direct construction costs include the costs of material and labor as well as the contractor's profit required to construct the improvement on the effective appraisal date. The overhead and profit of the general contractor and various subcontractors are usually part of the construction contract and therefore are direct costs that should always be included in the cost estimate. In more complex projects, where multiple contractors, construction staging, or other complications are involved, a management fee may be required. Indirect costs are expenditures or allowances that are necessary for construction but are not typically part of the construction contract. These costs can include, but are not limited to, the cost of architectural and engineering services, loan origination fees, carrying costs during construction, title insurance fees, appraisal and legal fees, leasing and marketing costs, and developer's overhead and profit. Because the entrepreneur provides the inspiration, drive, and coordination necessary to the overall project, the cost approach should include an appropriate entrepreneurial incentive or profit, which is discussed later in this chapter. A construction contingency is not usually a soft cost but rather a hard cost.

Because the quality of materials and labor greatly influences costs, appraisers should be familiar with the costs of the materials used in the property being appraised. A building can cost substantially more than is typical if items such as walls and windows are overinsulated or thicker slabs are used to accommodate greater floor loads. Many newer structures contain elements that may not be found in older buildings with which they compete. At one time the market may have considered features such as Internet connectivity, networking and telecommunications capabilities, and adequate, reliable power in "smart" office buildings to be high-tech overimprovements. These features may not have contributed as much value as they cost at the time of installation, but as demand for the building materials and features continues to increase so does their contribution to value.

The competitive situation in the local market can also affect cost estimates. Actual contractor bids based on the same set of specifica-

#### direct costs

Expenditures for the labor and materials used in the construction of improvements; also called *hard costs*.

#### Indirect costs

Expenditures or allowances for items other than labor and materials that are necessary for construction, but are not typically part of the construction contract. Indirect costs may include administrative costs, professional fees, financing costs and the interest paid on construction loans, taxes and the builder's or developer's all-risk insurance during construction, and marketing, sales, and lease-up costs incurred to achieve occupancy or sale. Also called *soft costs*.



tions can vary substantially. A contractor who is working at capacity is inclined to make a high bid, while one who needs the work is likely to submit a lower figure. The items cited in the Table 27.1 reflect typical costs incurred in a balanced market. In markets that are out of balance, higher costs may result from a prolonged absorption period—e.g., additional marketing or carrying costs, tenant improvements, leasing commissions, and administrative expenses. The increase in costs can contribute to external obsolescence.

Some indirect costs, such as architectural fees and property taxes, are generally related to the size and cost of the project. These are often estimated as a percentage of direct costs. Other costs, such as leasing and sales commissions, are related to the type of property or market practice. Still others, such as fees for appraisals and environmental studies, are a function of the time required to accomplish the task. The indirect costs of carrying an investment during and after construction are a combination of all of the above. Although total indirect costs are sometimes estimated as a percentage of direct costs, more detailed studies of these costs are recommended. When a cost estimating service is used, it is important for appraisers to be able to identify which costs are

**Table 27.1** Examples of Direct Costs and Indirect Costs

**Direct Costs**

- Building permits
- Materials, products, and equipment
- Labor used in construction
- Equipment used in construction and depreciation of equipment during construction
- Security during construction
- Contractor's shack and temporary fencing
- Material storage facilities and transportation costs
- Power line installation and utility costs
- Contractor's profit and overhead, including job supervision, coordination and management (when appropriate), worker's compensation, and fire, liability, and unemployment insurance
- Performance bonds

**Indirect Costs**

- Architectural and engineering fees for plans, plan checks, surveys to establish building lines and grades, and environmental studies
- Appraisal, consulting, accounting, and legal fees
- All-risk insurance expense and ad valorem taxes during construction
- The cost of carrying the investment in land and contract payments during construction\*
- The cost of carrying the investment in the property after construction is complete but before stabilization is achieved
- Supplemental capital investment in tenant improvements and leasing commissions
- Marketing costs, sales commissions, and any applicable holding costs to achieve stabilized occupancy in a normal market
- Administrative expenses of the developer
- Local government development levies

\* If construction financing is required, the points, fees or service charges, and interest on construction loans are indirect costs.





### Certified Policy Record

I, the undersigned, do hereby confirm that I am custodian of the records pertaining to the issuance of policies by State Farm Fire and Casualty Company.

I certify that the attached documents represent a true and accurate record of the terms and conditions of Policy Number 73-BP-R427-1 including any endorsements, if applicable, for the policy term(s) November 25, 2008 to November 25, 2016 and insuring Jarret Sproull of 3603 Franor St, Alton IL 62002-3117 based on available records.

The policy was in effect on the loss date of December 28, 2015.

*David C. Christian*

David C. Christian, Underwriting Section Manager

1004516

2000 143551 200 03-21-2012

State Farm

**State Farm Fire and Casualty Company**2702 Ireland Grove Road  
Bloomington, IL 61709-0001

16-L-1341

AT1

003395 0001

E-01- 9F48-FA9F

H W F

SPROULL, JARRET

3603 FRANOR ST

ALTON IL 62002-3117

POLICY NUMBER

73-BP-R427-1

HOMEOWNERS AVAILABLE COVERAGE NOTICE

SEE RENEWAL CERTIFICATE

ST-  
0104-0000

IT IS IMPORTANT THAT YOU OCCASIONALLY REVIEW THE COVERAGES AND LIMITS IN YOUR HOMEOWNERS POLICY TO BE CERTAIN YOUR NEEDS ARE BEING MET. THE FOLLOWING INFORMATION WILL ASSIST YOU IN THE REVIEW PROCESS.

THE COVERAGE LIMITS FOR COVERAGE A - DWELLING, COVERAGE B - PERSONAL PROPERTY, COVERAGE L - PERSONAL LIABILITY, AND COVERAGE M - MEDICAL PAYMENTS TO OTHERS ARE LISTED ON THE ACCOMPANYING RENEWAL NOTICE. PLEASE REVIEW THESE LIMITS TO DETERMINE IF THEY ARE ADEQUATE IN THE EVENT OF A LOSS.

THE FOLLOWING IS A PARTIAL LIST OF THE OPTIONAL COVERAGES YOU HAVE NOT ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Back-Up of Sewer or Drain (for damage caused by water from outside the plumbing system which backs up through sewers or drains)

Building Ordinance or Law (higher limits)

Business Property (for higher limits)

Business Pursuits Liability (for teachers, school administrators, sales persons, and clerical workers)

Child Care Liability (for those providing child care in their home)

Earthquake

Firearms (for broadened coverage and higher limits)

Home Computers (for higher limits)

Incidental Business Liability (for those with an incidental office, studio, or school in the home)

Jewelry and Furs (for broadened coverage and higher limits)

Loss Assessment (for neighborhoods with Homeowners Associations)

Nurses Professional Liability (for those in the nursing profession)

\*\*Optional Coverages continued on the reverse side\*\*

This notice contains only a general description of the coverages and is not a contract. All coverages are subject to the provisions in the policy itself. Should you have a need for any of these coverages or higher limits, contact your State Farm Agent to discuss details, cost and eligibility.

**IMPORTANT INFORMATION ABOUT DAMAGE CAUSED BY FLOODING**

This policy does not cover damage to your property caused by flooding. You may be eligible for such coverage through the National Flood Insurance Program ("NFIP"), if you live in a participating community. For more information, contact your State Farm® agent or visit [floodsmart.gov](http://floodsmart.gov).

N 0663 4011 I  
09 T1.DR.NP.6K.91Agent TOM LANE INS AND FIN SVCS INC  
Telephone (618) 377-8912

REP

Prepared SEP 16 2015

Page 3 of 165

A.121

SR 100

THE FOLLOWING IS A **PARTIAL LIST** OF THE OPTIONAL COVERAGES YOU HAVE **NOT** ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Personal Injury (for your liability to others caused by certain acts of libel, slander, invasion of privacy, false arrest)

Silverware/Goldware (for broadened coverage and higher limits)

Increased Personal Property (for higher limits above the standard policy limit, which is a percentage of your Cov A-Dwelling amount)

State Farm

## State Farm Fire and Casualty Company

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

E-01- 9F48-FA9F H W F

003395 0001

SPROULL, JARRET  
3603 FRANDR ST  
ALTON IL 62002-3117ST-  
0204-0000

Location: Same as Mailing Address

## Loss Settlement Provisions (See Policy)

A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

## Forms, Options, and Endorsements

Homeowners Policy  
Increase Dwlg up to \$24,060  
Ordinance/Law 10%/ \$12,030  
Jewelry and Furs \$1,500/\$2,500  
Civil Union Endorsement  
Homeowners Policy Endorsement  
Amendatory EndorsementFP-7955 . IL  
OPT ID  
OPT OL  
OPT JF  
FE-8790  
FE-3452  
FE-2348

## RENEWAL CERTIFICATE

16-L-1341

POLICY NUMBER 73-BP-R427-1

Homeowners Policy

NOV 25 2015 to NOV 25 2016

## TO BE PAID BY MORTGAGEE

## Coverages and Limits

## Section I

A Dwelling	Up To	\$120,300
Dwelling Extension		12,030
B Personal Property		90,225
C Loss of Use		Actual Loss Sustained

## Deductibles - Section I

All Losses	1,000
------------	-------

## Section II

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium	\$841.00
----------------	----------

## Premium Reductions

Home Alert Discount	60.00
Claim Record Discount	187.00

Inflation Coverage Index: 227.9

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

138-30761.8 10-11-2010 (0130089)

Thanks for letting us serve you. We appreciate our long term customers.

Agent TOM LANEINS AND FIN SVCS INC

Telephone (618) 377-8912

Moving? See your State Farm agent.  
See reverse for important information.

Prepared SEP 16 2015

REP



Mortgagee: QUICKEN LOANS INC  
Loan No: 3326140640  
Add Ins: KERRI VAUGHN  
Add Ins: KERRI SPROULL

Your premium was influenced by information from consumer reports:

Number of revolving accounts opened in the last 24 months; Number of accounts that have been established.

Please refer to the enclosed insert for additional details.

#### **Your coverage amount....**

It is up to you to choose the coverages and limits that meet your needs. We recommend that you purchase a coverage limit at least equal to the estimated replacement cost of your home. Replacement cost estimates are available from building contractors and replacement cost appraisers, or, your agent can provide an Xactware estimate using information you provide about your home. We can accept the type of estimate you choose as long as it provides a reasonable level of detail about your home. State Farm® does not guarantee that any estimate will be the actual future cost to rebuild your home. Higher limits are available at higher premiums. Lower limits are also available, which if selected may make certain coverages unavailable to you. We encourage you to periodically review your coverages and limits with your agent and to notify us of any changes or additions to your home.



State Farm Fire and Casualty Company

8665

16-L-1341  
73-BP-R427-1

553-3118.4

## This Notice Is Being Provided Pursuant To The Federal Fair Credit Reporting Act And Any Applicable State Law



ST-0304-0000

The amount you pay for homeowners insurance is influenced by many factors, including the coverages you have, the type of construction, information from a consumer report, and the likelihood of future claims. Please refer to your renewal certificate for information about factors that affect your premium. The premium associated with the use of credit has increased. Our use of credit information from the consumer report determines *insurance* risk, but not *credit* risk. This report is obtained from LexisNexis Risk Solutions, Inc., a consumer reporting agency. LexisNexis only provides information, does not make any decisions about your insurance, and is unable to provide any reasons for State Farm's decision.

We encourage you to obtain a free copy of the consumer report used by contacting LexisNexis within 60 days of receiving this notice. Please submit your request for the credit report used to:

LexisNexis Consumer Center  
P. O. Box 105108  
Atlanta, GA 30348  
Phone: 1-800-456-6004  
Internet Address: [www.consumerdisclosure.com](http://www.consumerdisclosure.com)

In an effort to protect consumer privacy, the consumer reporting agency will only release consumer report information to the consumer. If you contact the vendor listed above to obtain the consumer report information used by State Farm® to rate your policy, the vendor will attempt to verify that you are the person whose consumer report information was obtained by asking you to answer one or more questions regarding that information. If your consumer report information was not used, your agent can advise you whose consumer report information was obtained to rate your policy and that person can request the information from the vendor.

If your credit history was adversely influenced by certain life events please talk to your agent about requesting an additional review of your information. Examples of such life events may include, but are not limited to, catastrophic illness or injury, death of an immediate family member, temporary loss of employment, divorce, military deployment overseas or identity theft. Or, if the information in your credit report is incomplete or inaccurate, you have the right to dispute it with LexisNexis. If a correction is made as a result of your dispute, please tell your agent so State Farm may reconsider its decision.

The names and addresses of any institutional sources that supplied this information are listed above. As an individual, you have the right to know what personal information we've recorded. Here is the procedure:

1. After you submit a written request for access to recorded personal information which is reasonably locatable and retrievable, within 21 days we will:
  - a. inform you of the nature and substance of the recorded personal information in writing, by telephone or by other oral communication.
  - b. permit you to see and copy, in person, the recorded personal information (except medical-record information) which applies to you, or provide you with copies of this information by mail, whichever you prefer, unless the record of information is in coded form, in which case an accurate translation in plain language will be provided in writing.
  - c. inform you of the persons, if recorded, to which the personal information (except medical-record information) has been disclosed within two years of your request. If the identities have not been recorded, we will provide you with the names of those insurance institutions, agents, insurance-support organizations or other persons to whom such information is normally disclosed.
  - d. provide you with a summary of the procedures by which you may request correction, amendment or deletion of recorded personal information.
2. Medical-record information. Subject to a few state exceptions, medical-record information provided by a medical-care institution or a medical professional generally will be disclosed by State Farm to a medical professional whose name and address you provide us and who is licensed to provide medical care for the conditions to which the information applies.

(Continued)

Agent: TOM LANE INS AND FIN SVCS INC

Telephone: (618) 377-8912

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## State Farm Fire and Casualty Company

3. State Farm may charge you a reasonable fee to cover the costs incurred in providing you with a copy of recorded personal information. If the information applies to reasons for an adverse underwriting decision, there will be no charge.
4. In some circumstances, our obligations to you regarding access to recorded personal information may be satisfied by referring you to an insurance-support organization.

Finally, we want you to know you have the following rights in regard to the correction, amendment or deletion of recorded personal information:

1. Within 30 days of receiving your written request to correct, amend or delete any recorded personal information we have, State Farm will:
  - a. correct, amend or delete the portion of the recorded personal information in dispute, or
  - b. notify you of our refusal to make the correction, amendment or deletion, the reasons for the refusal and your right to file a protest statement.
2. If the recorded personal information is corrected, amended or deleted, you will be notified in writing and this information will be furnished to:
  - a. any person you've designated who may, have within the preceding 2 years, received such recorded personal information.
  - b. any insurance-support organization whose primary source of personal information is insurance institutions, if it has systematically received recorded personal information about you from us within the preceding 7 years, unless this information is no longer maintained.
  - c. any insurance-support organization that furnished the personal information that has been corrected, amended or deleted.
3. If you disagree with a refusal to correct, amend or delete recorded personal information, you may file a:
  - a. concise statement setting forth what you think is the correct, relevant or fair information, and
  - b. concise statement of the reasons why you disagree with the refusal to correct, amend or delete recorded personal information.
4. If you file either of the statements described above, State Farm will:
  - a. file the statement with the disputed personal information and provide a means by which anyone reviewing the disputed personal information will be made aware of the statement and have access to it.
  - b. in any subsequent disclosure of the recorded personal information that is the subject of disagreement, clearly identify the information in dispute and provide the statements that have been filed.
  - c. furnish the statement to any of the three categories of persons and organizations covered in the preceding point "2."
5. Your rights regarding access to recorded personal information apply to the information collected and maintained in connection with insurance transactions. These rights do not extend in connection with or in reasonable anticipation of a claim or civil or criminal proceeding.

State Farm Fire and Casualty Company  
Bloomington, IL

553-3118.4 (C)

Agent: TOM LANE INS AND FIN SVCS INC

(CONTINUED)

Telephone: (618) 377-8912

71

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A.126

SR 105





State Farm Fire and Casualty Company

8666

16-L-1341  
73-BP-R427-1

553-3239

## Information About Your Premium



Claims and information from other State Farm® policies in your household may have been used to determine the premium shown. A policy may be considered "in your household" if, according to our records, the policy has a name and address in common with this policy.

Consumer reports may also be used to determine the price you are charged. We may obtain and use a credit-based insurance score developed from information contained in these reports. We may use a third party in connection with the development of your insurance score.

If a credit-based insurance score is used, you have the right to request, no more than once in a 12 month period that your policy be re-rated using standards that would apply if you were initially applying for insurance. Re-rating could result in a lower rate, no change in rate or a higher rate.

We occasionally collect personal information from persons other than the individual or individuals listed on the policy. Such personal information may, in certain circumstances, be disclosed to third parties without your authorization. If you would like additional information concerning the collection and disclosure of your personal information - and your right to see and correct any personal information in your files - it will be furnished upon request.

553-3239 (C)

553-2474

## PREMIUM ADJUSTMENT

Insurance premiums have been adjusted and continue to reflect the expected cost of claims. Some policyholders will see their premiums increase while other policyholders may see their premiums decrease or stay the same. The amount your premium changed, if at all, depends on several factors including the expected claim experience in your area, the coverage you have, and any applicable discounts or charges.

The enclosed Renewal Certificate reflects your new premium.

State Farm® works hard to offer you the best combination of cost, protection, and service. We will continue doing our best to make the most effective use of your premium dollars and give you superior service when you need it.

If you have any questions about your premium, or policy coverages, please contact your State Farm agent.

553-2474

(10/07)

Agent: TOM LANE INS AND FIN SVCS INC

(CONTINUED)

Telephone: (618) 377-8912

Page 9 of 165

A.127

SR 106



## IMPORTANT NOTICE . . . Discounts and Rating

The longer you are insured with State Farm\* and the fewer claims you have, the lower your premium. For policyholders insured by State Farm for three or more years, the Claim Free Discount Plan provides a premium discount if you have not had any claims considered for the Plan in the most recent three-year period since becoming insured with State Farm. Premium adjustments under the Claim Record Rating Plan are based on the number of years you have been insured with State Farm and on the number of claims that we consider for the Plan. Depending on the Plan(s) that applies in your state/province, claims considered for the Plans generally include claims resulting in a paid loss and may include weather-related claims. Additionally, depending on your state/province's plan and your tenure with State Farm, any claims with your prior insurer resulting in property damage or injury may also influence your premium. For further information about whether a Claim Free Discount is in effect in your state/province, the Claim Record Rating Plan that applies in your state/province, and the claims we consider for the Plans, please contact your State Farm agent.

553-2798 (C) (10/07)

553-2948

## NOTICE TO POLICYHOLDER

For a comprehensive description of coverages and forms, please refer to your policy.

Policy changes that you requested before the "Date Prepared" on your Renewal Certificate are effective on the renewal date of this policy unless indicated otherwise by a separate endorsement, binder or Amended Declarations Page. Any coverage forms or endorsements included with your Renewal Certificate are effective on the renewal date of this policy.

Policy changes that you requested after the "Date Prepared" on your Renewal Certificate will be sent to you as an Amended Declarations Page or as an endorsement to your policy. You will be billed for any resulting premium increase later.

If you have acquired any valuable property items, made any improvements to your home, or have questions about your insurance coverage, please contact your State Farm\* agent.

553-2948 (C) (10/08)

Agent: TOM LANE INS AND FIN SVCS INC

Telephone: (618) 377-8912

State Farm

**State Farm Fire and Casualty Company**2702 Ireland Grove Road  
Bloomington, IL 61709-0001

AT1 004426 0001 E-01- 9F48-FA9F H W F

KERRI VAUGHN  
3603 FRANOR ST  
ALTON IL 62002-3117

ST-0000

Insured: SPROULL, JARRET

Location: 3603 FRANOR ST  
ALTON IL 62002-3117**Loss Settlement Provisions (See Policy)**A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B**Forms, Options, and Endorsements**Homeowners Policy  
Increase Dwlg up to \$24,060  
Ordinance/Law 10%/ \$12,030  
Civil Union Endorsement  
Homeowners Policy Endorsement  
Amendatory Endorsement  
Jewelry and Furs \$1,500/\$2,500FP-7955 . IL  
OPT ID  
OPT OL  
FE-8790  
FE-3452  
FE-2348  
OPT JF**RENEWAL CERTIFICATE**

16-L-1341

**POLICY NUMBER** 73-BP-R427-1Homeowners Policy  
NOV 25 2015 to NOV 25 2016**PAID BY SPECIFIED PARTY****Coverages and Limits****Section I**

A Dwelling		\$120,300
Dwelling Extension	Up To	12,030
B Personal Property		90,225
C Loss of Use		Actual Loss Sustained

**Deductibles - Section I**

All Losses 1,000

**Section II**

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

**Annual Premium** \$841.00**Premium Reductions**

Home Alert Discount	60.00
Claim Record Discount	187.00

**Inflation Coverage Index:** 227.9

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

138-3076 / B 10-11-2010 (0170089)

*Thanks for letting us serve you. We appreciate our long term customers.*

10298

901

AI

Agent TOM LANE INS AND FIN SVCS INC

Telephone (618) 377-8912

REP

Moving? See your State Farm agent.  
See reverse for important information.  
Prepared SEP 16 2015

Mortgagee: QUICKEN LOANS INC  
Loan No: 3326140640  
Add Ins: KERRI VAUGHN  
Add Ins: KERRI SPROULL


**State Farm Fire and Casualty Company**

 2702 Ireland Grove Road  
 Bloomington, IL 61709-0001

 AT1 E-01- 9F48-FA9F H W F  
 004432 0001

 KERRI SPROULL  
 113 N SUMNER ST  
 BUNKER HILL IL 62014-1189

 ST-  
 0101-0000

Insured: SPROULL, JARRET

 Location: 3603 FRANOR ST  
 ALTON IL 62002-3117

**Loss Settlement Provisions (See Policy)**  
 A1 Replacement Cost - Similar Construction  
 B1 Limited Replacement Cost - Coverage B

**Forms, Options, and Endorsements**

 Homeowners Policy  
 Increase Dwlg up to \$24,060  
 Ordinance/Law 10%/ \$12,030  
 Civil Union Endorsement  
 Homeowners Policy Endorsement  
 Amendatory Endorsement  
 Jewelry and Furs \$1,500/\$2,500

 FP-7955 . IL  
 OPT ID  
 OPT OL  
 FE-8790  
 FE-3452  
 FE-2348  
 OPT JF

**RENEWAL CERTIFICATE**

16-L-1341

**POLICY NUMBER 73-BP-R427-1**

 Homeowners Policy  
 NOV 25 2015 to NOV 25 2016

**PAID BY SPECIFIED PARTY**
**Coverages and Limits**
**Section I**

A Dwelling		\$120,300
Dwelling Extension	Up To	12,030
B Personal Property		90,225
C Loss of Use		Actual Loss Sustained

**Deductibles - Section I**

All Losses	1,000
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**Section II**

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

<b>Annual Premium</b>	<b>\$841.00</b>
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**Premium Reductions**

Home Alert Discount	60.00
Claim Record Discount	187.00

Inflation Coverage Index: 227.9

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

133-307618 10-11-2010 (e130892)

*Thanks for letting us serve you. We appreciate our long term customers.*

 Moving? See your State Farm agent.  
 See reverse for important information.

REP

Prepared SEP 16 2015

 Agent TOM LANE INS AND FIN SVCS INC  
 Telephone (618) 377-8912



Mortgagee: QUICKEN LOANS INC  
Loan No: 3326140640  
Add Ins: KERRI VAUGHN  
Add Ins: KERRI SPROULL

**State Farm Fire and Casualty Company**

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

AT1

003364 0001

N-01- 9F48-FA9F

H W F

SPROULL, JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117



ST-0104-6000

<b>POLICY NUMBER</b>	<b>73-BP-R427-1</b>
<b>HOMEOWNERS AVAILABLE COVERAGE NOTICE</b>	
<b>SEE RENEWAL CERTIFICATE</b>	

IT IS IMPORTANT THAT YOU OCCASIONALLY REVIEW THE COVERAGES AND LIMITS IN YOUR HOMEOWNERS POLICY TO BE CERTAIN YOUR NEEDS ARE BEING MET. THE FOLLOWING INFORMATION WILL ASSIST YOU IN THE REVIEW PROCESS.

THE COVERAGE LIMITS FOR COVERAGE A - DWELLING, COVERAGE B - PERSONAL PROPERTY, COVERAGE L - PERSONAL LIABILITY, AND COVERAGE M - MEDICAL PAYMENTS TO OTHERS ARE LISTED ON THE ACCOMPANYING RENEWAL NOTICE. PLEASE REVIEW THESE LIMITS TO DETERMINE IF THEY ARE ADEQUATE IN THE EVENT OF A LOSS.

THE FOLLOWING IS A **PARTIAL LIST** OF THE OPTIONAL COVERAGES YOU HAVE **NOT** ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Back-Up of Sewer or Drain (for damage caused by water from outside the plumbing system which backs up through sewers or drains)

Building Ordinance or Law (higher limits)

Business Property (for higher limits)

Business Pursuits Liability (for teachers, school administrators, sales persons, and clerical workers)

Child Care Liability (for those providing child care in their home)

Earthquake

Firearms (for broadened coverage and higher limits)

Home Computers (for higher limits)

Incidental Business Liability (for those with an incidental office, studio, or school in the home)

Jewelry and Furs (for broadened coverage and higher limits)

Loss Assessment (for neighborhoods with Homeowners Associations)

Nurses Professional Liability (for those in the nursing profession)

\*\*Optional Coverages continued on the reverse side

This notice contains only a general description of the coverages and is not a contract. All coverages are subject to the provisions in the policy itself. Should you have a need for any of these coverages or higher limits, contact your State Farm Agent to discuss details, cost and eligibility.

**IMPORTANT INFORMATION ABOUT DAMAGE CAUSED BY FLOODING**

This policy does not cover damage to your property caused by flooding. You may be eligible for such coverage through the National Flood Insurance Program ("NFIP"), if you live in a participating community. For more information, contact your State Farm agent or visit [floodsmart.gov](http://floodsmart.gov).

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Agent TOM LANE INS AND FIN SVCS INC  
Telephone (618) 377-8912

REP

Prepared SEP 16 2014

Page 15 of 165

THE FOLLOWING IS A **PARTIAL LIST** OF THE OPTIONAL COVERAGES YOU HAVE **NOT** ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Personal Injury (for your liability to others caused by certain acts of libel, slander, invasion of privacy, false arrest)

Silverware/Goldware (for broadened coverage and higher limits)

Increased Personal Property (for higher limits above the standard policy limit, which is a percentage of your Cov A-Dwelling amount)

State Farm

## State Farm Fire and Casualty Company

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

N-01- 9F48-FA9F H W F

SPROULL, JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117ST-  
0204-0000

Location: Same as Mailing Address

## Loss Settlement Provisions (See Policy)

A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

## Forms, Options, and Endorsements

Homeowners Policy  
Increase Dwlg up to \$23,080  
Ordinance/Law 10%/ \$11,540  
Jewelry and Furs \$1,500/\$2,500  
Civil Union Endorsement  
Homeowners Policy Endorsement  
Amendatory EndorsementFP-7955 . IL  
OPT ID  
OPT OL  
OPT JF  
FE-8790  
FE-3452  
\* FE-2348

\*Effective: NOV 25 2014

## RENEWAL CERTIFICATE

POLICY NUMBER 73-BP-R427-1

Homeowners Policy

NOV 25 2014 to NOV 25 2015

## TO BE PAID BY MORTGAGEE

## Coverages and Limits

## Section I

A Dwelling		\$115,400
Dwelling Extension	Up To	11,540
B Personal Property		86,550
C Loss of Use		Actual Loss Sustained

## Deductibles - Section I

All Losses 1,000

## Section II

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium \$801.00

## Premium Reductions

Home Alert Discount	57.00
Claim Record Discount	166.00

Inflation Coverage Index: 218.8

NOTICE: Information concerning changes in your policy language is included. Please call your agent if you have any questions.

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

Thanks for letting us serve you. We appreciate our long term customers.

Agent TOM LANE INS AND FIN SVCS INC

Telephone (618) 377-8912

Moving? See your State Farm agent.  
See reverse for important information.

Prepared SEP 16 2014



Mortgagee: QUICKEN LOANS INC  
Loan No: 3326140640  
Add Ins: KERRI VAUGHN  
Add Ins: KERRI SPROULL

**Your coverage amount....**

It is up to you to choose the coverages and limits that meet your needs. We recommend that you purchase a coverage limit at least equal to the estimated replacement cost of your home. Replacement cost estimates are available from building contractors and replacement cost appraisers, or, your agent can provide an Xactware estimate using information you provide about your home. We can accept the type of estimate you choose as long as it provides a reasonable level of detail about your home. State Farm® does not guarantee that any estimate will be the actual future cost to rebuild your home. Higher limits are available at higher premiums. Lower limits are also available, which if selected may make certain coverages unavailable to you. We encourage you to periodically review your coverages and limits with your agent and to notify us of any changes or additions to your home.

State Farm

12162

73-BP-R427-1

FE-2348C  
Page 1 of 1

## IMPORTANT NOTICE



Effective with this policy term, **FE-2348 AMENDATORY ENDORSEMENT (Illinois)** is added to your policy. This notice summarizes the changes being made to your policy. Please read the new endorsement carefully and note the following changes:

### Potential Reduction in Coverage

Although not intended to change coverage, this change could potentially reduce or eliminate coverage depending on how it is interpreted and, in that regard, should be viewed as either an actual or potential reduction in or elimination of coverage.

- **SECTION I – LOSSES NOT INSURED**, item 1.f. Language is removed to establish that there is no coverage under this section for paying the cost to tear out and replace any part of a building necessary to repair the system or appliance from which water or steam escaped. However, coverage may be available under the new **Tear Out** provision located in **SECTION I – ADDITIONAL COVERAGES**.

### Other Changes

- **DECLARATIONS CONTINUED** – Language is added to state we may adjust your premium during the policy period when the information or factors used in determining the premium change as a result of a change made by you. If the premium increases, you must pay any additional premium.

Endorsement **FE-2348** follows this notice. Please read it carefully and keep it with your policy. If you have any questions about the information in this notice, please contact your State Farm® agent.

This notice is provided for informational purposes only, and it does not change, modify or invalidate any of the provisions, terms or conditions of your policy, or any other applicable endorsements.

## FE-2348 AMENDATORY ENDORSEMENT (Illinois)

### DECLARATIONS CONTINUED

The following is added:

When the information or factors used to calculate the premium for this policy changes during the policy period as a result of a change made by you, we may adjust the premium in accordance with the change during the policy period and you must pay any additional premium due within the time we specify. However, we will not adjust the premium during the policy period for rate level or rating plan changes that we have implemented.

### SECTION I – ADDITIONAL COVERAGES

The following is added:

13. **Tear Out.** If a Loss Insured to Coverage A property is caused by water or steam escaping from a system or appliance, we will also pay the reasonable cost you incur to tear out and replace only that particular part of the building or condominium unit owned by you necessary to gain access to the specific point

of that system or appliance from which the water or steam escaped. We will not cover the cost of repairing or replacing the system or appliance itself. This coverage does not increase the limit applying to Coverage A property.

### SECTION I – LOSSES NOT INSURED

Item 1.f. is replaced by the following:

- f. continuous or repeated seepage or leakage of water or steam from a:
  - (1) heating, air conditioning or automatic fire protective sprinkler system;
  - (2) household appliance; or
  - (3) plumbing system, including from, within or around any shower stall, shower bath, tub installation, or other plumbing fixture, including their walls, ceilings or floors;

which occurs over a period of time;

All other policy provisions apply.

FE-2348

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State Farm

State Farm Fire and Casualty Company

12163

73-BP-R427-1

553-3239

## Information About Your Premium



Claims and information from other State Farm® policies in your household may have been used to determine the premium shown. A policy may be considered "in your household" if, according to our records, the policy has a name and address in common with this policy.

ST  
0404-0080

Consumer reports may also be used to determine the price you are charged. We may obtain and use a credit-based insurance score developed from information contained in these reports. We may use a third party in connection with the development of your insurance score.

If a credit-based insurance score is used, you have the right to request, no more than once in a 12 month period that your policy be re-rated using standards that would apply if you were initially applying for insurance. Re-rating could result in a lower rate, no change in rate or a higher rate.

We occasionally collect personal information from persons other than the individual or individuals listed on the policy. Such personal information may, in certain circumstances, be disclosed to third parties without your authorization. If you would like additional information concerning the collection and disclosure of your personal information - and your right to see and correct any personal information in your files - it will be furnished upon request.

553-3239 (C)

553-2474

## PREMIUM ADJUSTMENT

Insurance premiums have been adjusted and continue to reflect the expected cost of claims. Some policyholders will see their premiums increase while other policyholders may see their premiums decrease or stay the same. The amount your premium changed, if at all, depends on several factors including the expected claim experience in your area, the coverage you have, and any applicable discounts or charges.

The enclosed Renewal Certificate reflects your new premium.

State Farm® works hard to offer you the best combination of cost, protection, and service. We will continue doing our best to make the most effective use of your premium dollars and give you superior service when you need it.

If you have any questions about your premium, or policy coverages, please contact your State Farm agent.

553-2474

(10/07)

Agent: TOM LANE INS AND FIN SVCS INC

(CONTINUED)

Telephone: (618) 377-8912

Page 21 of 165



State Farm Fire and Casualty Company

553-2948

**NOTICE TO POLICYHOLDER**

For a comprehensive description of coverages and forms, please refer to your policy.

Policy changes that you requested before the "Date Prepared" on your Renewal Certificate are effective on the renewal date of this policy unless indicated otherwise by a separate endorsement, binder or Amended Declarations Page. Any coverage forms or endorsements included with your Renewal Certificate are effective on the renewal date of this policy.

Policy changes that you requested after the "Date Prepared" on your Renewal Certificate will be sent to you as an Amended Declarations Page or as an endorsement to your policy. You will be billed for any resulting premium increase later.

If you have acquired any valuable property items, made any improvements to your home, or have questions about your insurance coverage, please contact your State Farm® agent.

553-2948 (C)

(10/08)

553-2798

**IMPORTANT NOTICE . . . Discounts and Rating**

The longer you are insured with State Farm® and the fewer claims you have, the lower your premium. For policyholders insured by State Farm for three or more years, the Claim Free Discount Plan provides a premium discount if you have not had any claims considered for the Plan in the most recent three-year period since becoming insured with State Farm. Premium adjustments under the Claim Record Rating Plan are based on the number of years you have been insured with State Farm and on the number of claims that we consider for the Plan. Depending on the Plan(s) that applies in your state/province, claims considered for the Plans generally include claims resulting in a paid loss and may include weather-related claims. Additionally, depending on your state/province's plan and your tenure with State Farm, any claims with your prior insurer resulting in property damage or injury may also influence your premium. For further information about whether a Claim Free Discount is in effect in your state/province, the Claim Record Rating Plan that applies in your state/province, and the claims we consider for the Plans, please contact your State Farm agent.

553-2798 (C)

(10/07)

Agent: TOM LANE INS AND FIN SVCS INC

Telephone: (618) 377-8912

71

Page 22 of 165

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SR 119

State Farm



## State Farm Fire and Casualty Company

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

AT1 004007 0001 N-01- 9F48-FA9F H W F

KERRI VAUGHN  
3603 FRANOR ST  
ALTON IL 62002-3117ST-  
0101-0000

Insured: SPROULL, JARRET

Location: 3603 FRANOR ST  
ALTON IL 62002-3117Loss Settlement Provisions (See Policy)  
A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

## Forms, Options, and Endorsements

Homeowners Policy  
Increase Dwlg up to \$23,080  
Ordinance/Law 10%/ \$11,540  
Civil Union Endorsement  
Homeowners Policy Endorsement  
Amendatory Endorsement  
Jewelry and Furs \$1,500/\$2,500FP-7955 . IL  
OPT ID  
OPT OL  
FE-8790  
FE-3452  
FE-2348  
OPT JF

## RENEWAL CERTIFICATE

POLICY NUMBER 73-BP-R427-1

Homeowners Policy  
NOV 25 2014 to NOV 25 2015

## PAID BY SPECIFIED PARTY

## Coverages and Limits

## Section I

A Dwelling		\$115,400
Dwelling Extension	Up To	11,540
B Personal Property		86,550
C Loss of Use		Actual Loss Sustained

## Deductibles - Section I

All Losses	1,000
------------	-------

## Section II

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium	\$801.00
----------------	----------

## Premium Reductions

Home Alert Discount	57.00
Claim Record Discount	166.00

Inflation Coverage Index: 218.8

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

135-307618 10-11-2010 (0130894)

Thanks for letting us serve you. We appreciate our long term customers.

13222

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AI

Agent TOM LANE INS AND FIN SVCS INC

Telephone (618) 377-8912

REP

Moving? See your State Farm agent.  
See reverse for important information.

Prepared SEP 16 2014

Mortgagee: QUICKEN LOANS INC  
Loan No: 3326140640  
Add Ins: KERRI VAUGHN  
Add Ins: KERRI SPROULL

State Farm



## State Farm Fire and Casualty Company

 2702 Ireland Grove Road  
 Bloomington, IL 61709-0001

AT1 004011 0001 N-01- 9F48-FA9F H W F

 KERRI SPROULL  
 113 N SUMNER ST  
 BUNKER HILL IL 62014-1189


ST: 0101-0000

Insured: SPROULL, JARRET

 Location: 3603 FRANOR ST  
 ALTON IL 62002-3117

 Loss Settlement Provisions (See Policy)  
 A1 Replacement Cost - Similar Construction  
 B1 Limited Replacement Cost - Coverage B

## Forms, Options, and Endorsements

 Homeowners Policy  
 Increase Dwlg up to \$23,080  
 Ordinance/Law 10%/ \$11,540  
 Civil Union Endorsement  
 Homeowners Policy Endorsement  
 Amendatory Endorsement  
 Jewelry and Furs \$1,500/\$2,500

 FP-7955 . IL  
 OPT ID  
 OPT OL  
 FE-8790  
 FE-3452  
 FE-2348  
 OPT JF

## RENEWAL CERTIFICATE

POLICY NUMBER 73-BP-R427-1

 Homeowners Policy  
 NOV 25 2014 to NOV 25 2015

## PAID BY SPECIFIED PARTY

## Coverages and Limits

## Section I

A Dwelling		\$115,400
Dwelling Extension	Up To	11,540
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C Loss of Use		Actual Loss Sustained

## Deductibles - Section I

All Losses	1,000
------------	-------

## Section II

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium	\$801.00
----------------	----------

## Premium Reductions

Home Alert Discount	57.00
Claim Record Discount	166.00

Inflation Coverage Index: 218.8

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

136-307618 10-11-2010 (013085d)

*Thanks for letting us serve you.*
*We appreciate our long term customers.*

Agent TOM LANE INS AND FIN SVCS INC

Telephone (618) 377-8912

 Moving? See your State Farm agent.  
 See reverse for important information.

Prepared SEP 16 2014

REP



Mortgagee: QUICKEN LOANS INC  
Loan No: 3326140640  
Add Ins: KERRI VAUGHN  
Add Ins: KERRI SPROULL

State Farm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

**Named Insured**

AT1

003228 0046

N-01-9F48-FA9F

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SPROULL, JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

**DECLARATIONS PAGE**

AMENDED MAY 23 2014

**Policy Number** 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2013	NOV 25 2014

The policy period begins and ends at 12:01 am standard time at the residence premises.

**Loan # 3326140640**  
**Mortgagee**

QUICKEN LOANS INC  
ISAQA  
PO BOX 717  
AMELIA OH 45102-0717

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

**Location of Residence Premises**  
Same as Insured's Address

**Your policy is amended MAY 23 2014**  
1ST MORTGAGEE LOAN NUMBER CHANGED  
1ST MORTGAGEE NAME/ADDRESS CHANGED

**Coverages & Property****SECTION I**

- A Dwelling  
Dwelling Extension up to  
B Personal Property  
C Loss of Use

**Limits of Liability**

\$ 111,100  
\$ 11,110  
\$ 83,325  
Actual Loss Sustained

**SECTION II**

- L Personal Liability  
(Each Occurrence)  
Damage to Property  
of Others  
M Medical Payments to  
Others (Each Person)

\$ 300,000

\$ 500

\$ 5,000

**Inflation Coverage Index: 210.7****Deductibles - Section I**

All Losses \$ 1,000

In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.

**Loss Settlement Provision (See Policy)**

- A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

Forms, Options, & Endorsements  
Homeowners Policy  
Homeowners Policy Endorsement  
Civil Union Endorsement  
Jewelry and Furs \$1,500 Each  
Article \$2,500 Aggregate  
Increase Dwlg Up to \$ 22,220  
Ordinance/Law 10% \$ 11,110

FP-7955-IL  
FE-3452  
FE-8790  
Option JF  
Option ID  
Option OL

**Endorsement Premium**

NONE

Discounts Applied:  
Home Alert  
Claim Record

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

**TOM LANE INS AND FIN SVCS INC**  
618-377-8912

11548 251 I

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Prepared JUN 02 2014

555-7020 IL

555-7020.1 Rev. 10-2002 (c110391c)

Page 27 of 165

## CONTINUED FROM FRONT SIDE

Addl Insured-Sections I & II  
 KERRI VAUGHN  
 3603 FRANOR ST  
 ALTON IL 62002-3117

Addl Insured-Sections I & II  
 KERRI SPROULL  
 113 N SUMNER ST  
 BUNKER HILL IL 62014-1189

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

State Farm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

**Addl Insured-Sections I & II**

AT1

003229 0046

N-01-9F48-FA9F

H F

KERRI VAUGHN  
3603 FRANOR ST  
ALTON IL 62002-3117

**DECLARATIONS PAGE**

AMENDED MAY 23 2014

**Policy Number 73-BP-R427-1**

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2013	NOV 25 2014

The policy period begins and ends at 12:01 am standard time at the residence premises.

**Named Insured**

SPROULL, JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

**Your policy is amended MAY 23 2014**  
1ST MORTGAGEE LOAN NUMBER CHANGED  
1ST MORTGAGEE NAME/ADDRESS CHANGED

Coverages & Property		Limits of Liability	Inflation Coverage Index: 210.7
<b>SECTION I</b>			<b>Deductibles - Section I</b>
A Dwelling		\$ 111,100	All Losses \$ 1,000
Dwelling Extension up to		\$ 11,110	
B Personal Property		\$ 83,325	
C Loss of Use		Actual Loss Sustained	
<b>SECTION II</b>			In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.
L Personal Liability (Each Occurrence)		\$ 300,000	
Damage to Property of Others		\$ 500	
M Medical Payments to Others (Each Person)		\$ 5,000	
<b>Loss Settlement Provision (See Policy)</b>			<b>Endorsement Premium</b> NONE
A1 Replacement Cost - Similar Construction			Discounts Applied: Home Alert Claim Record
B1 Limited Replacement Cost - Coverage B			
Forms, Options, & Endorsements			
Homeowners Policy		FP-7955 IL	
Homeowners Policy Endorsement		FE-3452	
Civil Union Endorsement		FE-8790	
Jewelry and Furs \$1,500 Each		Option JF	
Article \$2,500 Aggregate			
Increase Dwlg Up to \$ 22,220		Option ID	
Ordinance/Law 10% \$ 11,110		Option OL	

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

**TOM LANE INS AND FIN SVCS INC**  
618-377-8912

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Prepared JUN 02 2014

555-7020 IL

555-7020.1 Rev 10-2002 (e11039/c)

Page 29 of 165



## CONTINUED FROM FRONT SIDE

Loan # 3326140640  
 Mortgagee  
 QUICKEN LOANS INC  
 ISAAA  
 PO BOX 717  
 AMELIA OH 45102-0717

Addl Insured-Sections I & II  
 KERRI SPROULL  
 113 N SUMNER ST  
 BUNKER HILL IL 62014-1189

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

State Farm

State Farm Fire and Casualty Company  
A Stock Company With Home Offices in Bloomington, Illinois

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

## Addl Insured-Sections I &amp; II

AT1

003230 0046

N-01-9F48-FA9F

H F

KERRI SPROULL  
113 N SUMNER ST  
BUNKER HILL IL 62014-1189



## DECLARATIONS PAGE

AMENDED MAY 23 2014

Policy Number 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2013	NOV 25 2014

The policy period begins and ends at 12:01 am standard time at the residence premises.

## Named Insured

SPROULL, JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

## HOMEOWNERS POLICY

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Your policy is amended MAY 23 2014  
1ST MORTGAGEE LOAN NUMBER CHANGED  
1ST MORTGAGEE NAME/ADDRESS CHANGED

Coverages & Property		Limits of Liability	Inflation Coverage Index: 210.7	
SECTION I			Deductibles - Section I	
A	Dwelling	\$ 111,100	All Losses	\$ 1,000
	Dwelling Extension up to	\$ 11,110		
B	Personal Property	\$ 83,325		
C	Loss of Use	Actual Loss Sustained		
SECTION II			In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.	
L	Personal Liability (Each Occurrence)	\$ 300,000		
	Damage to Property of Others	\$ 500		
M	Medical Payments to Others (Each Person)	\$ 5,000		
Loss Settlement Provision (See Policy)			Endorsement Premium	
A1 Replacement Cost - Similar Construction			NONE	
B1 Limited Replacement Cost - Coverage B			Discounts Applied:	
Forms, Options, & Endorsements			Home Alert	
Homeowners Policy			Claim Record	
Homeowners Policy Endorsement				
Civil Union Endorsement				
Jewelry and Furs \$1,500 Each				
Article/\$2,500 Aggregate				
Increase Dwlg Up to \$ 22,220				
Ordinance/Law 10%\$ 11,110				

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

TOM LANE INS AND FIN SVCS INC  
618-377-8912

11550 251 AI

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Prepared JUN 02 2014

555-7020 IL

555-7020.1 Rev. 10-2002 (c1/039/c)

Page 31 of 165

**CONTINUED FROM FRONT SIDE**

**Loan # 3326140640**  
**Mortgagee**  
**QUICKEN LOANS INC**  
**ISAOA**  
**PO BOX 717**  
**AMELIA OH 45102-0717**

**Add Insured-Sections I & II**  
**KERRI VAUGHN**  
**3603 FRANOR ST**  
**ALTON IL 62002-3117**

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

**State Farm Insurance Companies®**  
**Illinois Operations Center**  
**2702 Ireland Grove Road**  
**Bloomington, Illinois 61709-0001**  
**1-800-424-1162 (within Illinois)**  
**Office hours 8 A.M. to 4 P.M.**  
**Monday - Friday**  
**or**  
**Illinois Department of Insurance**  
**Consumer Services Section**  
**Springfield, Illinois 62767**

This message is provided by State Farm® in compliance with Illinois law.




**State Farm Fire and Casualty Company**

 2702 Ireland Grove Road  
 Bloomington, IL 61709-0001

AT1

005519 0001

N-01- 9B5C-FA9F H W F

 SPROULL, JARRET  
 3603 FRANOR ST  
 ALTON IL 62002-3117

**POLICY NUMBER 73-BP-F427-1**
**HOMEOWNERS AVAILABLE COVERAGE NOTICE**
**SEE RENEWAL CERTIFICATE**

 ST.  
 6104-55030H

IT IS IMPORTANT THAT YOU OCCASIONALLY REVIEW THE COVERAGES AND LIMITS IN YOUR HOMEOWNERS POLICY TO BE CERTAIN YOUR NEEDS ARE BEING MET. THE FOLLOWING INFORMATION WILL ASSIST YOU IN THE REVIEW PROCESS.

THE COVERAGE LIMITS FOR COVERAGE A - DWELLING, COVERAGE B - PERSONAL PROPERTY, COVERAGE L - PERSONAL LIABILITY, AND COVERAGE M - MEDICAL PAYMENTS TO OTHERS ARE LISTED ON THE ACCOMPANYING RENEWAL NOTICE. PLEASE REVIEW THESE LIMITS TO DETERMINE IF THEY ARE ADEQUATE IN THE EVENT OF A LOSS.

THE FOLLOWING IS A PARTIAL LIST OF THE OPTIONAL COVERAGES YOU HAVE NOT ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Back-Up of Sewer or Drain (for damage caused by water from outside the plumbing system which backs up through sewers or drains)

Building Ordinance or Law (higher limits)

Business Property (for higher limits)

Business Pursuits Liability (for teachers, school administrators, sales persons, and clerical workers)

Child Care Liability (for those providing child care in their home)

Earthquake

Firearms (for broadened coverage and higher limits)

Home Computers (for higher limits)

Incidental Business Liability (for those with an incidental office, studio, or school in the home)

Jewelry and Furs (for broadened coverage and higher limits)

Loss Assessment (for neighborhoods with Homeowners Associations)

Nurses Professional Liability (for those in the nursing profession)

**\*\*Optional Coverages continued on the reverse side\*\***

**This notice contains only a general description of the coverages and is not a contract. All coverages are subject to the provisions in the policy itself. Should you have a need for any of these coverages or higher limits, contact your State Farm Agent to discuss details, cost and eligibility.**

**IMPORTANT INFORMATION ABOUT DAMAGE CAUSED BY FLOODING**

This policy does not cover damage to your property caused by flooding. You may be eligible for such coverage through the National Flood Insurance Program ("NFIP"), if you live in a participating community. For more information, contact your State Farm® agent or visit [floodsmart.gov](http://floodsmart.gov).

 16631 4011 I  
 M3.DR.NP.6K

 Agent TOM LANE  
 Telephone (618) 377-8912

REB

Prepared SEP 16 2013



THE FOLLOWING IS A PARTIAL LIST OF THE OPTIONAL COVERAGES YOU HAVE **NOT** ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Personal Injury (for your liability to others caused by certain acts of libel, slander, invasion of privacy, false arrest)

Silverware/Goldware (for broadened coverage and higher limits)

State Farm

**State Farm Fire and Casualty Company**2702 Ireland Grove Road  
Bloomington, IL 61709-0001

005519 0001 N-01- 9B5C-FA9F H W F

SPROULL, JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117ST1-  
0204-410801

Location: Same as Mailing Address

**Loss Settlement Provisions (See Policy)**A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B**Forms, Options, and Endorsements**Homeowners Policy  
Increase Dwlg up to \$22,220  
Ordinance/Law 10%/ \$11,110  
Jewelry and Furs \$1,500/\$2,500  
Civil Union Endorsement  
Homeowners Policy EndorsementFP-7955 . IL  
OPT ID  
OPT OL  
OPT JF  
FE-8790  
FE-3452**RENEWAL CERTIFICATE****POLICY NUMBER** 73-BP-R427-1Homeowners Policy  
NOV 25 2013 to NOV 25 2014**TO BE PAID BY MORTGAGEE****Coverages and Limits****Section I**

A Dwelling		\$111,100
Dwelling Extension	Up To	11,110
B Personal Property		83,325
C Loss of Use		Actual Loss Sustained

**Deductibles - Section I**

All Losses 1,000

**Section II**

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

**Annual Premium** \$731.00**Premium Reductions**

Home Alert Discount	77.00
Claim Record Discount	135.00

Inflation Coverage Index: 210.7

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

*Thanks for letting us serve you...*16632 4011  
M3.DR.NP.GK**Agent TOM LANE**  
**Telephone (618) 377-8912**

REB

*Moving? See your State Farm agent.  
See reverse for important information.*  
**Prepared SEP 16 2013**

Mortgagee: BANK OF AMERICA NA  
Loan No: 186411714  
Add Ins: KERRI VAUGHN  
Add Ins: KERRI SPROULL

**Your coverage amount....**

It is up to you to choose the coverages and limits that meet your needs. We recommend that you purchase a coverage limit at least equal to the estimated replacement cost of your home. Replacement cost estimates are available from building contractors and replacement cost appraisers, or, your agent can provide an Xactware estimate using information you provide about your home. We can accept the type of estimate you choose as long as it provides a reasonable level of detail about your home. State Farm® does not guarantee that any estimate will be the actual future cost to rebuild your home. Higher limits are available at higher premiums. Lower limits are also available, which if selected may make certain coverages unavailable to you. We encourage you to periodically review your coverages and limits with your agent and to notify us of any changes or additions to your home.



## IMPORTANT NOTICE

- Premium Adjustment
- Home/Auto Discount



### PREMIUM ADJUSTMENT

Insurance premiums have been adjusted and continue to reflect the expected cost of claims. Some policyholders will see their premiums increase while other policyholders may see their premiums decrease or stay the same. The amount your premium changed, if at all, depends on several factors including the expected claim experience in your area, the coverage you have, and any applicable discounts or charges.

The enclosed Renewal Certificate reflects your new premium.

### HOME/AUTO DISCOUNT

The Home/Auto Discount is being increased to 35% for Homeowners policies with this renewal.

The Home/Auto Discount provides a premium discount if you have a Homeowners policy and at least one qualifying vehicle insured with State Farm®.

The enclosed Renewal Certificate reflects the Home/Auto Discount if you qualify.

If you are not currently receiving this discount, contact your State Farm agent to discuss how you might qualify.

State Farm works hard to offer you the best combination of cost, protection, and service. We will continue doing our best to make the most effective use of your premium dollars and to give you fast, fair service when you need it.

If you have any questions about the information in this notice or your policy, please contact your State Farm agent.

553-3669



553-3239

## Information About Your Premium

Claims and information from other State Farm® policies in your household may have been used to determine the premium shown. A policy may be considered "in your household" if, according to our records, the policy has a name and address in common with this policy.

Consumer reports may also be used to determine the price you are charged. We may obtain and use a credit-based insurance score developed from information contained in these reports. We may use a third party in connection with the development of your insurance score.

If a credit-based insurance score is used, you have the right to request, no more than once in a 12 month period that your policy be re-rated using standards that would apply if you were initially applying for insurance. Re-rating could result in a lower rate, no change in rate or a higher rate.

We occasionally collect personal information from persons other than the individual or individuals listed on the policy. Such personal information may, in certain circumstances, be disclosed to third parties without your authorization. If you would like additional information concerning the collection and disclosure of your personal information - and your right to see and correct any personal information in your files - it will be furnished upon request.

553-3239 (C)

553-2948

## NOTICE TO POLICYHOLDER

For a comprehensive description of coverages and forms, please refer to your policy.

Policy changes that you requested before the "Date Prepared" on your Renewal Certificate are effective on the renewal date of this policy unless indicated otherwise by a separate endorsement, binder or Amended Declarations Page. Any coverage forms or endorsements included with your Renewal Certificate are effective on the renewal date of this policy.

Policy changes that you requested after the "Date Prepared" on your Renewal Certificate will be sent to you as an Amended Declarations Page or as an endorsement to your policy. You will be billed for any resulting premium increase later.

If you have acquired any valuable property items, made any improvements to your home, or have questions about your insurance coverage, please contact your State Farm® agent.

553-2948 (C)

(10/08)

Agent: TOM LANE

(CONTINUED)

Telephone: (618) 377-8912

71

**IMPORTANT NOTICE . . . Discounts and Rating**STI-  
0404-C10883

The longer you are insured with State Farm\* and the fewer claims you have, the lower your premium. For policyholders insured by State Farm for three or more years, the Claim Free Discount Plan provides a premium discount if you have not had any claims considered for the Plan in the most recent three-year period since becoming insured with State Farm. Premium adjustments under the Claim Record Rating Plan are based on the number of years you have been insured with State Farm and on the number of claims that we consider for the Plan. Depending on the Plan(s) that applies in your state/province, claims considered for the Plans generally include claims resulting in a paid loss and may include weather-related claims. Additionally, depending on your state/province's plan and your tenure with State Farm, any claims with your prior insurer resulting in property damage or injury may also influence your premium. For further information about whether a Claim Free Discount is in effect in your state/province, the Claim Record Rating Plan that applies in your state/province, and the claims we consider for the Plans, please contact your State Farm agent.

553-2798 (C)

(10/07)

Agent: TOM LANE

Telephone: (618) 377-8912



State Farm

## State Farm Fire and Casualty Company


 2702 Ireland Grove Road  
 Bloomington, IL 61709-0001

AT1 007051 0001 N-01- 9B5C-FA9F H W F

 KERRI VAUGHN  
 3603 FRANOR ST  
 ALTON IL 62002-3117


ST- 0101-506008

Insured: SPROULL, JARRET

 Location: 3603 FRANOR ST  
 ALTON IL 62002-3117

## Loss Settlement Provisions (See Policy)

 A1 Replacement Cost - Similar Construction  
 B1 Limited Replacement Cost - Coverage B

## Forms, Options, and Endorsements

 Homeowners Policy  
 Increase Dwlg up to \$22,220  
 Ordinance/Law 10%/ \$11,110  
 Civil Union Endorsement  
 Homeowners Policy Endorsement  
 Jewelry and Furs \$1,500/\$2,500

 FP-7955 . IL  
 OPT ID  
 OPT OL  
 FE-8790  
 FE-3452  
 OPT JF

## RENEWAL CERTIFICATE

POLICY NUMBER 73-BP-R427-1

 Homeowners Policy  
 NOV 25 2013 to NOV 25 2014

## PAID BY SPECIFIED PARTY

## Coverages and Limits

## Section I

A Dwelling		\$111,100
Dwelling Extension	Up To	11,110
B Personal Property		83,325
C Loss of Use		Actual Loss Sustained

## Deductibles - Section I

All Losses	1,000
------------	-------

## Section II

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium	\$731.00
----------------	----------

## Premium Reductions

Home Alert Discount	77.00
Claim Record Discount	135.00

Inflation Coverage Index: 210.7

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

139-30761.8 10-11-2010 (013009c)

Thanks for letting us serve you...

19495

801

AI

Agent TOM LANE

Telephone (618) 377-8912

REB

 Moving? See your State Farm agent.  
 See reverse for important information.

Prepared SEP 16 2013



Mortgagee: BANK OF AMERICA NA  
Loan No: 186411714  
Add Ins: KERRI VAUGHN  
Add Ins: KERRI SPROULL

State Farm

## State Farm Fire and Casualty Company

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

AT1

007059 0001

N-01- 9B5C-FA9F H W F

KERRI SPROULL  
205 S FRANKLIN ST APT 4  
BUNKER HILL IL 62014-1488ST.  
6101-C00408

Insured: SPROULL, JARRET

Location: 3603 FRANOR ST  
ALTON IL 62002-3117

## Loss Settlement Provisions (See Policy)

A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

## Forms, Options, and Endorsements

Homeowners Policy  
Increase Dwlg up to \$22,220  
Ordinance/Law 10%/ \$11,110  
Civil Union Endorsement  
Homeowners Policy Endorsement  
Jewelry and Furs \$1,500/\$2,500FP-7955 . IL  
OPT ID  
OPT OL  
FE-8790  
FE-3452  
OPT JF

## RENEWAL CERTIFICATE

POLICY NUMBER 73-BP-R427-1

Homeowners Policy  
NOV 25 2013 to NOV 25 2014

## PAID BY SPECIFIED PARTY

## Coverages and Limits

## Section I

A Dwelling		\$111,100
Dwelling Extension	Up To	11,110
B Personal Property		83,325
C Loss of Use		Actual Loss Sustained

## Deductibles - Section I

All Losses	1,000
------------	-------

## Section II

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium	\$731.00
----------------	----------

## Premium Reductions

Home Alert Discount	77.00
Claim Record Discount	135.00

Inflation Coverage Index: 210.7

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

138-307618 10-11-2010 (0-123089)

Thanks for letting us serve you...

19505

901

AI

Agent TOM LANE

Telephone (618) 377-8912

REB

Moving? See your State Farm agent.  
See reverse for important information.

Prepared SEP 16 2013

Mortgagee: BANK OF AMERICA NA  
Loan No: 186411714  
Add Ins: KERRI VAUGHN  
Add Ins: KERRI SPROULL

State Farm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Named Insured

AT1

001352 0046

S-01-9B5C-F004

H F

SPROULL, JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

# DECLARATIONS PAGE

AMENDED OCT 2 2012

**Policy Number 73-BP-R427-1**

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2012	NOV 25 2013

The policy period begins and ends at 12:01 am standard time at the residence premises.

**Loan # 186411714**  
**Mortgagee**

BANK OF AMERICA NA  
ISAQA ATIMA  
PO BOX 961291  
FORT WORTH TX 76161-0291

## HOMEOWNERS POLICY

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

**Your policy is amended OCT 2 2012**  
**INSURED NAME AND/OR ADDRESS CHANGE**  
**ADDITIONAL INSURED ADDED**

Other items shown are effective  
with the policy's 2012 renewal

Coverages & Property		Limits of Liability	Inflation Coverage Index: 246.8
<b>SECTION I</b>			<b>Deductibles - Section I</b>
A Dwelling		\$ 107,500	All Losses \$ 1,000
B Dwelling Extension up to		\$ 10,750	
C Personal Property		\$ 80,625	
C Loss of Use		Actual Loss Sustained	
<b>SECTION II</b>			
L Personal Liability (Each Occurrence)		\$ 300,000	In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.
M Damage to Property of Others		\$ 500	
M Medical Payments to Others (Each Person)		\$ 5,000	
<b>Loss Settlement Provision (See Policy)</b>			<b>Endorsement Premium NONE</b>
A1 Replacement Cost - Similar Construction			Discounts Applied: Home Alert Home/Auto Claim Record
B1 Limited Replacement Cost - Coverage B			
Forms, Options, & Endorsements			
Homeowners Policy		FP-7955-IL	
Homeowners Policy Endorsement		FE-3452	
Civil Union Endorsement		FE-8790	
Jewelry and Furs \$1,500 Each		Option JF	
Article/\$2,500 Aggregate			
Increase Dwlg Up to \$ 21,500		Option ID	
Ordinance/Law 10%/\$ 10,750		Option OL	

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

**TOM LANE**  
618-377-8912

4807 151 I

Prepared OCT 03 2012

555-7020 IL

555-7020.1 Rev 10-2002 (e11039/c)

Page 45 of 165



## CONTINUED FROM FRONT SIDE

**Add Insured-Sections I & II**  
 KERRI VAUGHN  
 3603 FRANOR ST  
 ALTON IL 62002-3117

**Add Insured-Sections I & II**  
 KERRI SPROULL  
 205 S FRANKLIN ST APT 4  
 BUNKER HILL IL 62014-1488

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

State Farm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Add Insured-Sections I & II

AT1

001363 0046

S-01-9B5C-F004

H F

KERRI VAUGHN

3603 FRANOR ST

ALTON IL 62002-3117

**DECLARATIONS PAGE**

AMENDED OCT 2 2012

**Policy Number 73-BP-R427-1**

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2012	NOV 25 2013

The policy period begins and ends at 12:01 am standard time at the residence premises.

**Named Insured**

SPROULL, JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

**Your policy is amended OCT 2 2012**  
**INSURED NAME AND/OR ADDRESS CHANGE**  
**ADDITIONAL INSURED ADDED**

Other items shown are effective  
with the policy's 2012 renewal

Coverages & Property		Limits of Liability	Inflation Coverage Index: 246.8
<b>SECTION I</b>			<b>Deductibles - Section I</b>
A Dwelling		\$ 107,500	All Losses \$ 1,000
B Dwelling Extension up to		\$ 10,750	
C Personal Property		\$ 80,625	
		Actual Loss Sustained	
<b>SECTION II</b>			In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.
L Personal Liability (Each Occurrence)		\$ 300,000	
M Damage to Property of Others		\$ 500	
M Medical Payments to Others (Each Person)		\$ 5,000	
<b>Loss Settlement Provision (See Policy)</b>			<b>Endorsement Premium</b> NONE
A1 Replacement Cost - Similar Construction			Discounts Applied: Home Alert Home/Auto Claim Record
B1 Limited Replacement Cost - Coverage B			
Forms, Options, & Endorsements			
Homeowners Policy		FP-7955 IL	
Homeowners Policy Endorsement		FE-3452	
Civil Union Endorsement		FE-8790	
Jewelry and Furs \$1,500 Each		Option JF	
Article/\$2,500 Aggregate			
Increase Dwlg Up to \$ 21,500		Option ID	
Ordinance/Law 10%/\$ 10,750		Option OL	

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

**TOM LANE**  
618-377-8912

4808 151 AI

Prepared OCT 03 2012

555-7020 IL

555-7020.1 Rev 10-2002 (a110391c)

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## CONTINUED FROM FRONT SIDE

Loan # 186411714  
 Mortgagee  
 BANK OF AMERICA NA  
 ISACA ATIMA  
 PO BOX 961291  
 FORT WORTH TX 76161-0291

Add Insured-Sections I & II  
 KERRI SPROULL  
 205 S FRANKLIN ST APT 4  
 BUNKER HILL IL 62014-1488

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 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm<sup>®</sup> in compliance with Illinois law.

e110396g  
 Rev. 09-2005



State Farm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois

16-L-1341

AMENDED OCT 2 2012

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Addl Insured-Sections I &amp; II

AT2

001364 0046

S-01-9B5C-F004

H F

KERRI SPROULL  
205 S FRANKLIN ST APT 4  
BUNKER HILL IL 62014-1488

**DECLARATIONS PAGE**

<b>Policy Number</b>	<b>73-BP-R427-1</b>
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<b>Policy Period</b>	<b>Effective Date</b>	<b>Expiration Date</b>
12 Months	NOV 25 2012	NOV 25 2013
The policy period begins and ends at 12:01 am standard time at the residence premises.		

**Named Insured**

SPROULL, JARRET  
3603 FRANKLIN ST  
ALTON IL 62002-3117

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Your policy is amended OCT 2 2012  
INSURED NAME AND/OR ADDRESS CHANGE  
ADDITIONAL INSURED ADDED

Other items shown are effective  
with the policy's 2012 renewal

Coverages & Property		Limits of Liability	Inflation Coverage Index: 246.8
<b>SECTION I</b>			<b>Deductibles - Section I</b>
A Dwelling		\$ 107,500	All Losses \$ 1,000
B Dwelling Extension up to		\$ 10,750	
C Personal Property		\$ 80,625	
C Loss of Use		Actual Loss Sustained	
<b>SECTION II</b>			
L Personal Liability (Each Occurrence)		\$ 300,000	In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.
M Damage to Property of Others		\$ 500	
M Medical Payments to Others (Each Person)		\$ 5,000	
<b>Loss Settlement Provision (See Policy)</b>			<b>Endorsement Premium</b> NONE
A1 Replacement Cost - Similar Construction			Discounts Applied: Home Alert Home/Auto Claim Record
B1 Limited Replacement Cost - Coverage B			
Forms, Options, & Endorsements			
Homeowners Policy		FP-7955-IL	
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Jewelry and Furs \$1,500 Each		Option JF	
Article/\$2,500 Aggregate			
Increase Dwlg Up to \$ 21,500		Option ID	
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Other limits and exclusions may apply - refer to your policy

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FP-7017C

Continued on Reverse

**TOM LANE**  
618-377-8912

4809 151 AI

Prepared OCT 03 2012

555-7020 IL

555-7020 1 Rev 10-2002 (011039/c)

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## CONTINUED FROM FRONT SIDE

Loan # 186411714  
 Mortgagee  
 BANK OF AMERICA NA  
 ISAOA ATIMA  
 PO BOX 961291  
 FORT WORTH TX 76161-0291

Addl Insured-Sections I & II  
 KERRI VAUGHN  
 3603 FRANOR ST  
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 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

**FE-3452 HOMEOWNERS POLICY ENDORSEMENT (Illinois)****DEFINITIONS**

Definitions 7. and 8. are replaced by the following:

7. "motor vehicle", when used in Section II of this policy, means:

- a. a land motor vehicle designed for travel on public roads or subject to motor vehicle registration;
- b. a trailer or semi-trailer designed for travel on public roads and subject to motor vehicle registration;
- c. a "recreational vehicle" while off an insured location. "Recreational vehicle" means a motorized vehicle designed for recreation principally off public roads that is owned or leased by an insured. This includes, but is not limited to, a motorized all terrain vehicle, amphibious vehicle, dune buggy, go-cart, golf cart, snowmobile, trail-bike, minibike and personal assistive mobility device. "Leased" does not include temporary rental;
- d. a "locomotive" while off an insured location. "Locomotive" means a self-propelled vehicle for pulling or pushing freight or passenger cars on tracks that is large enough to carry a person and is owned or leased by an insured. "Leased" does not include temporary rental;
- e. a bulldozer, track loader, backhoe, high-hoe, trencher, grader, crane, self-propelled scraper, excavator, pipe-layer, cherry picker, tele-handler, logging vehicle, mining vehicle or road building vehicle that is owned or leased by an insured while off an insured location. "Leased" does not include temporary rental; and
- f. any vehicle while being towed or pushed by or carried on a vehicle included in a., b., c., d. or e.

The following are not motor vehicles:

- a. a boat, camp, home or utility trailer not being towed or pushed by or carried on a vehicle included in a., b., c., d. or e. above;
- b. a motorized land vehicle in dead storage on an insured location;
- c. a motorized golf cart while used for golfing purposes;
- d. a motorized vehicle or trailer designed to assist the handicapped that is not designed for travel

on public roads or subject to motor vehicle registration; or

- e. a commercially manufactured 2, 3 or 4 wheeled personal conveyance powered only by or assisted by an unmodified motor or engine with a manufacturer's power rating of no more than 1 horsepower and capable of a top speed of no more than 20 miles per hour.

8. "occurrence", when used in Section II of this policy, means an accident, including exposure to conditions, which first results in:

- a. bodily injury; or
- b. property damage;

during the policy period. All bodily injury and property damage resulting from one accident, series of related accidents or from continuous and repeated exposure to the same general conditions is considered to be one occurrence.

Definitions 12. and 13. are added:

12. "fungus" means any type or form of fungi, including mold or mildew, and any mycotoxins, spores, scents or byproducts produced or released by fungi.
13. "State Farm Companies" means one or more of the following:
  - a. State Farm Mutual Automobile Insurance Company;
  - b. State Farm Fire and Casualty Company; and
  - c. subsidiaries or affiliates of either a. or b. above.

**SECTION I - COVERAGES****COVERAGE A - DWELLING**

Item 2., Dwelling Extension, is replaced by the following:

2. Dwelling Extension. We cover other structures on the residence premises, separated from the dwelling by clear space. Structures connected to the dwelling by only a fence, utility line, or similar connection are considered to be other structures.

We do not cover other structures:

- a. not permanently attached to or otherwise forming a part of the realty;
- b. used in whole or in part for business purposes unless such use consists solely of use of office space for paperwork, computer work or use of a telephone, and consists solely of activities that are:



- (1) duties of the insured's employment by another; and
- (2) performed solely by the insured; or
- c. rented or held for rental to a person not a tenant of the dwelling, unless used solely as a private garage.

The following item is added to item 3. Property Not Covered:

- d. lawns or artificial grass, except as provided in SECTION I - ADDITIONAL COVERAGES.

#### COVERAGE B - PERSONAL PROPERTY

Special Limits of Liability is replaced by the following:

**Special Limits of Liability.** These limits do not increase the Coverage B limit. The special limit for each of the following categories is the total limit for each loss for all property in that category:

- a. \$200 on money, coins and medals, including any of these that are a part of a collection, and bank notes;
- b. \$1,500 on property used or intended for use in a business, including merchandise held as samples or for sale or for delivery after sale, while on the residence premises. This coverage is limited to \$750 on such property away from the residence premises.  
Electronic data processing system equipment or the recording or storage media used with that equipment is not included under this coverage;
- c. \$1,000 on securities, checks, cashiers checks, travelers checks, money orders, gift certificates, gift cards, rechargeable debit cards, phone cards and other negotiable instruments, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports and tickets;
- d. \$1,500 on watercraft of all types and outboard motors, including their trailers, furnishings and equipment;
- e. \$1,500 on trailers not used with watercraft;
- f. \$2,500 on stamps, trading cards and comic books, including any of these that are a part of a collection;
- g. \$2,500 for loss by theft of firearms;
- h. \$2,500 for loss by theft of silverware and goldware;
- i. \$5,000 on electronic data processing system equipment, including but not limited to mobile personal communication equipment, global positioning systems, mobile personal electronic devices used for the reproduction of sound, and standard media or non-media equipment for use with the above devices;

- j. \$5,000 on any one article and \$10,000 in the aggregate for loss by theft of any rug, carpet (except wall-to-wall carpet), tapestry, wall-hanging or other similar article; and
- k. \$500 on commercially manufactured 2, 3 or 4 wheeled personal conveyances powered only by or assisted by an unmodified motor or engine with a manufacturer's power rating of no more than 1 horsepower and capable of a top speed of no more than 20 miles per hour. This does not include those not licensed for use on public highways which are designed for assisting the handicapped.

Item 2., Property Not Covered, is replaced by the following:

- 2. **Property Not Covered.** We do not cover:
  - a. articles separately described and specifically insured in this or any other insurance;
  - b. animals, birds or fish;
  - c. any engine or motor-propelled vehicle or machine, including the parts, designed for movement on land, except as provided in Special Limits of Liability, item k. We do cover those not licensed for use on public highways which are:
    - (1) used solely to service the insured location; or
    - (2) designed for assisting the handicapped;
  - d. devices or instruments for the recording or reproduction of video or sound permanently attached to an engine or motor-propelled vehicle. We do not cover tapes, discs, wires, videos or other media that may be used with these devices or instruments while in the vehicle;
  - e. aircraft and parts;
  - f. property of roomers, boarders, tenants and other residents not related to an insured. We do cover property of roomers, boarders and other residents related to an insured;
  - g. property regularly rented or held for rental to others by an insured. This exclusion does not apply to property of an insured in a sleeping room rented to others by an insured;
  - h. property rented or held for rental to others away from the residence premises;
  - i. any citizens band radios, radio telephones, radio transceivers, radio transmitters, radar or laser detectors, antennas and other similar equipment which may be operated by power from the electrical system of an engine or motor propelled vehicle, permanently attached to an engine or motor propelled vehicle;



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73-BP-R427-1 (4811) 001354

FE-3452  
Page 3 of 7

- j. books or records of accounts receivable, abstracts or other journals, architectural or technical drawings, card index systems or other records. This exclusion does not apply to any recording or storage media for electronic data processing. We will cover the cost of blank books, cards or other blank material plus the cost of labor you incur for transcribing or copying such records;
- k. recording or storage media for electronic data processing that cannot be replaced with other of like kind and quality on the current retail market;
- l. purchased or created data, sound or video that cannot be replaced with like kind and quality on the current retail market which is transferred or downloaded onto mobile communication equipment, global positioning systems or electronic devices used for the reproduction of video or sound;
- m. contraband, or any property used in the course of illegal consumption, possession, import, export or trade; or
- n. outdoor hardscape property used for aesthetic purposes except as provided in SECTION I – ADDITIONAL COVERAGES.

**COVERAGE C – LOSS OF USE**Item 3., **Prohibited Use**, is replaced by the following:

- 3. **Prohibited Use.** We cover Additional Living Expense and Fair Rental Value, for a continuous period not to exceed two weeks, beginning when a civil authority issues an order of evacuation or prohibits your use of the residence premises, provided that:
  - a. direct physical damage occurs to any property, other than covered property located on the residence premises, arising from a cause of loss that would be a Loss Insured under this policy if the damage had occurred to property on the residence premises;
  - b. the residence premises is within one mile of property damaged by a cause of loss identified in 3.a. above; and
  - c. the action of the civil authority is taken in response to:
    - (1) dangerous physical conditions resulting from the continuation of the cause of loss identified in 3.a. above;
    - (2) dangerous physical conditions resulting from the damage caused by the cause of loss identified in 3.a. above; or

- (3) the need to gain free access to property damaged by the cause of loss identified in 3.a. above.

We do not cover loss or expense due to cancellation of a lease or agreement.

**SECTION I – ADDITIONAL COVERAGES**

Items 1., 3. and 11. are replaced by the following:

- 1. **Debris Removal.** We will pay the reasonable expenses you incur in the removal of debris of covered property damaged by a Loss Insured. This expense is included in the limit applying to the damaged property. The following coverages and limits also apply:
  - a. When the amount payable for the property damage plus the debris removal exceeds the limit for damaged property, an additional 5% of that limit is available for debris removal expense. This additional amount of insurance does not apply to Additional Coverage, item 3. Trees, Shrubs and Landscaping.
  - b. We will also pay up to \$500 in the aggregate for each loss to cover the reasonable expenses you incur in the removal of tree debris from the residence premises, unless otherwise excluded. This coverage applies when:
    - (1) the tree has caused a Loss Insured to Coverage A property; or
    - (2) the tree debris felled by windstorm, hail, or weight of snow or ice blocks:
      - (a) the driveway, on the residence premises, and prevents land motor vehicle access to or from the dwelling; or
      - (b) a ramp designed to assist the handicapped, on the residence premises and prevents access to or from the dwelling.
- 3. **Trees, Shrubs and Landscaping.** We cover outdoor:
  - a. trees, shrubs, live or artificial plants, and lawns;
  - b. artificial grass; and
  - c. hardscape property used for aesthetic purposes not permanently affixed to realty, on the residence premises, for direct loss caused by the following: Fire or lightning, Explosion, Riot or civil commotion, Aircraft, Vehicles (not owned or operated by a resident of the residence premises), Vandalism or malicious mischief or Theft.

The limit for this coverage, including the removal of debris, shall not exceed 5% of the amount shown in the Declarations for COVERAGE A – DWELLING.



We will not pay more than \$750 for any one outdoor tree, shrub, plant or hardscape item, including debris removal expense. This coverage may increase the limit otherwise applicable. We do not cover property grown for business purposes.

11. Collapse. We insure only for direct physical loss to covered property involving the sudden, entire collapse of a building or any part of a building.

Collapse means actually fallen down or fallen into pieces. It does not include settling, cracking, shrinking, bulging, expansion, sagging or bowing.

The collapse must be directly and immediately caused only by one or more of the following:

- a. perils described in SECTION I – LOSSES INSURED, COVERAGE B – PERSONAL PROPERTY. These perils apply to covered building and personal property for loss insured by this Additional Coverage;
- b. decay, deterioration, insect damage or vermin damage, all that are hidden from view, of a:
  - (1) connector; or
  - (2) structural member of a building;
 unless the presence of such damage is known to an insured prior to collapse;
- c. weight of contents, equipment, animals or people;
- d. weight of ice, snow, sleet or rain which collects on a roof, porch or deck; or
- e. use of defective material or methods in the construction (includes remodeling or renovation) of the building, if the collapse occurs during the course of the construction of the building.

Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf, dock, trellis or antenna or its supporting structure is not included under items b., c., d. and e. unless the loss is the direct and immediate cause of the collapse of the building.

This coverage does not increase the limit applying to the damaged property.

#### SECTION I – LOSSES INSURED

##### COVERAGE B – PERSONAL PROPERTY

Items 9.b.(3)(c), 12.d., 13.b. and 15. are replaced by the following:

9. b. (3) (c) of securities, checks, cashiers checks, travelers checks, money orders, gift certificates, gift cards, rechargeable debit cards, phone cards and other

negotiable instruments, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports and tickets;

12. d. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot
13. b. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot
15. Sudden and accidental damage to electrical appliances, devices, fixtures and wiring from an increase or decrease of artificially generated electrical current. We will pay up to \$1,500 under this peril for each damaged item described above.

#### SECTION I – LOSSES NOT INSURED

Items 1.i. and 2.c. are replaced by the following:

1. i. wet or dry rot;
2. c. Water, meaning:
  - (1) flood, surface water, waves (including tidal wave, tsunami, and seiche), tides, tidal water, overflow of any body of water, or spray or surge from any of these, all whether driven by wind or not;
  - (2) water or sewage from outside the residence premises plumbing system that enters through sewers or drains, or water which enters into and overflows from within a sump pump, sump pump well or any other system designed to remove subsurface water which is drained from the foundation area;
  - (3) water below the surface of the ground, including water which exerts pressure on, or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure; or
  - (4) material carried or otherwise moved by any of the water, as described in paragraphs (1) through (3) above.

However, we do insure for any direct loss by fire, explosion or theft resulting from water, provided the resulting loss is itself a Loss Insured.

The following item is added:

2. g. Fungus, including:

- (1) any loss of use or delay in rebuilding, repairing or replacing covered property, including any associated cost or expense, due to interference at the residence premises or location of the rebuilding, repair or replacement of that property, by fungus;
- (2) any remediation of fungus, including the cost or expense to:
  - (a) remove the fungus from covered property or to repair, restore or replace that property;
  - (b) tear out and replace any part of the building or other property as needed to gain access to the fungus; or
  - (c) contain, treat, detoxify, neutralize or dispose of or in any way respond to or assess the effects of the fungus;
- (3) the cost of any testing or monitoring of air or property to confirm the type, absence, presence or level of fungus, whether performed prior to, during or after removal, repair, restoration or replacement of covered property.

However, this exclusion does not apply if fungus results from an accidental direct physical loss caused by fire or lightning.

#### SECTION I — CONDITIONS

Appraisal is replaced with the following:

**Appraisal.** If you and we fail to agree on the amount of loss, either one can demand that the amount of the loss be set by appraisal. If either makes a written demand for appraisal, each shall select a competent, independent appraiser. Each shall notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers shall then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, you or we can ask a judge of a court of record in the state where the residence premises is located to select an umpire. The appraisers shall then set the amount of the loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon shall be the amount of the loss. If the appraisers fail to agree within a reasonable time, they shall submit their differences to the umpire. Written agreement signed by any two of these three shall set the amount of the loss. Each appraiser shall be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the

umpire shall be paid equally by you and us except as provided below.

We will pay your appraiser's fee and the umpire's appraisal fee, if the following conditions exist:

- a. you demand the appraisal; and
- b. the full amount of loss, as set by your appraiser, is agreed to by our appraiser or by the umpire.

#### SECTION II — LIABILITY COVERAGES

##### SECTION II — ADDITIONAL COVERAGES

Items 1.a., 1.c. and 1.d. are replaced by the following:

##### 1. Claim Expenses. We pay:

- a. expenses we incur and costs taxed against an insured in suits we defend. Taxed costs do not include attorney fees;
- c. reasonable expenses an insured incurs at our request. This includes actual loss of earnings (but not loss of other income) up to \$200 per day for aiding us in the investigation or defense of claims or suits;
- d. interest the insured is legally liable to pay on damages payable under Coverage L above before a judgment, but only the interest on the lesser of:

- (1) that part of the damages we pay; or
- (2) the Coverage L limit; and

#### SECTION II — CONDITIONS

Item 1., Limit of Liability, is replaced by the following:

1. **Limit of Liability.** The Coverage L limit is shown in the Declarations. This is the limit for all damages from each occurrence for the policy period in which the bodily injury or property damage first occurs, regardless of the number of insureds, claims made or persons injured. No additional limits or coverage will be available for the occurrence under any additional policy periods while this policy remains in force.

The Coverage M limit is shown in the Declarations. This is our limit for all medical expense for bodily injury to one person as the result of one accident.

The following condition is added to item 4., Duties of an Injured Person — Coverage M:

- d. the injured person, or, when appropriate, someone acting on behalf of that person, shall:
  - (1) provide us with any required authorizations; and
  - (2) submit to us all information we need to comply with state or federal law.



**SECTION I AND SECTION II – CONDITIONS**

Item 8., Subrogation, is replaced by the following:

**8. Subrogation and Reimbursement.**

**a. Subrogation.**

**(1) Applicable to SECTION I – YOUR PROPERTY:**

If any insured to or for whom we make payment under this policy has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That insured must do everything necessary to secure our rights and must do nothing after loss to impair them. But an insured may waive in writing before a loss all rights of recovery against any person.

**(2) Applicable to SECTION II – YOUR LIABILITY:**

If any insured has rights to recover all or part of any payment we have made under this policy, those rights are transferred to us. An insured must do nothing after loss to impair them. At our request, an insured will bring "suit" or transfer those rights to us and help us enforce them.

Subrogation does not apply under Section II to Medical Payments to Others or Damage to Property of Others.

**b. Reimbursement**

If we make payment under this policy and any insured to or for whom we make payment recovers or has recovered from another person or organization, then the insured to or for whom we make payment must:

- (1) hold in trust for us the proceeds of any recovery; and
- (2) reimburse us to the extent of our payment.

Item 11., Right to Inspect, is replaced by the following:

**11. Right to Inspect.** We have the right but are not obligated to perform the following:

- a. make inspections and surveys of the insured location at any time;
- b. provide you with reports on conditions we find; or
- c. recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged.

We do not:

- a. make safety inspections;
- b. undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public;
- c. warrant that conditions are safe or healthful; or
- d. warrant that conditions comply with laws, regulations, codes or standards.

This condition applies not only to us but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations on our behalf.

The following conditions are added:

**13. Premium.**

- a. Unless as otherwise provided by an alternative payment plan in effect with the State Farm Companies with respect to the premium for this policy, the premium is due and payable in full on or before the first day of the policy period shown in the most recently issued Declarations.
- b. The renewal premium for this policy will be based upon the rates in effect, the coverages carried, the applicable limits, deductibles and other elements that affect the premium applicable at the time of renewal.
- c. The premium for this policy may vary based upon:
  - (1) the purchase of other products or services from the State Farm Companies;
  - (2) the purchase of products or services from an organization that has entered into an agreement or contract with the State Farm Companies. The State Farm Companies do not warrant the merchantability, fitness, or quality of any product or service offered or provided by that organization; or
  - (3) an agreement, concerning the insurance provided by this policy, that the State Farm Companies has with an organization of which you are a member, employee, subscriber, licensee, or franchisee.
- d. Your purchase of this policy may allow:
  - (1) you to purchase or obtain certain coverages, coverage options, coverage deductibles, coverage limits, or coverage terms on other products from the State Farm Companies, subject to their applicable eligibility rules; or



- (2) the premium or price for other products or services purchased by you, including non-insurance products or services, to vary. Such other products or services must be provided by the State Farm Companies or by an organization that has entered into an agreement or contract with the State Farm Companies. The State Farm Companies do not warrant the merchantability, fitness or quality of any product or service offered or provided by that organization.

14. **Change of Policy Address.** We may change the named insured's policy address as shown in the Declarations and in our records to the most recent address provided to us by:

- a. you; or
- b. the United States Postal Service.

#### OPTIONAL POLICY PROVISIONS

**Option BP – Business Property** is replaced by the following:

**Option BP – Business Property.** The **COVERAGE B – PERSONAL PROPERTY, Special Limits of Liability**, item b., for property used or intended for use in a business, including merchandise held as samples or for sale or for delivery after sale, is changed as follows:

The \$1,500 limit is replaced with the amount shown in the Declarations for this option.

FE-3452

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**Option HC – Home Computer** is replaced by the following:

**Option HC – Home Computer.** The **COVERAGE B – PERSONAL PROPERTY, Special Limits of Liability**, item i., is increased to be the amount shown in the Declarations for this option.

**Option OL – Building Ordinance or Law.**

Item 3.c. is replaced by the following:

- c. legally required changes to the undamaged portion of the dwelling caused by the enforcement of a building, zoning or land use ordinance or law, if:
  - (1) the enforcement is directly caused by the same Loss Insured;
  - (2) the requirement is in effect at the time the Loss Insured occurs; and
  - (3) the legally required changes are made to the undamaged portions of specific dwelling features, systems or components that have been physically damaged by the Loss Insured.

We will not pay for legally required changes to specific dwelling features, systems or components that have not been physically damaged by the Loss Insured.

All other policy provisions apply.



#### FE-8790 CIVIL UNION ENDORSEMENT

When used in this policy or in any endorsement attached to this policy:

1. the word "spouse" is replaced with "spouse or party to a civil union, domestic partnership, or other substantially similar legal relationship that is recognized and valid under the laws of the state in which this policy is issued"; and
2. "relative" means any person related to you by blood, adoption, marriage, or civil union, domestic partnership, or other substantially similar legal relationship that is recognized and valid under the laws of the state in which this policy is issued.

FE-8790

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State Farm

**State Farm Fire and Casualty Company**2702 Ireland Grove Road  
Bloomington, IL 61709-0001

AT2

B-01- 9B5C-F004

H W F

005872 0001

SPROULL, JARRET & KERRI  
3603 FRANOR ST  
ALTON IL 62002-3117

POLICY NUMBER 73-BP-R427-1

HOMEOWNERS AVAILABLE COVERAGE NOTICE

SEE RENEWAL CERTIFICATE

IT IS IMPORTANT THAT YOU OCCASIONALLY REVIEW THE COVERAGES AND LIMITS IN YOUR HOMEOWNERS POLICY TO BE CERTAIN YOUR NEEDS ARE BEING MET. THE FOLLOWING INFORMATION WILL ASSIST YOU IN THE REVIEW PROCESS.

THE COVERAGE LIMITS FOR COVERAGE A - DWELLING, COVERAGE B - PERSONAL PROPERTY, COVERAGE L - PERSONAL LIABILITY, AND COVERAGE M - MEDICAL PAYMENTS TO OTHERS ARE LISTED ON THE ACCOMPANYING RENEWAL NOTICE. PLEASE REVIEW THESE LIMITS TO DETERMINE IF THEY ARE ADEQUATE IN THE EVENT OF A LOSS.

THE FOLLOWING IS A PARTIAL LIST OF THE OPTIONAL COVERAGES YOU HAVE NOT ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Back-Up of Sewer or Drain (for damage caused by water from outside the plumbing system which backs up through sewers or drains)

Building Ordinance or Law (higher limits)

Business Property (for higher limits)

Business Pursuits Liability (for teachers, school administrators, sales persons, and clerical workers)

Child Care Liability (for those providing child care in their home)

Earthquake

Firearms (for broadened coverage and higher limits)

Home Computers (for higher limits)

Incidental Business Liability (for those with an incidental office, studio, or school in the home)

Jewelry and Furs (for broadened coverage and higher limits)

Loss Assessment (for neighborhoods with Homeowners Associations)

Nurses Professional Liability (for those in the nursing profession)

\*\*Optional Coverages continued on the reverse side\*\*

This notice contains only a general description of the coverages and is not a contract. All coverages are subject to the provisions in the policy itself. Should you have a need for any of these coverages or higher limits, contact your State Farm Agent to discuss details, cost and eligibility.

**IMPORTANT INFORMATION ABOUT DAMAGE CAUSED BY FLOODING**

This policy does not cover damage to your property caused by flooding. You may be eligible for such coverage through the National Flood Insurance Program ("NFIP"), if you live in a participating community. For more information, contact your State Farm® agent or visit [floodsmart.gov](http://floodsmart.gov).

Agent TOM LANE  
Telephone (618) 377-8912

REB

Prepared SEP 17 2012

THE FOLLOWING IS A **PARTIAL LIST** OF THE OPTIONAL COVERAGES YOU HAVE **NOT** ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Personal Injury (for your liability to others caused by certain acts of libel, slander, invasion of privacy, false arrest)

Silverware/Goldware (for broadened coverage and higher limits)

State Farm



## State Farm Fire and Casualty Company

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

8-01- 9B5C-F004 H W F

005872 0001

SPROULL, JARRET & KERRI  
3603 FRANDR ST  
ALTON IL 62002-3117STI-  
0208-S10001

Location: Same as Mailing Address

## Loss Settlement Provisions (See Policy)

A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

## Forms, Options, and Endorsements

Homeowners Policy

Increase Dwlg up to \$21,500

Ordinance/Law 10%/ \$10,750

Jewelry and Furs \$1,500/\$2,500

Civil Union Endorsement

Homeowners Policy Endorsement

FP-7955-IL

OPT ID

OPT OL

OPT JF

FE-8790

\* FE-3452

\*Effective: NOV 25 2012

## RENEWAL CERTIFICATE

POLICY NUMBER 73-BP-R427-1

Homeowners Policy  
NOV 25 2012 to NOV 25 2013

## TO BE PAID BY MORTGAGEE

## Coverages and Limits

## Section I

A Dwelling		\$107,500
Dwelling Extension	Up To	10,750
B Personal Property		80,625
C Loss of Use		Actual Loss Sustained

## Deductibles - Section I

All Losses	1,000
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## Section II

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium	\$484.00
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## Premium Reductions

Home Alert Discount	50.00
Home/Auto Discount	167.00
Claim Record Discount	100.00

Inflation Coverage Index: 246.8

NOTICE: Information concerning changes in your policy language is included. Please call your agent if you have any questions.

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

Thanks for letting us serve you...

36308  
\* DR.HP.6K.C4

401B 1

Agent TOM LANE

Telephone (618) 377-8912

RED

Moving? See your State Farm agent.  
See reverse for important information.

Prepared SEP 17 2012



Mortgagee: BANK OF AMERICA NA  
Loan No: 186411714  
Add Ins: KERRI VAUGHN

#### **Your coverage amount....**

It is up to you to choose the coverages and limits that meet your needs. We recommend that you purchase a coverage limit at least equal to the estimated replacement cost of your home. Replacement cost estimates are available from building contractors and replacement cost appraisers, or, your agent can provide an Xactware estimate using information you provide about your home. We can accept the type of estimate you choose as long as it provides a reasonable level of detail about your home. State Farm® does not guarantee that any estimate will be the actual future cost to rebuild your home. Higher limits are available at higher premiums. Lower limits are also available, which if selected may make certain coverages unavailable to you. We encourage you to periodically review your coverages and limits with your agent and to notify us of any changes or additions to your home.

**IMPORTANT NOTICE . . . about your policy**

Effective with this renewal, **HOMEOWNERS POLICY ENDORSEMENT (Illinois), FE-3452** replaces endorsements FE-2213, FE-5320, FE-5440, FE-5452, FE-5480, FE-5801, FE-5831 and changes your Homeowners booklet, FP-7955 IL.

Some of these changes reduce, eliminate or broaden coverage. Other changes, although not intended to change coverage, could potentially reduce or eliminate coverage depending on how they are interpreted. In that regard, they should be viewed as either an actual or a potential reduction in coverage.

This notice provides a brief description of some of the changes. We encourage you to read your new endorsement and note the following changes:

**REDUCTIONS IN COVERAGE OR LIMITS**

- The Special Limits of Liability under Coverage B – Personal Property, has changed so the \$5,000 limit on electronic data processing equipment now applies to mobile personal communication equipment, global positioning systems, mobile personal electronic devices used for reproduction of sound and standard media or non-media equipment used with any of these devices.
- There is no coverage under Coverage B – Personal Property, Property Not Covered for:
  - Videos or other media that may be used with equipment permanently attached to motor vehicles or other motorized land conveyances.
  - Data, sound or video that cannot be replaced with like kind and quality on the retail market that is transferred onto mobile communication equipment, global positioning systems or electronic devices used for the reproduction of video or sound.
  - Outdoor hardscape property used for aesthetic purposes, except as provided in Section I – Additional Coverages, item 3.
- Language is added to Coverage C – Loss of Use, Prohibited Use, to state when physical damage by a covered cause of loss occurs to property other than covered property located on the residence premises, we will pay the Additional Living Expense and Fair Rental Value, for a continuous period not to exceed two weeks. Coverage applies when access to the area immediately surrounding the damaged property is prohibited by civil authority as a result of the damage and the described premises is within the area, but not more than one mile from where the damaged property is located.
- Language is added to Section II – Additional Coverages, Claim Expenses to state that when we provide a defense against a suit, we will pay the costs taxed against you; however, such costs do not include attorney fees.
- Language is added to Section II – Conditions, Limit of Liability to state the coverage limit shown in the Declarations applies to the policy period during which the injury or damage first occurs and no additional coverage or limits will be available for the occurrence under any additional policy periods this policy remains in force.
- Section I and Section II – Conditions, Subrogation, is changed to Subrogation and Reimbursement.
  - Language is added to Subrogation to state that, as it relates to:
    - Section I – Your Property, if you have the right to recover damages from another, that right is automatically transferred to us, up to the extent of our payment.
    - Section II – Your Liability, if you have the right to recover all or part of any payment we have made under this policy, those rights are transferred to us.
  - Language is added to Reimbursement to state that if we make payment under this policy and you receive payment from another person or organization, you must hold the proceeds in trust for us and reimburse us to the extent of our payment.



**POTENTIAL REDUCTIONS IN COVERAGE**

- Language is added to the definition of "occurrence" to state that an accident must first result in bodily injury or property damage during the policy period. All bodily injury and property damage resulting from one accident, series of related accidents or from continuous and repeated exposure to the same general conditions is considered to be one occurrence.
- Lawns and artificial grass have been added to Coverage A, Property Not Covered, item 3. However, limited coverage is available under Section I – Additional Coverages, item 3.
- There is no coverage under Coverage B – Personal Property, Property Not Covered for:
  - Books or records of accounts receivable, abstracts or other journals, architectural or technical drawings, card index systems or other records.
  - Contraband, or any property used in the course of illegal consumption, possession, import, export or trade.
- Section I – Additional Coverage, Collapse, is revised to state coverage for collapse of a building caused by decay, deterioration, insect damage or vermin damage that is hidden from view is excluded if the hidden damage is known to an insured prior to the collapse.
- Language is added to Section I – Losses Not Insured to state there is no coverage for loss caused by waves (including tidal waves, tsunami, and seiche), tides, overflow of any body of water, or surge from any of these, all whether driven by wind or not. There is also no coverage for material carried or otherwise moved by any water described in the water exclusion.
- Section II – Additional Coverages, Claim Expenses is changed to state we will pay prejudgment interest, when owed by law, but only on the lesser of that part of the damages we pay or the policy's Coverage L limit.
- Language is added to Option OL – Building Ordinance or Law to state we will not pay for legally required changes to specific dwelling features, systems or components that have not been physically damaged by the Loss Insured.

**BROADENINGS OR ADDITIONS OF COVERAGE**

- Liability coverage is extended to include commercially manufactured 2, 3 or 4 wheeled personal conveyances powered by an unmodified motor of no more than 1 horsepower and capable of a top speed of no more than 20 miles per hour.
- The Special Limits of Liability under Coverage B – Personal Property, has changed as indicated below:
  - The limit for property used or intended to be used for business has increased to \$1,500. The limit for such property away from the residence premises has increased to \$750.
  - The limit on watercraft, outboard motors, including their trailers, furnishings and equipment has increased to \$1,500.
  - The limit on trailers not used with watercraft has increased to \$1,500.
  - Limited property coverage up to \$500 is added for certain low-powered commercially manufactured personal conveyances.
- Language in Section I – Additional Coverages, Trees, Shrubs and Landscaping is added to cover live or artificial plants, artificial grass and hardscape property used for aesthetic purposes not permanently affixed to the realty. The coverage limit for any one outdoor tree, shrub, plant or hardscape item has increased to \$750.
- The coverage limit under Section I – Losses Insured, Coverage B – Personal Property, Sudden and accidental damage to electrical appliances, devices, fixtures and wiring has increased to up to \$1,500 for each damaged item.
- Section II – Additional Coverages, Claim Expenses, is revised to state the most we will pay for all reasonable expenses incurred by the insured at our request, including loss of earnings, is \$200 per day.





## OTHER CHANGES

- Under Coverage B – Personal Property, Special Limits of Liability, gift certificates, gift cards, rechargeable debit cards, and phone cards are specifically listed along with securities, checks, and other negotiable instruments as being subject to a special coverage limit of \$1,000.
- Language is added to Section I and Section II Conditions, Premium, that describes when the premium is due, the rates the premium is based upon, and the effect this policy may have on other coverages obtainable from, or other premiums paid to, the State Farm Companies.
- A Section I and Section II Condition, Change of Policy Address, is added to state we may change the named insured's address in the Declarations and our records to the most recent address provided to us by you or the United States Postal Service.
- In the OPTIONAL POLICY PROVISIONS (if shown in the Declarations):
  - Option BP – Business Property – The coverage limit purchased with this optional provision now replaces the \$1,500 limit in the policy rather than the previous \$1,000 limit.
  - Option HC – Home Computer – The coverage limit purchased now applies to mobile personal communication equipment, global positioning systems, and mobile personal electronic devices in addition to electronic data processing system equipment

Please read endorsement FE-3452 carefully and keep it with your policy. If you have any questions, please contact your State Farm® agent.

This message is provided for informational purposes only, and it does not change, modify or invalidate any of the provisions, terms or conditions of your policy, or any other applicable endorsements.

**FE-3452 HOMEOWNERS POLICY ENDORSEMENT (Illinois)**

## DEFINITIONS

Definitions 7. and 8. are replaced by the following:

7. "motor vehicle", when used in Section II of this policy, means:
    - a. a land motor vehicle designed for travel on public roads or subject to motor vehicle registration;
    - b. a trailer or semi-trailer designed for travel on public roads and subject to motor vehicle registration;
    - c. a "recreational vehicle" while off an insured location. "Recreational vehicle" means a motorized vehicle designed for recreation principally off public roads that is owned or leased by an insured. This includes, but is not limited to, a motorized all terrain vehicle, amphibious vehicle, dune buggy, go-cart, golf cart, snowmobile, trail-bike, minibike and personal assistive mobility device. "Leased" does not include temporary rental;
    - d. a "locomotive" while off an insured location. "Locomotive" means a self-propelled vehicle for pulling or pushing freight or passenger cars on tracks that is large enough to carry a person and is owned or leased by an insured. "Leased" does not include temporary rental;
    - e. a bulldozer, track loader, backhoe, high-hoe, trencher, grader, crane, self-propelled scraper, excavator, pipe-layer, cherry picker, telehandler, logging vehicle, mining vehicle or road building vehicle that is owned or leased by an insured while off an insured location. "Leased" does not include temporary rental; and
    - f. any vehicle while being towed or pushed by or carried on a vehicle included in a., b., c., d. or e.
- The following are not motor vehicles:
- a. a boat, camp, home or utility trailer not being towed or pushed by or carried on a vehicle included in a., b., c., d. or e. above;
  - b. a motorized land vehicle in dead storage on an insured location;
  - c. a motorized golf cart while used for golfing purposes;
  - d. a motorized vehicle or trailer designed to assist the handicapped that is not designed for travel on public roads or subject to motor vehicle registration; or
  - e. a commercially manufactured 2, 3 or 4 wheeled personal conveyance powered only by or assisted by an unmodified motor or engine with a manufacturer's power rating of no more than 1 horsepower and capable of a top speed of no more than 20 miles per hour.



8. "occurrence", when used in Section II of this policy, means an accident, including exposure to conditions, which first results in:

- a. bodily injury; or
- b. property damage;

during the policy period. All bodily injury and property damage resulting from one accident, series of related accidents or from continuous and repeated exposure to the same general conditions is considered to be one occurrence.

Definitions 12. and 13. are added:

- 12. "fungus" means any type or form of fungi, including mold or mildew, and any mycotoxins, spores, scents or byproducts produced or released by fungi.
- 13. "State Farm Companies" means one or more of the following:
  - a. State Farm Mutual Automobile Insurance Company;
  - b. State Farm Fire and Casualty Company; and
  - c. subsidiaries or affiliates of either a. or b. above.

## SECTION I – COVERAGES

### COVERAGE A – DWELLING

Item 2., Dwelling Extension, is replaced by the following:

- 2. Dwelling Extension. We cover other structures on the residence premises, separated from the dwelling by clear space. Structures connected to the dwelling by only a fence, utility line, or similar connection are considered to be other structures.

We do not cover other structures:

- a. not permanently attached to or otherwise forming a part of the realty;
- b. used in whole or in part for business purposes unless such use consists solely of use of office space for paperwork, computer work or use of a telephone, and consists solely of activities that are:
  - (1) duties of the insured's employment by another; and
  - (2) performed solely by the insured; or
- c. rented or held for rental to a person not a tenant of the dwelling, unless used solely as a private garage.

The following item is added to item 3. Property Not Covered:

- d. lawns or artificial grass, except as provided in SECTION I – ADDITIONAL COVERAGES.

### COVERAGE B – PERSONAL PROPERTY

Special Limits of Liability is replaced by the following:

**Special Limits of Liability.** These limits do not increase the Coverage B limit. The special limit for each of the following categories is the total limit for each loss for all property in that category:

- a. \$200 on money, coins and medals, including any of these that are a part of a collection, and bank notes;
- b. \$1,500 on property used or intended for use in a business, including merchandise held as samples or for sale or for delivery after sale, while on the residence premises. This coverage is limited to \$750 on such property away from the residence premises.

Electronic data processing system equipment or the recording or storage media used with that equipment is not included under this coverage;

- c. \$1,000 on securities, checks, cashiers checks, travelers checks, money orders, gift certificates, gift cards, rechargeable debit cards, phone cards and other negotiable instruments, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports and tickets;
- d. \$1,500 on watercraft of all types and outboard motors, including their trailers, furnishings and equipment;
- e. \$1,500 on trailers not used with watercraft;
- f. \$2,500 on stamps, trading cards and comic books, including any of these that are a part of a collection;
- g. \$2,500 for loss by theft of firearms;
- h. \$2,500 for loss by theft of silverware and goldware;
- i. \$5,000 on electronic data processing system equipment, including but not limited to mobile personal communication equipment, global positioning systems, mobile personal electronic devices used for the reproduction of sound, and standard media or non-media equipment for use with the above devices;
- j. \$5,000 on any one article and \$10,000 in the aggregate for loss by theft of any rug, carpet (except wall-to-wall carpet), tapestry, wall-hanging or other similar article; and
- k. \$500 on commercially manufactured 2, 3 or 4 wheeled personal conveyances powered only by or assisted by an unmodified motor or engine with a manufacturer's power rating of no more than 1 horsepower and capable of a top speed of no more than 20 miles per hour. This does not include those not licensed for use on public highways which are designed for assisting the handicapped.





Item 2., **Property Not Covered**, is replaced by the following:

**2. Property Not Covered.** We do not cover:

- a. articles separately described and specifically insured in this or any other insurance;
- b. animals, birds or fish;
- c. any engine or motor-propelled vehicle or machine, including the parts, designed for movement on land, except as provided in **Special Limits of Liability**, item k. We do cover those not licensed for use on public highways which are:
  - (1) used solely to service the insured location; or
  - (2) designed for assisting the handicapped;
- d. devices or instruments for the recording or reproduction of video or sound permanently attached to an engine or motor-propelled vehicle. We do not cover tapes, discs, wires, videos or other media that may be used with these devices or instruments while in the vehicle;
- e. aircraft and parts;
- f. property of roomers, boarders, tenants and other residents not related to an insured. We do cover property of roomers, boarders and other residents related to an insured;
- g. property regularly rented or held for rental to others by an insured. This exclusion does not apply to property of an insured in a sleeping room rented to others by an insured;
- h. property rented or held for rental to others away from the residence premises;
- i. any citizens band radios, radio telephones, radio transceivers, radio transmitters, radar or laser detectors, antennas and other similar equipment which may be operated by power from the electrical system of an engine or motor propelled vehicle, permanently attached to an engine or motor propelled vehicle;
- j. books or records of accounts receivable, abstracts or other journals, architectural or technical drawings, card index systems or other records. This exclusion does not apply to any recording or storage media for electronic data processing. We will cover the cost of blank books, cards or other blank material plus the cost of labor you incur for transcribing or copying such records;
- k. recording or storage media for electronic data processing that cannot be replaced with other of like kind and quality on the current retail market;

- l. purchased or created data, sound or video that cannot be replaced with like kind and quality on the current retail market which is transferred or downloaded onto mobile communication equipment, global positioning systems or electronic devices used for the reproduction of video or sound;
- m. contraband, or any property used in the course of illegal consumption, possession, import, export or trade; or
- n. outdoor hardscape property used for aesthetic purposes except as provided in **SECTION I - ADDITIONAL COVERAGES**.

**COVERAGE C - LOSS OF USE**

Item 3., **Prohibited Use**, is replaced by the following:

3. **Prohibited Use.** We cover **Additional Living Expense** and **Fair Rental Value**, for a continuous period not to exceed two weeks, beginning when a civil authority issues an order of evacuation or prohibits your use of the residence premises, provided that:
  - a. direct physical damage occurs to any property, other than covered property located on the residence premises, arising from a cause of loss that would be a **Loss Insured** under this policy if the damage had occurred to property on the residence premises;
  - b. the residence premises is within one mile of property damaged by a cause of loss identified in 3.a. above; and
  - c. the action of the civil authority is taken in response to:
    - (1) dangerous physical conditions resulting from the continuation of the cause of loss identified in 3.a. above;
    - (2) dangerous physical conditions resulting from the damage caused by the cause of loss identified in 3.a. above; or
    - (3) the need to gain free access to property damaged by the cause of loss identified in 3.a. above.

We do not cover loss or expense due to cancellation of a lease or agreement.

**SECTION I - ADDITIONAL COVERAGES**

Items 1., 3. and 11. are replaced by the following:

1. **Debris Removal.** We will pay the reasonable expenses you incur in the removal of debris of covered property damaged by a **Loss Insured**. This expense is included in the limit applying to the damaged property. The following coverages and limits also apply:



- a. When the amount payable for the property damage plus the debris removal exceeds the limit for damaged property, an additional 5% of that limit is available for debris removal expense. This additional amount of insurance does not apply to Additional Coverage, item 3, Trees, Shrubs and Landscaping.
- b. We will also pay up to \$500 in the aggregate for each loss to cover the reasonable expenses you incur in the removal of tree debris from the residence premises, unless otherwise excluded. This coverage applies when:
  - (1) the tree has caused a Loss Insured to Coverage A property; or
  - (2) the tree debris felled by windstorm, hail, or weight of snow or ice blocks:
    - (a) the driveway, on the residence premises, and prevents land motor vehicle access to or from the dwelling; or
    - (b) a ramp designed to assist the handicapped, on the residence premises and prevents access to or from the dwelling.
3. Trees, Shrubs and Landscaping. We cover outdoor:
  - a. trees, shrubs, live or artificial plants, and lawns;
  - b. artificial grass; and
  - c. hardscape property used for aesthetic purposes not permanently affixed to realty;

on the residence premises, for direct loss caused by the following: Fire or lightning, Explosion, Riot or civil commotion, Aircraft, Vehicles (not owned or operated by a resident of the residence premises), Vandalism or malicious mischief or Theft.

The limit for this coverage, including the removal of debris, shall not exceed 5% of the amount shown in the Declarations for COVERAGE A – DWELLING. We will not pay more than \$750 for any one outdoor tree, shrub, plant or hardscape item, including debris removal expense. This coverage may increase the limit otherwise applicable. We do not cover property grown for business purposes.

11. Collapse. We insure only for direct physical loss to covered property involving the sudden, entire collapse of a building or any part of a building.

Collapse means actually fallen down or fallen into pieces. It does not include settling, cracking, shrinking, bulging, expansion, sagging or bowing.

The collapse must be directly and immediately caused only by one or more of the following:

- a. perils described in SECTION I – LOSSES INSURED, COVERAGE B – PERSONAL PROPERTY. These perils apply to covered building and personal property for loss insured by this Additional Coverage;
- b. decay, deterioration, insect damage or vermin damage, all that are hidden from view, of a:
  - (1) connector; or
  - (2) structural member of a building;
 unless the presence of such damage is known to an insured prior to collapse;
- c. weight of contents, equipment, animals or people;
- d. weight of ice, snow, sleet or rain which collects on a roof, porch or deck; or
- e. use of defective material or methods in the construction (includes remodeling or renovation) of the building, if the collapse occurs during the course of the construction of the building.

Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf, dock, trellis or antenna or its supporting structure is not included under items b., c., d. and e. unless the loss is the direct and immediate cause of the collapse of the building.

This coverage does not increase the limit applying to the damaged property.

## SECTION I – LOSSES INSURED

### COVERAGE B – PERSONAL PROPERTY

Items 9.b.(3)(c), 12.d., 13.b. and 15. are replaced by the following:

9. b. (3) (c) of securities, checks, cashiers checks, travelers checks, money orders, gift certificates, gift cards, rechargeable debit cards, phone cards and other negotiable instruments, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports and tickets;
12. d. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot.
13. b. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot.



15. Sudden and accidental damage to electrical appliances, devices, fixtures and wiring from an increase or decrease of artificially generated electrical current. We will pay up to \$1,500 under this peril for each damaged item described above.

### SECTION I - LOSSES NOT INSURED

Items 1.i. and 2.c. are replaced by the following:

1. i. wet or dry rot;
2. c. Water, meaning:
  - (1) flood, surface water, waves (including tidal wave, tsunami, and seiche), tides, tidal water, overflow of any body of water, or spray or surge from any of these, all whether driven by wind or not;
  - (2) water or sewage from outside the residence premises plumbing system that enters through sewers or drains, or water which enters into and overflows from within a sump pump, sump pump well or any other system designed to remove subsurface water which is drained from the foundation area;
  - (3) water below the surface of the ground, including water which exerts pressure on, or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure; or
  - (4) material carried or otherwise moved by any of the water, as described in paragraphs (1) through (3) above.

However, we do insure for any direct loss by fire, explosion or theft resulting from water, provided the resulting loss is itself a Loss Insured.

The following item is added:

2. g. Fungus, including:
  - (1) any loss of use or delay in rebuilding, repairing or replacing covered property, including any associated cost or expense, due to interference at the residence premises or location of the rebuilding, repair or replacement of that property, by fungus;
  - (2) any remediation of fungus, including the cost or expense to:
    - (a) remove the fungus from covered property or to repair, restore or replace that property;

- (b) tear out and replace any part of the building or other property as needed to gain access to the fungus; or
- (c) contain, treat, detoxify, neutralize or dispose of or in any way respond to or assess the effects of the fungus;

- (3) the cost of any testing or monitoring of air or property to confirm the type, absence, presence or level of fungus, whether performed prior to, during or after removal, repair, restoration or replacement of covered property.

However, this exclusion does not apply if fungus results from an accidental direct physical loss caused by fire or lightning.

### SECTION I - CONDITIONS

Appraisal is replaced with the following:

**Appraisal.** If you and we fail to agree on the amount of loss, either one can demand that the amount of the loss be set by appraisal. If either makes a written demand for appraisal, each shall select a competent, independent appraiser. Each shall notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers shall then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, you or we can ask a judge of a court of record in the state where the residence premises is located to select an umpire. The appraisers shall then set the amount of the loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon shall be the amount of the loss. If the appraisers fail to agree within a reasonable time, they shall submit their differences to the umpire. Written agreement signed by any two of these three shall set the amount of the loss. Each appraiser shall be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire shall be paid equally by you and us except as provided below.

We will pay your appraiser's fee and the umpire's appraisal fee, if the following conditions exist:

- a. you demand the appraisal; and
- b. the full amount of loss, as set by your appraiser, is agreed to by our appraiser or by the umpire.

### SECTION II - LIABILITY COVERAGES

### SECTION II - ADDITIONAL COVERAGES

Items 1.a., 1.c. and 1.d. are replaced by the following:



**1. Claim Expenses.** We pay:

- a. expenses we incur and costs taxed against an insured in suits we defend. Taxed costs do not include attorney fees;
- c. reasonable expenses an insured incurs at our request. This includes actual loss of earnings (but not loss of other income) up to \$200 per day for aiding us in the investigation or defense of claims or suits;
- d. interest the insured is legally liable to pay on damages payable under Coverage L above before a judgment, but only the interest on the lesser of:

- (1) that part of the damages we pay; or
- (2) the Coverage L limit; and

**SECTION II – CONDITIONS**

Item 1., **Limit of Liability**, is replaced by the following:

- 1. **Limit of Liability.** The Coverage L limit is shown in the Declarations. This is the limit for all damages from each occurrence for the policy period in which the bodily injury or property damage first occurs, regardless of the number of insureds, claims made or persons injured. No additional limits or coverage will be available for the occurrence under any additional policy periods while this policy remains in force.

The Coverage M limit is shown in the Declarations. This is our limit for all medical expense for bodily injury to one person as the result of one accident.

The following condition is added to Item 4., **Duties of an Injured Person – Coverage M**:

- d. the injured person, or, when appropriate, someone acting on behalf of that person, shall:
  - (1) provide us with any required authorizations; and
  - (2) submit to us all information we need to comply with state or federal law.

**SECTION I AND SECTION II – CONDITIONS**

Item 8., **Subrogation**, is replaced by the following:

**8. Subrogation and Reimbursement.****a. Subrogation.**

- (1) **Applicable to SECTION I – YOUR PROPERTY:**

If any insured to or for whom we make payment under this policy has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That insured must do everything

necessary to secure our rights and must do nothing after loss to impair them. But an insured may waive in writing before a loss all rights of recovery against any person.

**(2) Applicable to SECTION II – YOUR LIABILITY:**

If any insured has rights to recover all or part of any payment we have made under this policy, those rights are transferred to us. An insured must do nothing after loss to impair them. At our request, an insured will bring "suit" or transfer those rights to us and help us enforce them.

Subrogation does not apply under Section II to Medical Payments to Others or Damage to Property of Others.

**b. Reimbursement**

If we make payment under this policy and any insured to or for whom we make payment recovers or has recovered from another person or organization, then the insured to or for whom we make payment must:

- (1) hold in trust for us the proceeds of any recovery; and
- (2) reimburse us to the extent of our payment.

Item 11., **Right to Inspect**, is replaced by the following:

- 11. **Right to Inspect.** We have the right but are not obligated to perform the following:

- a. make inspections and surveys of the insured location at any time;
- b. provide you with reports on conditions we find; or
- c. recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged.

We do not:

- a. make safety inspections;
- b. undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public;
- c. warrant that conditions are safe or healthful; or
- d. warrant that conditions comply with laws, regulations, codes or standards.

This condition applies not only to us but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations on our behalf.

The following conditions are added:

**13. Premium.**

- a. Unless as otherwise provided by an alternative payment plan in effect with the State Farm Companies with respect to the premium for this policy, the premium is due and payable in full on or before the first day of the policy period shown in the most recently issued Declarations.
- b. The renewal premium for this policy will be based upon the rates in effect, the coverages carried, the applicable limits, deductibles and other elements that affect the premium applicable at the time of renewal.
- c. The premium for this policy may vary based upon:
  - (1) the purchase of other products or services from the State Farm Companies;
  - (2) the purchase of products or services from an organization that has entered into an agreement or contract with the State Farm Companies. The State Farm Companies do not warrant the merchantability, fitness, or quality of any product or service offered or provided by that organization; or
  - (3) an agreement, concerning the insurance provided by this policy, that the State Farm Companies has with an organization of which you are a member, employee, subscriber, licensee, or franchisee.
- d. Your purchase of this policy may allow:
  - (1) you to purchase or obtain certain coverages, coverage options, coverage deductibles, coverage limits, or coverage terms on other products from the State Farm Companies, subject to their applicable eligibility rules; or
  - (2) the premium or price for other products or services purchased by you, including non-insurance products or services, to vary. Such other products or services must be provided by the State Farm Companies or by an organization that has entered into an agreement or contract with the State Farm Companies. The State Farm Companies do not warrant the merchantability,

fitness or quality of any product or service offered or provided by that organization.

- 14. Change of Policy Address.** We may change the named insured's policy address as shown in the Declarations and in our records to the most recent address provided to us by:

- a. you; or
- b. the United States Postal Service.

**OPTIONAL POLICY PROVISIONS**

**Option BP – Business Property** is replaced by the following:

**Option BP – Business Property.** The **COVERAGE B – PERSONAL PROPERTY, Special Limits of Liability**, item b., for property used or intended for use in a business, including merchandise held as samples or for sale or for delivery after sale, is changed as follows:

The \$1,500 limit is replaced with the amount shown in the Declarations for this option.

**Option HC – Home Computer** is replaced by the following:

**Option HC – Home Computer.** The **COVERAGE B – PERSONAL PROPERTY, Special Limits of Liability**, item i., is increased to be the amount shown in the Declarations for this option.

**Option OL – Building Ordinance or Law.**

Item 3.c. is replaced by the following:

- c. legally required changes to the undamaged portion of the dwelling caused by the enforcement of a building, zoning or land use ordinance or law, if:

- (1) the enforcement is directly caused by the same Loss Insured;
- (2) the requirement is in effect at the time the Loss Insured occurs; and
- (3) the legally required changes are made to the undamaged portions of specific dwelling features, systems or components that have been physically damaged by the Loss Insured.

We will not pay for legally required changes to specific dwelling features, systems or components that have not been physically damaged by the Loss Insured.

All other policy provisions apply.

FE-3452

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## Information About Your Premium



Claims and information from other State Farm® policies in your household may have been used to determine the premium shown. A policy may be considered "in your household" if, according to our records, the policy has a name and address in common with this policy.

Consumer reports may also be used to determine the price you are charged. We may obtain and use a credit-based insurance score developed from information contained in these reports. We may use a third party in connection with the development of your insurance score.

If a credit-based insurance score is used, you have the right to request, no more than once in a 12 month period that your policy be re-rated using standards that would apply if you were initially applying for insurance. Re-rating could result in a lower rate, no change in rate or a higher rate.

We occasionally collect personal information from persons other than the individual or individuals listed on the policy. Such personal information may, in certain circumstances, be disclosed to third parties without your authorization. If you would like additional information concerning the collection and disclosure of your personal information - and your right to see and correct any personal information in your files - it will be furnished upon request.

553-3239 (C)

553-2948

## NOTICE TO POLICYHOLDER

For a comprehensive description of coverages and forms, please refer to your policy.

Policy changes that you requested before the "Date Prepared" on your Renewal Certificate are effective on the renewal date of this policy unless indicated otherwise by a separate endorsement, binder or Amended Declarations Page. Any coverage forms or endorsements included with your Renewal Certificate are effective on the renewal date of this policy.

Policy changes that you requested after the "Date Prepared" on your Renewal Certificate will be sent to you as an Amended Declarations Page or as an endorsement to your policy. You will be billed for any resulting premium increase later.

If you have acquired any valuable property items, made any improvements to your home, or have questions about your insurance coverage, please contact your State Farm® agent.

553-2948 (C)

(10/08)



State Farm Fire and Casualty Company

553-2798

## IMPORTANT NOTICE . . . Discounts and Rating

The longer you are insured with State Farm<sup>®</sup> and the fewer claims you have, the lower your premium. For policyholders insured by State Farm for three or more years, the Claim Free Discount Plan provides a premium discount if you have not had any claims considered for the Plan in the most recent three-year period since becoming insured with State Farm. Premium adjustments under the Claim Record Rating Plan are based on the number of years you have been insured with State Farm and on the number of claims that we consider for the Plan. Depending on the Plan(s) that applies in your state/province, claims considered for the Plans generally include claims resulting in a paid loss and may include weather-related claims. Additionally, depending on your state/province's plan and your tenure with State Farm, any claims with your prior insurer resulting in property damage or injury may also influence your premium. For further information about whether a Claim Free Discount is in effect in your state/province, the Claim Record Rating Plan that applies in your state/province, and the claims we consider for the Plans, please contact your State Farm agent.

553-2798 (C) (10/07)

553-3620 IL

## Important notice regarding the Illinois Civil Union Act

The Illinois Religious Freedom Protection and Civil Union Act ("the Act," 750 ILCS 75/1 *et seq.*) became effective June 1, 2011. This Act provides that under the laws of Illinois, parties to a civil union have the same legal obligations, responsibilities, protections, and benefits as spouses. As required by this Act, parties in a civil union have the same coverage benefits and are subject to the same duties and terms under your State Farm<sup>®</sup> policy as spouses.

553-3620 IL

Agent: TOM LANE

Telephone: (618) 377-8912

71


**State Farm Fire and Casualty Company**

 2702 Ireland Grove Road  
 Bloomington, IL 61709-0001

AT1

007174 0001

8-01- 9B5C-F004

H W F

 KERRI VAUGHN  
 3603 FRANOR ST  
 ALTON IL 62002-3117


ST-0101-000008

Insured: SPROULL, JARRET &amp; KERRI

 Location: 3603 FRANOR ST  
 ALTON IL 62002-3117

**Loss Settlement Provisions (See Policy)**

 A1 Replacement Cost - Similar Construction  
 B1 Limited Replacement Cost - Coverage B

**Forms, Options, and Endorsements**

 Homeowners Policy  
 Increase Dwlg up to \$21,500  
 Ordinance/Law 10%/ \$10,750  
 Civil Union Endorsement  
 Homeowners Policy Endorsement  
 Jewelry and Furs \$1,500/\$2,500

 FP-7955 . IL  
 OPT ID  
 OPT OL  
 FE-8790  
 FE-3452  
 OPT JF

**RENEWAL CERTIFICATE**
**POLICY NUMBER 73-BP-R427-1**

 Homeowners Policy  
 NOV 25 2012 to NOV 25 2013

**PAID BY SPECIFIED PARTY**
**Coverages and Limits**
**Section I**

A Dwelling		\$107,500
Dwelling Extension	Up To	10,750
B Personal Property		80,625
C Loss of Use		Actual Loss Sustained

**Deductibles - Section I**

All Losses	1,000
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**Section II**

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

<b>Annual Premium</b>	<b>\$484.00</b>
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**Premium Reductions**

Home Alert Discount	50.00
Home/Auto Discount	167.00
Claim Record Discount	100.00

Inflation Coverage Index: 246.8

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

138-307618 10-11-2010 (01130852)

*Thanks for letting us serve you...*

40528

901

AI

 Agent TOM LANE  
 Telephone (618) 377-8912

REB

 Moving? See your State Farm agent.  
 See reverse for important information.  
 Prepared SEP 17 2012

Mortgagee: BANK OF AMERICA NA  
Loan No: 186411714  
Add Ins: KERRI VAUGHN

State Farm

**State Farm Fire and Casualty Company**2702 Ireland Grove Road  
Bloomington, IL 61709-0001**POLICY NUMBER 73-BP-R427-1****HOMEOWNERS AVAILABLE COVERAGE NOTICE****SEE RENEWAL CERTIFICATE**

AT1

D-01- 9B5C-F004

H W F

003227

SPROULL, JARRET & KERRI  
3603 FRANOR ST  
ALTON IL 62002-3117ST.  
0104-C00K0H

IT IS IMPORTANT THAT YOU OCCASIONALLY REVIEW THE COVERAGES AND LIMITS IN YOUR HOMEOWNERS POLICY TO BE CERTAIN YOUR NEEDS ARE BEING MET. THE FOLLOWING INFORMATION WILL ASSIST YOU IN THE REVIEW PROCESS.

THE COVERAGE LIMITS FOR COVERAGE A - DWELLING, COVERAGE B - PERSONAL PROPERTY, COVERAGE L - PERSONAL LIABILITY, AND COVERAGE M - MEDICAL PAYMENTS TO OTHERS ARE LISTED ON THE ACCOMPANYING RENEWAL NOTICE. PLEASE REVIEW THESE LIMITS TO DETERMINE IF THEY ARE ADEQUATE IN THE EVENT OF A LOSS.

THE FOLLOWING IS A PARTIAL LIST OF THE OPTIONAL COVERAGES YOU HAVE NOT ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Back-Up of Sewer or Drain (for damage caused by water from outside the plumbing system which backs up through sewers or drains)

Building Ordinance or Law (higher limits)

Business Property (for higher limits)

Business Pursuits Liability (for teachers, school administrators, sales persons, and clerical workers)

Child Care Liability (for those providing child care in their home)

Earthquake

Firearms (for broadened coverage and higher limits)

Home Computers (for higher limits)

Incidental Business Liability (for those with an incidental office, studio, or school in the home)

Jewelry and Furs (for broadened coverage and higher limits)

Loss Assessment (for neighborhoods with Homeowners Associations)

Nurses Professional Liability (for those in the nursing profession)

**\*\*Optional Coverages continued on the reverse side\*\***

011005J 07-02-2008

**This notice contains only a general description of the coverages and is not a contract. All coverages are subject to the provisions in the policy itself. Should you have a need for any of these coverages or higher limits, contact your State Farm Agent to discuss details, cost and eligibility.**

**IMPORTANT INFORMATION ABOUT DAMAGE CAUSED BY FLOODING**

This policy does not cover damage to your property caused by flooding. You may be eligible for such coverage through the National Flood Insurance Program ("NFIP"), if you live in a participating community. For more information, contact your State Farm® agent or visit [floodsmart.gov](http://floodsmart.gov).

N 10891 08 D6.H2.DR.NP 401B I

**Agent TOM LANE**  
**Telephone (618) 377-8912**

REB

**Prepared SEP 16 2011**



THE FOLLOWING IS A **PARTIAL LIST** OF THE OPTIONAL COVERAGES YOU HAVE **NOT** ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Personal Injury (for your liability to others caused by certain acts of libel, slander, invasion of privacy, false arrest)

Silverware/Goldware (for broadened coverage and higher limits)

State Farm

**State Farm Fire and Casualty Company**2702 Ireland Grove Road  
Bloomington, IL 61709-0001

D-01- 9B5C-F004 H W F

C03227

SPROULL, JARRET & KERRI  
3603 FRANOR ST  
ALTON IL 62002-3117STI-  
0204-G10K01

Location: Same as Mailing Address

**Loss Settlement Provisions (See Policy)**A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B**Forms, Options, and Endorsements**

Homeowners Policy	FP-7955 . IL
Increase Dwlg up to \$20,720	OPT ID
Ordinance/Law 10%/ \$10,360	OPT OL
Jewelry and Furs \$1,500/\$2,500	OPT JF
Amendatory Endorsement	FE-2213
Policy Endorsement	FE-5320
Fungus (Including Mold) Excl	FE-5440
Motor Vehicle Endorsement	FE-5452
Telecommuter Coverage	FE-5831
Amendatory Debris Removal	FE-5480
Mandatory Reporting Endorsement	FE-5801
Civil Union Endorsement	* FE-8790

\*Effective: NOV 25 2011

NOTICE: Information concerning changes in your policy language is included. Please call your agent if you have any questions.

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

**RENEWAL CERTIFICATE**

POLICY NUMBER 73-BP-R427-1

Homeowners Policy  
NOV 25 2011 to NOV 25 2012**TO BE PAID BY MORTGAGEE****Coverages and Limits****Section I**

A Dwelling		\$103,600
Dwelling Extension	Up To	10,360
B Personal Property		77,700
C Loss of Use		Actual Loss Sustained

**Deductibles - Section I**

All Losses 1,000

**Section II**

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium \$441.00

**Premium Reductions**

Home Alert Discount	46.00
Home/Auto Discount	153.00
Claim Free Discount	76.00

Inflation Coverage Index: 237.8

130-307618 10-11-2010 (01/2009c)

*Thanks for letting us serve you...*N 10892  
\* D6.H2.DR NP

401B 1

Agent TOM LANE

Telephone (618) 377-8912

REB

Moving? See your State Farm agent.  
See reverse for important information.

Prepared SEP 16 2011

Mortgagee: BANK OF AMERICA NA  
Loan No: 186411714  
Add Ins: KERRI VAUGHN

#### **Your coverage amount....**

It is up to you to choose the coverages and limits that meet your needs. We recommend that you purchase a coverage limit at least equal to the estimated replacement cost of your home. Replacement cost estimates are available from building contractors and replacement cost appraisers, or, your agent can provide an Xactware estimate using information you provide about your home. We can accept the type of estimate you choose as long as it provides a reasonable level of detail about your home. State Farm® does not guarantee that any estimate will be the actual future cost to rebuild your home. Higher limits are available at higher premiums. Lower limits are also available, which if selected may make certain coverages unavailable to you. We encourage you to periodically review your coverages and limits with your agent and to notify us of any changes or additions to your home.



## IMPORTANT NOTICE



Effective with this renewal, **CIVIL UNION ENDORSEMENT, FE-8790**, is being added to your policy to comply with recently adopted state law.

- The new endorsement changes your policy to replace the word "spouse" with the phrase "spouse or party to a civil union, domestic partnership, or other substantially similar legal relationship that is recognized and valid under the law of the state in which this policy is issued" wherever the term "spouse" is used.
- It also defines "relative" to include "any person related by blood, adoption, marriage, or a civil union, domestic partnership, or other substantially similar legal relationship that is recognized and valid under the law of the state in which this policy is issued".

**CIVIL UNION ENDORSEMENT FE-8790** follows this notice. Please read it carefully and place it with your policy.

If you have any questions, please contact your State Farm® agent.



### **FE-8790 CIVIL UNION ENDORSEMENT**

When used in this policy or in any endorsement attached to this policy:

1. the word "spouse" is replaced with "spouse or party to a civil union, domestic partnership, or other substantially similar legal relationship that is recognized and valid under the laws of the state in which this policy is issued"; and
2. "relative" means any person related to you by blood, adoption, marriage, or civil union, domestic partnership, or other substantially similar legal relationship that is recognized and valid under the laws of the state in which this policy is issued.

FE-8790

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## Important Information . . . about your policy

- Premium Adjustment
- Home / Auto Discount Increased

### PREMIUM ADJUSTMENT

Insurance premiums have been adjusted and continue to reflect the expected cost of claims. Some policyholders will see their premiums increase while other policyholders may see their premiums decrease or stay the same. The amount your premium changed, if at all, depends on several factors including the expected claim experience in your area, the coverage you have, and any applicable discounts or charges. The enclosed Renewal Certificate reflects your new premium.

### HOME/AUTO DISCOUNT INCREASED

The Home / Auto Discount has increased to 25% effective with this renewal. The Home / Auto Discount provides a premium discount if you have a Homeowners, Renters, or Condominium Unitowners policy and at least one qualifying vehicle insured with State Farm\*. The enclosed Renewal Certificate reflects the Home / Auto Discount if you qualify.

State Farm\* works hard to offer you the best combination of cost, protection, and service. We will continue doing our best to make the most effective use of your premium dollars and give you superior service when you need it.

If you have any questions about your premium or policy coverages, please contact your State Farm agent.

553-3326

## IMPORTANT NOTICE . . . about your policy

### DEDUCTIBLE INCREASE – Potential Reduction in Coverage

One way to help reduce insurance premiums is to increase your deductible.

Effective with this renewal, the minimum Section I – All Losses deductible on your Homeowners policy is being increased to \$1,000. Lower flat dollar amount deductible options are not available.

This means you will be responsible for a greater portion of each covered loss. Your premium has been adjusted and your new deductible is listed on the enclosed Renewal Certificate.

If you have any questions about this change, or would like to discuss other deductible options, please contact your State Farm\* agent at the telephone number listed at the bottom of the page.

553-2798

**IMPORTANT NOTICE . . . Discounts and Rating**

The longer you are insured with State Farm\* and the fewer claims you have, the lower your premium. For policyholders insured by State Farm for three or more years, the Claim Free Discount Plan provides a premium discount if you have not had any claims considered for the Plan in the most recent three-year period since becoming insured with State Farm. Premium adjustments under the Claim Record Rating Plan are based on the number of years you have been insured with State Farm and on the number of claims that we consider for the Plan. Depending on the Plan(s) that applies in your state/province, claims considered for the Plans generally include claims resulting in a paid loss and may include weather-related claims. Additionally, depending on your state/province's plan and your tenure with State Farm, any claims with your prior insurer resulting in property damage or injury may also influence your premium. For further information about whether a Claim Free Discount is in effect in your state/province, the Claim Record Rating Plan that applies in your state/province, and the claims we consider for the Plans, please contact your State Farm agent.

553-2798 (C) (10/07)

553-2948

**NOTICE TO POLICYHOLDER**

For a comprehensive description of coverages and forms, please refer to your policy.

Policy changes that you requested before the "Date Prepared" on your Renewal Certificate are effective on the renewal date of this policy unless indicated otherwise by a separate endorsement, binder or Amended Declarations Page. Any coverage forms or endorsements included with your Renewal Certificate are effective on the renewal date of this policy.

Policy changes that you requested after the "Date Prepared" on your Renewal Certificate will be sent to you as an Amended Declarations Page or as an endorsement to your policy. You will be billed for any resulting premium increase later.

If you have acquired any valuable property items, made any improvements to your home, or have questions about your insurance coverage, please contact your State Farm agent.

553-2948 (C) (10/08)

Agent: TOM LANE

Telephone: (618) 377-8912

State Farm

## State Farm Fire and Casualty Company

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

AT1

003830

D-01- 9B5C-F004

H W F

KERRI VAUGHN  
3603 FRANOR ST  
ALTON IL 62002-3117ST.  
0101-800608

Insured: SPROULL, JARRET &amp; KERRI

Location: 3603 FRANOR ST  
ALTON IL 62002-3117

## Loss Settlement Provisions (See Policy)

A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

## Forms, Options, and Endorsements

Homeowners Policy  
Increase Dwlg up to \$20,720  
Ordinance/Law 10%/ \$10,360  
Amendatory Endorsement  
Policy Endorsement  
Fungus (Including Mold) Excl  
Motor Vehicle Endorsement  
Telecommuter Coverage  
Amendatory Debris Removal  
Mandatory Reporting Endorsement  
Civil Union Endorsement  
Jewelry and Furs \$1,500/\$2,500FP-7955 . IL  
OPT ID  
OPT OL  
FE-2213  
FE-5320  
FE-5440  
FE-5452  
FE-5831  
FE-5480  
FE-5801  
FE-8790  
OPT JF

## RENEWAL CERTIFICATE

POLICY NUMBER 73-BP-R427-1

Homeowners Policy  
NOV 25 2011 to NOV 25 2012

## PAID BY SPECIFIED PARTY

## Coverages and Limits

## Section I

A Dwelling		\$103,600
Dwelling Extension	Up To	10,360
B Personal Property		77,700
C Loss of Use		Actual Loss Sustained

## Deductibles - Section I

All Losses	1,000
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## Section II

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium	\$441.00
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## Premium Reductions

Home Alert Discount	46.00
Home/Auto Discount	153.00
Claim Free Discount	76.00

Inflation Coverage Index: 237.8

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

Thanks for letting us serve you...

11821

901

AI

Agent TOM LANE

Telephone (618) 377-8912

REG

Moving? See your State Farm agent.  
See reverse for important information.

Prepared SEP 16 2011



Mortgagee: BANK OF AMERICA NA  
Loan No: 186411714  
Add Ins: KERRI VAUGHN

State Farm

**State Farm Fire and Casualty Company**2702 Ireland Grove Road  
Bloomington, IL 61709-0001

AT1

006063

S-01- 3747-F004

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SPROULL, JARRET & KERRI  
3603 FRANOR ST  
ALTON IL 62002-3117

POLICY NUMBER 73-BP-R427-1

HOMEOWNERS AVAILABLE COVERAGE NOTICE

SEE RENEWAL CERTIFICATE

IT IS IMPORTANT THAT YOU OCCASIONALLY REVIEW THE COVERAGES AND LIMITS IN YOUR HOMEOWNERS POLICY TO BE CERTAIN YOUR NEEDS ARE BEING MET. THE FOLLOWING INFORMATION WILL ASSIST YOU IN THE REVIEW PROCESS.

THE COVERAGE LIMITS FOR COVERAGE A - DWELLING, COVERAGE B - PERSONAL PROPERTY, COVERAGE L - PERSONAL LIABILITY, AND COVERAGE M - MEDICAL PAYMENTS TO OTHERS ARE LISTED ON THE ACCOMPANYING RENEWAL NOTICE. PLEASE REVIEW THESE LIMITS TO DETERMINE IF THEY ARE ADEQUATE IN THE EVENT OF A LOSS.

THE FOLLOWING IS A PARTIAL LIST OF THE OPTIONAL COVERAGES YOU HAVE **NOT** ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Back-Up of Sewer or Drain (for damage caused by water from outside the plumbing system which backs up through sewers or drains)

Building Ordinance or Law (higher limits)

Business Property (for higher limits)

Business Pursuits Liability (for teachers, school administrators, sales persons, and clerical workers)

Child Care Liability (for those providing child care in their home)

Earthquake

Firearms (for broadened coverage and higher limits)

Home Computers (for higher limits)

Incidental Business Liability (for those with an incidental office, studio, or school in the home)

Jewelry and Furs (for broadened coverage and higher limits)

Loss Assessment (for neighborhoods with Homeowners Associations)

Nurses Professional Liability (for those in the nursing profession)

\*\*Optional Coverages continued on the reverse side\*\*

This notice contains only a general description of the coverages and is not a contract. All coverages are subject to the provisions in the policy itself. Should you have a need for any of these coverages or higher limits, contact your State Farm Agent to discuss details, cost and eligibility.

**IMPORTANT INFORMATION ABOUT DAMAGE CAUSED BY FLOODING**

This policy does not cover damage to your property caused by flooding. You may be eligible for such coverage through the National Flood Insurance Program ("NFIP"), if you live in a participating community. For more information, contact your State Farm® agent or visit [floodsmart.gov](http://floodsmart.gov).

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Agent TOM LANE  
Telephone (618) 377-8912

REB

Prepared SEP 22 2010

Page 87 of 165

THE FOLLOWING IS A **PARTIAL LIST** OF THE **OPTIONAL COVERAGES** YOU HAVE **NOT** ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Personal Injury (for your liability to others caused by certain acts of libel, slander, invasion of privacy, false arrest)

Silverware/Goldware (for broadened coverage and higher limits)

State Farm

**State Farm Fire and Casualty Company**2702 Ireland Grove Road  
Bloomington, IL 61709-0001

B-01- 3747-F004 H F

006063  
SPROULL, JARRET & KERRI  
3603 FRANOR ST  
ALTON IL 62002-3117

Location: Same as Mailing Address

**Loss Settlement Provisions (See Policy)**A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B**Forms, Options, and Endorsements**

Homeowners Policy	FP-7955 . IL
Increase Dwlg up to \$20,540	OPT ID
Ordinance/Law 10%/ \$10,270	OPT OL
Jewelry and Furs \$1,500/\$2,500	OPT JF
Amendatory Endorsement	FE-2213
Policy Endorsement	FE-5320
Fungus (Including Mold) Excl	FE-5440
Motor Vehicle Endorsement	FE-5452
Telecommuter Coverage	FE-5831
Amendatory Debris Removal	FE-5480
Mandatory Reporting Endorsement	* FE-5801

\*Effective: NOV 25 2010

**RENEWAL CERTIFICATE****POLICY NUMBER** 73-BP-R427-1Homeowners Policy  
NOV 25 2010 to NOV 25 2011**TO BE PAID BY MORTGAGEE****Coverages and Limits****Section I**

A Dwelling	Up To	\$102,700
Dwelling Extension		10,270
B Personal Property		77,025
C Loss of Use		Actual Loss Sustained

**Deductibles - Section I**

All Losses 500

**Section II**

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium \$503.00

**Premium Reductions**

Home Alert Discount	49.00
Home/Auto Discount	122.00
Claim Free Discount	32.00

Inflation Coverage Index: 236.0

NOTICE: Information concerning changes in your policy language is included. Please call your agent if you have any questions.

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

*Thanks for letting us serve you...*18527  
N 1V.DR.NP  
14

401B 1

Agent TOM LANE  
Telephone (618) 377-8912If you have moved, please contact your agent.  
See reverse side for important information.  
Prepared SEP 22 2010

REB



Mortgagee: BAC HOME LOANS SERVICING LP  
Loan No: 186411714  
Add Ins: KERRI VAUGHN

#### **Your coverage amount....**

It is up to you to choose the coverages and limits that meet your needs. We recommend that you purchase a coverage limit at least equal to the estimated replacement cost of your home. Replacement cost estimates are available from building contractors and replacement cost appraisers, or, your agent can provide an Xactware estimate using information you provide about your home. We can accept the type of estimate you choose as long as it provides a reasonable level of detail about your home. State Farm® does not guarantee that any estimate will be the actual future cost to rebuild your home. Higher limits are available at higher premiums. Lower limits are also available, which if selected may make certain coverages unavailable to you. We encourage you to periodically review your coverages and limits with your agent and to notify us of any changes or additions to your home.

State Farm



16-L-1341

10520

73-BP-R427-1

FE-5801  
Page 1 of 1



## **FE-5801 MANDATORY REPORTING ENDORSEMENT**

The following **CONDITION** is added:

**Duties of an Injured Person – Coverage M – Mandatory Reporting.** The injured person, or, when appropriate, someone acting on behalf of that person, shall:

- a. provide us with any required authorizations; and
- b. submit to us all information we need to comply with state or federal law.

FE-5801

©, Copyright, State Farm Mutual Automobile Insurance Company, 2009



**IMPORTANT INFORMATION . . .****ABOUT ESTIMATING THE REPLACEMENT COST OF YOUR HOME OR STRUCTURE  
AND SELECTING YOUR COVERAGE AMOUNT**

It's important to periodically review your State Farm® policy to make sure your coverages meet your needs. One important consideration is the comparison of your Coverage A limit to the current estimated replacement cost of your home or structure. The enclosed renewal notice lists your current coverages and limits. If you've remodeled, or made any other changes to your home or structure since you purchased your policy that might increase the replacement cost, it's important to update your coverage to reflect these changes.

An estimate of the replacement cost of an insured home or structure is used to establish its value for insurance purposes. It affects your premium, and what coverage options may be available. Replacement cost estimates can be obtained from a building contractor or a replacement cost appraisal. Estimates from these sources should reflect the features specific to your home or structure.

If you are unable to obtain a detailed estimate from either of these sources, your State Farm agent can assist you in preparing an Xactware™ replacement cost estimate for your home or structure. This estimating tool offers the flexibility to create an individualized estimate based on the specific features you provide about your home or structure. State Farm recently began using an updated version of the Xactware replacement cost estimating tool. If you would like a new estimate using an Xactware replacement cost estimate, please contact your agent.

State Farm does not guarantee that any type of estimate will represent the actual cost to rebuild your home or structure after a loss. Also, a replacement cost estimate does not dictate the amount of insurance coverage a policyholder must or may purchase. For many reasons, a policyholder may want to purchase more or less than the replacement cost estimate. State Farm allows you to choose the coverage limits that best fit your circumstances.

When a policy provides coverage on a replacement cost basis, following a covered loss, State Farm pays you the "replacement cost" that you actually and necessarily spend to repair or replace the damaged part of the property—subject to the terms of the policy and coverage limits. The replacement cost is not the market value, the purchase price, or the outstanding amount of any mortgage loan. It does not include the value of the land. Rather, replacement cost is the cost, subject to the terms of the policy, of repairing or rebuilding the damaged part of the insured structure, not including desired or required upgrades or improvements.

If a current replacement cost estimate of your home or structure is higher than your present Coverage A limit, we encourage you to increase your limit and insure your home or structure to at least its current estimated replacement cost. We also encourage you to periodically review your coverages and limits with your agent, and notify us of any changes or additions to your home or structure.

553-2300.4 (C)



State Farm Fire and Casualty Company

553-2798

**IMPORTANT NOTICE . . . Discounts and Rating**

The longer you are insured with State Farm® and the fewer claims you have, the lower your premium. For policyholders insured by State Farm for three or more years, the Claim Free Discount Plan provides a premium discount if you have not had any claims considered for the Plan in the most recent three-year period since becoming insured with State Farm. Premium adjustments under the Claim Record Rating Plan are based on the number of years you have been insured with State Farm and on the number of claims that we consider for the Plan. Depending on the Plan(s) that applies in your state/province, claims considered for the Plans generally include claims resulting in a paid loss and may include weather-related claims. Additionally, depending on your state/province's plan and your tenure with State Farm, any claims with your prior insurer resulting in property damage or injury may also influence your premium. For further information about whether a Claim Free Discount is in effect in your state/province, the Claim Record Rating Plan that applies in your state/province, and the claims we consider for the Plans, please contact your State Farm agent.

553-2798 (C) (10/07)

553-2948

**NOTICE TO POLICYHOLDER**

For a comprehensive description of coverages and forms, please refer to your policy.

Policy changes that you requested before the "Date Prepared" on your Renewal Certificate are effective on the renewal date of this policy unless indicated otherwise by a separate endorsement, binder or Amended Declarations Page. Any coverage forms or endorsements included with your Renewal Certificate are effective on the renewal date of this policy.

Policy changes that you requested after the "Date Prepared" on your Renewal Certificate will be sent to you as an Amended Declarations Page or as an endorsement to your policy. You will be billed for any resulting premium increase later.

If you have acquired any valuable property items, made any improvements to your home, or have questions about your insurance coverage, please contact your State Farm® agent.

553-2948 (C) (10/08)

Agent: TOM LANE

Telephone: (618) 377-8912

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State Farm



## State Farm Fire and Casualty Company

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

AT1

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S-01- 3747-F004

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KERRI VAUGHN  
3603 FRANOR ST  
ALTON IL 62002-3117

Insured: SPROULL, JARRET &amp; KERRI

Location: 3603 FRANOR ST  
ALTON IL 62002-3117

## Loss Settlement Provisions (See Policy)

A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

## Forms, Options, and Endorsements

Homeowners Policy  
Increase Dwlg up to \$20,540  
Ordinance/Law 10%/ \$10,270  
Amendatory Endorsement  
Policy Endorsement  
Fungus (Including Mold) Excl  
Motor Vehicle Endorsement  
Telecommuter Coverage  
Amendatory Debris Removal  
Mandatory Reporting Endorsement  
Jewelry and Furs \$1,500/\$2,500FP-7955 . IL  
OPT ID  
OPT OL  
FE-2213  
FE-5320  
FE-5440  
FE-5452  
FE-5831  
FE-5480  
FE-5801  
OPT JF

## RENEWAL CERTIFICATE

POLICY NUMBER 73-BP-R427-1

Homeowners Policy

NOV 25 2010 to NOV 25 2011

## PAID BY SPECIFIED PARTY

## Coverages and Limits

## Section I

A Dwelling		\$102,700
Dwelling Extension	Up To	10,270
B Personal Property		77,025
C Loss of Use		Actual Loss Sustained

## Deductibles - Section I

All Losses 500

## Section II

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium \$503.00

## Premium Reductions

Home Alert Discount	49.00
Home/Auto Discount	122.00
Claim Free Discount	32.00

Inflation Coverage Index: 236.0

Please help us update the data used to determine your premium. Contact your agent with the year each of your home's utilities (heating/cooling, plumbing, or electrical) and roof were last updated.

Thanks for letting us serve you...

21547

901

AI

Agent TOM LANE

Telephone (618) 377-8912

If you have moved, please contact your agent.  
See reverse side for important information.  
Prepared SEP 22 2010

REB

Mortgagee: BAC HOME LOANS SERVICING LP  
Loan No: 186411714  
Add Ins: KERRI VAUGHN

State Farm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

**Named Insured**

8-01-3747-F004

H F

SPROULL, JARRET & KERRI  
3603 FRANOR ST  
ALTON IL 62002-3117

**DECLARATIONS PAGE**

AMENDED JUN 28 2010

**Policy Number** 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2009	NOV 25 2010

The policy period begins and ends at 12:01 am standard time at the residence premises.

**Loan # 186411714**

**Mortgagee**

BAC HOME LOANS SERVICING LP  
ISAOA ATIMA  
PO BOX 961206  
FORT WORTH TX 76161-0206

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

**Location of Residence Premises**  
Same as Insured's Address

**Your policy is amended JUN 28 2010**  
**HOME ALERT CHANGED**

Coverages & Property		Limits of Liability	Inflation Coverage Index: 234.7
<b>SECTION I</b>			<b>Deductibles - Section I</b>
A Dwelling		\$ 102,000	All Losses \$ 500
Dwelling Extension up to		\$ 10,200	
B Personal Property		\$ 76,500	
C Loss of Use		Actual Loss Sustained	
<b>SECTION II</b>			In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.
L Personal Liability (Each Occurrence)		\$ 300,000	
Damage to Property of Others		\$ 500	
M Medical Payments to Others (Each Person)		\$ 5,000	
<b>Loss Settlement Provision (See Policy)</b>			<b>Endorsement Premium</b>
A1 Replacement Cost - Similar Construction			DECREASE \$ 22.19
B1 Limited Replacement Cost - Coverage B			
Forms, Options, & Endorsements			Discounts Applied:
Homeowners Policy	FP-7955 .IL		Home Alert
Amendatory Endorsement	FE-2213		Home/Auto
Policy Endorsement	FE-5320		Claim Free
Fungus (Including Mold) Excl	FE-5440		
Motor Vehicle Endorsement	FE-5452		
Telecommuter Coverage	FE-5831		
Amendatory Debris Removal	FE-5480		
Jewelry and Furs \$1,500 Each			
Article/\$2,500 Aggregate	Option JF		

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

**TOM LANE**  
618-377-8912

5726 251 I

N

Prepared AUG 31 2010

555-7020 IL

555-7020.1 Rev. 10-2002 (01F0391c)

Page 97 of 165



## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%\$ 10,200

Option ID  
 Option OL

**Add Insured-Sections I & II**

KERRI VAUGHN  
 3603 FRANOR ST  
 ALTON IL 62002-3117

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

0110396g  
 Rev. 09-2005

Page 98 of 165

State Farm Fire and Casualty Company  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001  
Addl Insured-Sections I & II

8-01-3747-F004

H F

KERRI VAUGHN  
3603 FRANOR ST  
ALTON IL 62002-3117

## DECLARATIONS PAGE

AMENDED JUN 28 2010

Policy Number 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2009	NOV 25 2010

The policy period begins and ends at 12:01 am standard time at the residence premises.

## Named Insured

SPROULL, JARRET & KERRI  
3603 FRANOR ST  
ALTON IL 62002-3117

## HOMEOWNERS POLICY

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Your policy is amended JUN 28 2010  
HOME ALERT CHANGED

## Coverages &amp; Property

## SECTION I

	Limits of Liability
A Dwelling	\$ 102,000
Dwelling Extension up to	\$ 10,200
B Personal Property	\$ 76,500
C Loss of Use	Actual Loss Sustained

## SECTION II

L Personal Liability (Each Occurrence)	\$ 300,000
Damage to Property of Others	\$ 500
M Medical Payments to Others (Each Person)	\$ 5,000

Inflation Coverage Index: 234.7

## Deductibles - Section I

All Losses	\$ 500
------------	--------

In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.

## Loss Settlement Provision (See Policy)

A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

Forms, Options, & Endorsements  
Homeowners Policy  
Amendatory Endorsement  
Policy Endorsement  
Fungus (Including Mold) Excl  
Motor Vehicle Endorsement  
Telecommuter Coverage  
Amendatory Debris Removal  
Jewelry and Furs \$1,500 Each  
Article/\$2,500 Aggregate

FP-7955 . IL  
-2213  
-5320  
-5440  
-5452  
-5831  
-5480  
Option JF

## Endorsement Premium

DECREASE	\$ 22.19
----------	----------

## Discounts Applied:

Home Alert  
Home/Auto  
Claim Free

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

TOM LANE  
618-377-8912

5727 251 AI

N

Prepared AUG 31 2010

555-7020 IL

555-7020 1 Rev. 10-2002 (e1f039/c)

Page 99 of 165

## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%\$ 10,200

Option ID  
 Option OL

**Loan # 186411714**

**Mortgages**

BAC HOME LOANS SERVICING LP

ISAOA ATIMA

PO BOX 961206

FORT WORTH TX 76161-0206

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

01/03/96  
 Rev. 09-2005



State Farm Fire and Casualty Company  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Named Insured

8-01-3747-F004

H F

SPROULL, JARRET & KERRI  
3603 FRANOR ST  
ALTON IL 62002-3117

## DECLARATIONS PAGE

AMENDED JUL 17 2010

Policy Number 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2009	NOV 25 2010

The policy period begins and ends at 12:01 am standard time at the residence premises.

Loan # 186411714

Mortgagee

BAC HOME LOANS SERVICING LP  
ISAOA ATIMA  
PO BOX 961206  
FORT WORTH TX 76161-0206

## HOMEOWNERS POLICY

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Your policy is amended JUL 17 2010  
INSURED NAME AND/OR ADDRESS CHANGE

Coverages & Property		Limits of Liability	Inflation Coverage Index: 234.7
SECTION I			Deductibles - Section I
A Dwelling		\$ 102,000	All Losses \$ 500
B Dwelling Extension up to		\$ 10,200	
C Personal Property		\$ 76,500	
C Loss of Use		Actual Loss Sustained	
SECTION II			
L Personal Liability (Each Occurrence)		\$ 300,000	In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.
Damage to Property of Others		\$ 500	
M Medical Payments to Others (Each Person)		\$ 5,000	
Loss Settlement Provision (See Policy)			Endorsement Premium NONE
A1 Replacement Cost - Similar Construction			Discounts Applied:
B1 Limited Replacement Cost - Coverage B			Home/Auto
Forms, Options, & Endorsements			Claim Free
Homeowners Policy	FP-7955 . IL		
Amendatory Endorsement	-2213		
Policy Endorsement	-5320		
Fungus (Including Mold) Excl	-5440		
Motor Vehicle Endorsement	-5452		
Telecommuter Coverage	-5831		
Amendatory Debris Removal	-5480		
Jewelry and Furs \$1,500 Each	Option JF		
Article \$2,500 Aggregate			

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

TOM LANE  
618-377-8912

5809 251 I

N

Prepared JUL 21 2010

555-7020 IL

555-7020.1 Rev. 10-2002 (01/03/09c)  
Page 101 of 165



## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%\$ 10,200

Option ID  
 Option OL

**Add Insured-Sections I & II**

KERRI VAUGHN  
 3603 FRANOR ST  
 ALTON IL 62002-3117

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

State Farm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001  
Add Insured-Sections I & II

S-01-3747-F004

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KERRI VAUGHN  
3603 FRANOR ST  
ALTON IL 62002-3117

**DECLARATIONS PAGE**

AMENDED JUL 17 2010

<b>Policy Number</b>	<b>73-BP-R427-1</b>
----------------------	---------------------

<b>Policy Period</b>	<b>Effective Date</b>	<b>Expiration Date</b>
12 Months	NOV 25 2009	NOV 25 2010
The policy period begins and ends at 12:01 am standard time at the residence premises.		

**Named Insured**

SPROULL, JARRET & KERRI  
3603 FRANOR ST  
ALTON IL 62002-3117

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Your policy is amended JUL 17 2010  
INSURED NAME AND/OR ADDRESS CHANGE

Coverages & Property		Limits of Liability	Inflation Coverage Index: 234.7
<b>SECTION I</b>			<b>Deductibles - Section I</b>
A Dwelling		\$ 102,000	All Losses \$ 500
Dwelling Extension up to		\$ 10,200	
B Personal Property		\$ 76,500	
C Loss of Use		Actual Loss Sustained	
<b>SECTION II</b>			In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.
L Personal Liability (Each Occurrence)		\$ 300,000	
Damage to Property of Others		\$ 500	
M Medical Payments to Others (Each Person)		\$ 5,000	
<b>Loss Settlement Provision (See Policy)</b>			<b>Endorsement Premium</b> NONE
A1 Replacement Cost - Similar Construction			Discounts Applied: Home/Auto Claim Free
B1 Limited Replacement Cost - Coverage B			
Forms, Options, & Endorsements			
Homeowners Policy		FP-7955 IL	
Amendatory Endorsement		FE-2213	
Policy Endorsement		FE-5320	
Fungus (Including Mold) Excl		FE-5440	
Motor Vehicle Endorsement		FE-5452	
Telecommuter Coverage		FE-5831	
Amendatory Debris Removal		FE-5480	
Jewelry and Furs \$1,500 Each			
Article/\$2,500 Aggregate		Option JF	

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

TOM LANE  
618-377-8912

5810 251 AI

Prepared JUL 21 2010

555-7020 IL

555-7020.1 Rev. 10-2002 (a110391c)

Page 103 of 165

## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%\$ 10,200

Option ID  
 Option OL

**Loan # 186411714****Mortgages****BAC HOME LOANS SERVICING LP****ISADA ATIMA****PO BOX 961206****FORT WORTH TX 76161-0206**

For information or assistance with any insurance problem, be sure to contact your **STATE FARM AGENT** first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

**State Farm Insurance Companies®**  
**Illinois Operations Center**  
**2702 Ireland Grove Road**  
**Bloomington, Illinois 61709-0001**  
**1-800-424-1162 (within Illinois)**  
**Office hours 8 A.M. to 4 P.M.**  
**Monday - Friday**  
**or**  
**Illinois Department of Insurance**  
**Consumer Services Section**  
**Springfield, Illinois 62767**

This message is provided by State Farm® in compliance with Illinois law.



State Farm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Named Insured

S-01-3747-F004

H F

SPROULL, JARRET &  
VAUGHN, KERRI  
3603 FRANDR ST  
ALTON IL 62002-3117

**DECLARATIONS PAGE**

AMENDED SEP 25 2009

**Policy Number** 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2009	NOV 25 2010

The policy period begins and ends at 12:01 am standard time at the residence premises.

Loan # 186411714  
Mortgagee

BAC HOME LOANS SERVICING LP  
ISAQA ATIMA  
PO BOX 961206  
FORT WORTH TX 76161-0206

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Your policy is amended SEP 25 2009  
INSURED NAME AND/OR ADDRESS CHANGE

Other items shown are effective  
with the policy's 2009 renewal

**Coverages & Property****SECTION I**

	Limits of Liability
A Dwelling	\$ 102,000
Dwelling Extension up to	\$ 10,200
B Personal Property	\$ 76,500
C Loss of Use	Actual Loss Sustained

**SECTION II**

L Personal Liability (Each Occurrence)	\$ 300,000
Damage to Property of Others	\$ 500
M Medical Payments to Others (Each Person)	\$ 5,000

**Inflation Coverage Index: 234.7**

**Deductibles - Section I**

All Losses	\$ 500
------------	--------

In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.

**Loss Settlement Provision (See Policy)**

A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

**Forms, Options, & Endorsements**

Homeowners Policy	FP-7955 . IL
Amendatory Endorsement	FP-2213
Policy Endorsement	FP-5320
Fungus (Including Mold) Excl	FP-5440
Motor Vehicle Endorsement	FP-5452
Telecommuter Coverage	FP-5831
Amendatory Debris Removal	FP-5480
Jewelry and Furs \$1,500 Each	Option JF
Article/\$2,500 Aggregate	

**Endorsement Premium**

NONE

Discounts Applied:  
Home/Auto  
Claim Free

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

TOM LANE  
618-377-8912

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Prepared OCT 09 2009

555-7020 IL

555-7020.1 Rev 10-2002 (01/03/06)

Page 105 of 165



## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%\$ 10,200

Option ID  
 Option OL

**Addl Insured-Sections I & II**

KERRI VAUGHN  
 PO BOX V  
 BUNKER HILL IL 62014-0658

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

01/03/96g  
 Rev. 09-2005

State Farm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Addl Insured-Sections I & II

8-01-3747-F004

H F

KERRI VAUGHN  
PO BOX V  
BUNKER HILL IL 62014-0658

**DECLARATIONS PAGE**

AMENDED SEP 25 2009

**Policy Number** 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2009	NOV 25 2010

The policy period begins and ends at 12:01 am standard time at the residence premises.

**Named Insured**

SPROULL, JARRET &  
VAUGHN, KERRI  
3603 FRANOR ST  
ALTON IL 62002-3117

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Your policy is amended SEP 25 2009  
INSURED NAME AND/OR ADDRESS CHANGE

Other items shown are effective  
with the policy's 2009 renewal

Coverages & Property		Limits of Liability	Inflation Coverage Index: 234.7
<b>SECTION I</b>			<b>Deductibles - Section I</b>
A Dwelling		\$ 102,000	All Losses \$ 500
B Dwelling Extension up to		\$ 10,200	
C Personal Property		\$ 76,500	
C Loss of Use		Actual Loss Sustained	
<b>SECTION II</b>			In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.
L Personal Liability (Each Occurrence)		\$ 300,000	
Damage to Property of Others		\$ 500	
M Medical Payments to Others (Each Person)		\$ 5,000	
<b>Loss Settlement Provision (See Policy)</b>			<b>Endorsement Premium</b> NONE
A1 Replacement Cost - Similar Construction			Discounts Applied: Home/Auto Claim Free
B1 Limited Replacement Cost - Coverage B			
Forms, Options, & Endorsements			
Homeowners Policy	FP-7955. IL		
Amendatory Endorsement	-2213		
Policy Endorsement	-5320		
Fungus (Including Mold) Excl	-5440		
Motor Vehicle Endorsement	-5452		
Telecommuter Coverage	-5831		
Amendatory Debris Removal	-5480		
Jewelry and Furs \$1,500 Each Article/\$2,500 Aggregate	Option JF		

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

TOM LANE  
618-377-8912

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Prepared OCT 09 2009

555-7020 IL

555-7020 1 Rev. 10-2002 (01/03/02)

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## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%\$ 10,200

Option ID  
 Option OL

**Loan # 186411714****Mortgagee****BAC HOME LOANS SERVICING LP****ISAOA ATIMA****PO BOX 961206****FORT WORTH TX 76161-0206**

**For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.**

**Section 143c of the Illinois Insurance Code requires notification of the following addresses:**

**State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday**

**or**

**Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767**

**This message is provided by State Farm® in compliance with Illinois law.**

01/03/96g  
 Rev. 09-2005



State Farm

## State Farm Fire and Casualty Company


 2702 Ireland Grove Road  
 Bloomington, IL 61709-0001

8-01- 3747-F004 H F

 SPROULL, JARRET  
 3603 FRANOR ST  
 ALTON IL 62002-3117

POLICY NUMBER	73-BP-R427-1
HOMEOWNERS AVAILABLE COVERAGE NOTICE	
SEE RENEWAL CERTIFICATE	

IT IS IMPORTANT THAT YOU OCCASIONALLY REVIEW THE COVERAGES AND LIMITS IN YOUR HOMEOWNERS POLICY TO BE CERTAIN YOUR NEEDS ARE BEING MET. THE FOLLOWING INFORMATION WILL ASSIST YOU IN THE REVIEW PROCESS.

THE COVERAGE LIMITS FOR COVERAGE A - DWELLING, COVERAGE B - PERSONAL PROPERTY, COVERAGE L - PERSONAL LIABILITY, AND COVERAGE M - MEDICAL PAYMENTS TO OTHERS ARE LISTED ON THE ACCOMPANYING RENEWAL NOTICE. PLEASE REVIEW THESE LIMITS TO DETERMINE IF THEY ARE ADEQUATE IN THE EVENT OF A LOSS.

THE FOLLOWING IS A PARTIAL LIST OF THE OPTIONAL COVERAGES YOU HAVE NOT ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.

Back-Up of Sewer or Drain (for damage caused by water from outside the plumbing system which backs up through sewers or drains)

Building Ordinance or Law (higher limits)

Business Property (for higher limits)

Business Pursuits Liability (for teachers, school administrators, sales persons, and clerical workers)

Child Care Liability (for those providing child care in their home)

Earthquake

Firearms (for broadened coverage and higher limits)

Home Computers (for higher limits)

Incidental Business Liability (for those with an incidental office, studio, or school in the home)

Jewelry and Furs (for broadened coverage and higher limits)

Loss Assessment (for neighborhoods with Homeowners Associations)

Nurses Professional Liability (for those in the nursing profession)

\*\*Optional Coverages continued on the reverse side\*\*

This notice contains only a general description of the coverages and is not a contract. All coverages are subject to the provisions in the policy itself. Should you have a need for any of these coverages or higher limits, contact your State Farm Agent to discuss details, cost and eligibility.

#### IMPORTANT INFORMATION ABOUT DAMAGE CAUSED BY FLOODING

This policy does not cover damage to your property caused by flooding. You may be eligible for such coverage through the National Flood Insurance Program ("NFIP"), if you live in a participating community. For more information, contact your State Farm® agent or visit [floodsmart.gov](http://floodsmart.gov).

01/0083J 07-02-2008

 E 6245 2011 1  
 6A,2E,DR,NP

 Agent TOM LANE  
 Telephone (618) 377-8912

REP

Prepared SEP 22 2009

Page 109 of 165



THE FOLLOWING IS A **PARTIAL LIST OF THE OPTIONAL COVERAGES YOU HAVE NOT ADDED TO YOUR POLICY. THEY MAY BE AVAILABLE TO YOU FOR AN ADDITIONAL PREMIUM.**

Personal Injury (for your liability to others caused by certain acts of libel, slander, invasion of privacy, false arrest)

Silverware/Goldware (for broadened coverage and higher limits)

State Farm

**State Farm Fire and Casualty Company**2702 Ireland Grove Road  
Bloomington, IL 61709-0001

8-01- 3747-F004 H F

SPROULL, JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

Location: Same as Mailing Address

**Loss Settlement Provisions (See Policy)**A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B**Forms, Options, and Endorsements**Homeowners Policy  
Increase Dwlg up to \$20,400  
Ordinance/Law 10%/ \$10,200  
Jewelry and Furs \$1,500/\$2,500  
Amendatory Endorsement  
Policy Endorsement  
Fungus (Including Mold) Excl  
Motor Vehicle Endorsement  
Telecommuter Coverage  
Amendatory Debris RemovalFP-7955.IL  
OPT ID  
OPT OL  
OPT JF  
FE-2213  
FE-5320  
FE-5440  
FE-5452  
FE-5831  
FE-5480**RENEWAL CERTIFICATE**

POLICY NUMBER 73-BP-R427-1

Homeowners Policy  
NOV 25 2009 to NOV 25 2010

SEE BALANCE DUE FOR RENEWAL OFFER

TO BE PAID BY MORTGAGEE

**Coverages and Limits****Section I**

A Dwelling	Up To	\$102,000
Dwelling Extension		10,200
B Personal Property		76,500
C Loss of Use		Actual Loss Sustained

**Deductibles - Section I**

All Losses 500

**Section II**

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium \$555.00

**Premium Reductions**

Home/Auto Discount	122.00
Claim Free Discount	32.00

Inflation Coverage Index: 234.7

138-307617 Rev. 11-14-2005 (01130898)

*Thanks for letting us serve you...*6246 2011  
6A,2E,DR,NPAgent TOM LANE  
Telephone (618) 377-8912If you have moved, please contact your agent.  
See reverse side for important information.

REP

Prepared SEP 22 2009

Page 111 of 165

Mortgagee: BAC HOME LOANS SERVICING LP  
Loan No: 186411714  
Add Ins: KERRI VAUGHN

**Your coverage amount....**

It is up to you to choose the coverages and limits that meet your needs. We recommend that you purchase a coverage limit equal to the estimated replacement cost of your home. Replacement cost estimates are available from building contractors and replacement cost appraisers, or, your agent can provide an estimate from Xactware, Inc.<sup>®</sup> using information you provided about your home. We can accept the type of estimate you choose as long as it provides a reasonable level of detail about your home. State Farm<sup>®</sup> does not guarantee that any estimates will be the actual future cost to rebuild your home. Higher limits are available at higher premiums. Lower limits are also available, which if selected may make certain coverages unavailable to you. We encourage you to periodically review your coverages and limits with your agent and to notify us of any changes or additions to your home.

State Farm



## State Farm Fire and Casualty Company

 2702 Ireland Grove Road  
 Bloomington, IL 61709-0001

S-01- 3747-F004 H F

 KERRI VAUGHN  
 PO BOX V  
 BUNKER HILL IL 62014-0658

Insured: SPROULL, JARRET

 Location: 3603 FRANOR ST  
 ALTON IL 62002-3117

## Loss Settlement Provisions (See Policy)

 A1 Replacement Cost - Similar Construction  
 B1 Limited Replacement Cost - Coverage B

## Forms, Options, and Endorsements

 Homeowners Policy  
 Increase Dwlg up to \$20,400  
 Ordinance/Law 10%/ \$10,200  
 Amendatory Endorsement  
 Policy Endorsement  
 Fungus (Including Mold) Excl  
 Motor Vehicle Endorsement  
 Telecommuter Coverage  
 Amendatory Debris Removal  
 Jewelry and Furs \$1,500/\$2,500

 FP-7955 . IL  
 OPT ID  
 OPT OL  
 FE-2213  
 FE-5320  
 FE-5440  
 FE-5452  
 FE-5831  
 FE-5480  
 OPT JF

## RENEWAL CERTIFICATE

POLICY NUMBER 73-BP-R427-1

 Homeowners Policy  
 NOV 25 2009 to NOV 25 2010

## PAID BY SPECIFIED PARTY

## Coverages and Limits

## Section I

A Dwelling		\$102,000
Dwelling Extension	Up To	10,200
B Personal Property		76,500
C Loss of Use		Actual Loss Sustained

## Deductibles - Section I

All Losses	500
------------	-----

## Section II

L Personal Liability	\$300,000
Damage to Property of Others	500
M Medical Payments to Others (Each Person)	5,000

Annual Premium	\$555.00
----------------	----------

## Premium Reductions

Home/Auto Discount	122.00
Claim Free Discount	32.00

Inflation Coverage Index: 234.7

138-307617 Rev 11-14-2005 (01/30/05)

Thanks for letting us serve you...

N 8862 901 AI

 Agent TOM LANE  
 Telephone (618) 377-8912

 If you have moved, please contact your agent.  
 See reverse side for important information.

REP

Prepared SEP 22 2009

Page 113 of 165



Mortgagee: BAC HOME LOANS SERVICING LP  
Loan No: 186411714  
Add Ins: KERRI VAUGHN

State Farm



**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

**Named Insured**

S-01-3747-F004

H F

SPROULL, JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

**DECLARATIONS PAGE**

AMENDED APR 27 2009

**Policy Number** 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2008	NOV 25 2009

The policy period begins and ends at 12:01 am standard time at the residence premises.

**Loan # 186411714**

**Mortgagee**

**COUNTRYWIDE HOME LOANS**

ISADA ATIMA

PO BOX 961206

FORT WORTH TX 76161-0206

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

**Location of Residence Premises**  
Same as Insured's Address

**Your policy is amended APR 27 2009**  
**INSURED NAME AND/OR ADDRESS CHANGE**

**Coverages & Property****SECTION I**

- A Dwelling  
B Dwelling Extension up to  
C Personal Property  
C Loss of Use

**Limits of Liability**

\$ 102,000  
\$ 10,200  
\$ 76,500  
Actual Loss Sustained

**SECTION II**

- L Personal Liability (Each Occurrence)  
Damage to Property of Others  
M Medical Payments to Others (Each Person)

\$ 300,000  
\$ 500  
\$ 5,000

**Inflation Coverage Index: 234.7****Deductibles - Section I**

All Losses \$ 500

In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.

**Loss Settlement Provision (See Policy)**

- A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

**Forms, Options, & Endorsements**

- Homeowners Policy  
Amendatory Endorsement  
Policy Endorsement  
Fungus (Including Mold) Excl  
Motor Vehicle Endorsement  
Telecommuter Coverage  
Amendatory Debris Removal  
Jewelry and Furs \$1,500 Each  
Article/\$2,500 Aggregate

FP-7955-IL  
FE-2213  
FE-5320  
FE-5440  
FE-5452  
FE-5831  
FE-5480  
Option JF

**Endorsement Premium**

NONE

**Discounts Applied:**  
Home/Auto  
Claim Free

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

**TOM LANE**  
618-377-8912

5980 251 I

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Prepared APR 28 2009

555-7020 IL

555-7020.1 Rev. 10-2002 (c11039/c)

Page 115 of 165

## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%/\$ 10,200

Option ID  
 Option OL

**Addl Insured-Sections I & II**

KERRI VAUGHN  
 PO BOX V  
 BUNKER HILL IL 62014-0658

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

010396g  
 Rev 09-2005

State Farm Fire and Casualty Company  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001  
Addl Insured-Sections I & II

8-01-3747-F004

H F

KERRI VAUGHN  
PO BOX V  
BUNKER HILL IL 62014-0658

**DECLARATIONS PAGE**

AMENDED APR 27 2009

Policy Number	73-BP-R427-1	
Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2008	NOV 25 2009
The policy period begins and ends at 12:01 am standard time at the residence premises.		

**Named Insured**

SPROULL, JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Your policy is amended APR 27 2009  
INSURED NAME AND/OR ADDRESS CHANGE

Coverages & Property	Limits of Liability	Inflation Coverage Index: 234.7
<b>SECTION I</b>		<b>Deductibles - Section I</b>
A Dwelling	\$ 102,000	All Losses \$ 500
Dwelling Extension up to	\$ 10,200	
B Personal Property	\$ 76,500	
C Loss of Use	Actual Loss Sustained	
<b>SECTION II</b>		
L Personal Liability (Each Occurrence)	\$ 300,000	
Damage to Property of Others	\$ 500	
M Medical Payments to Others (Each Person)	\$ 5,000	
<b>Loss Settlement Provision (See Policy)</b>		<b>Endorsement Premium</b> NONE
A1 Replacement Cost - Similar Construction		
B1 Limited Replacement Cost - Coverage B		
Forms, Options, & Endorsements		Discounts Applied:
Homeowners Policy	FP-7955 . IL	Home/Auto
Amendatory Endorsement	FE-2213	Claim Free
Policy Endorsement	FE-5320	
Fungus (Including Mold) Excl	FE-5440	
Motor Vehicle Endorsement	FE-5452	
Telecommuter Coverage	FE-5831	
Amendatory Debris Removal	FE-5480	
Jewelry and Furs \$1,500 Each	Option JF	
Article/\$2,500 Aggregate		

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

TOM LANE  
618-377-8912

5981 251 AI  
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Prepared APR 28 2009

555-7020 IL

555-7020.1 Rev. 10-2002 (c110391c)

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## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%/\$ 10,200

Option ID  
 Option OL

Loan # 186411714

Mortgagee

COUNTRYWIDE HOME LOANS

ISAOA ATIMA

PO BOX 961206

FORT WORTH TX 76161-0206

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

01/03/96g  
 Rev. 09-2005

State Farm Fire and Casualty Company  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Named Insured

8-01-3747-F004 H F

SPROULL, JARRETT  
3603 FRANOR ST  
ALTON IL 62002-3117

## DECLARATIONS PAGE

AMENDED FEB 24 2009

Policy Number 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2008	NOV 25 2009

The policy period begins and ends at 12:01 am standard time at the residence premises.

Loan # 186411714  
Mortgagee

COUNTRYWIDE HOME LOANS  
ISAQA ATIMA  
PO BOX 961206  
FORT WORTH TX 76161-0206

## HOMEOWNERS POLICY

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Your policy is amended FEB 24 2009  
INSURED NAME AND/OR ADDRESS CHANGE  
ADDITIONAL INSURED ADDED

### Coverages & Property

#### SECTION I

	Limits of Liability
A Dwelling	\$ 102,000
B Dwelling Extension up to	\$ 10,200
C Personal Property	\$ 76,500
C Loss of Use	Actual Loss Sustained

#### SECTION II

L Personal Liability (Each Occurrence)	\$ 300,000
Damage to Property of Others	\$ 500
M Medical Payments to Others (Each Person)	\$ 5,000

Inflation Coverage Index: 234.7

#### Deductibles - Section I

All Losses	\$ 500
------------	--------

In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.

### Loss Settlement Provision (See Policy)

A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

#### Forms, Options, & Endorsements

Homeowners Policy	FP-7955 IL
Fungus (Including Mold) Excl	FE-5440
Telecommuter Coverage	FE-5831
Motor Vehicle Endorsement	FE-5452
Amendatory Debris Removal	FE-5480
Amendatory Endorsement	FE-2213
Policy Endorsement	FE-5320
Jewelry and Furs \$1,500 Each	Option JF
Article \$2,500 Aggregate	

### Endorsement Premium

NONE

#### Discounts Applied:

Home/Auto  
Claim Free

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

TOM LANE  
618-377-8912

5075 251 I

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Prepared FEB 25 2009

555-7020 IL

555-7020.1 Rev. 10-2002 (01/03/06)

Page 119 of 165

## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%/\$ 10,200

Option ID  
 Option OL

**Add Insured-Sections I & II**

KERRI VAUGHN  
 PO BOX V  
 BUNKER HILL IL 62014-0658

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

01/03/96  
 Rev. 09-2005



StateFarm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001  
Addl Insured-Sections I & II

S-01-3747-F004

H F

KERRI VAUGHN  
PO BOX V  
BUNKER HILL IL 62014-0658

**DECLARATIONS PAGE**

AMENDED FEB 24 2009

<b>Policy Number</b>	<b>73-BP-R427-1</b>
----------------------	---------------------

<b>Policy Period</b>	<b>Effective Date</b>	<b>Expiration Date</b>
12 Months	NOV 25 2008	NOV 25 2009
The policy period begins and ends at 12:01 am standard time at the residence premises.		

**Named Insured**

SPROULL, JARRETT  
3603 FRANOR ST  
ALTON IL 62002-3117

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

**Your policy is amended FEB 24 2009**  
**INSURED NAME AND/OR ADDRESS CHANGE**  
**ADDITIONAL INSURED ADDED**

Coverages & Property		Limits of Liability	Inflation Coverage Index: 234.7
<b>SECTION I</b>			<b>Deductibles - Section I</b>
A	Dwelling	\$ 102,000	All Losses \$ 500
	Dwelling Extension up to	\$ 10,200	
B	Personal Property	\$ 76,500	
C	Loss of Use	Actual Loss Sustained	
<b>SECTION II</b>			In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.
L	Personal Liability (Each Occurrence)	\$ 300,000	
	Damage to Property of Others	\$ 500	
M	Medical Payments to Others (Each Person)	\$ 5,000	
<b>Loss Settlement Provision (See Policy)</b>			<b>Endorsement Premium</b> NONE
A1 Replacement Cost - Similar Construction			<b>Discounts Applied:</b> Home/Auto Claim Free
B1 Limited Replacement Cost - Coverage B			
Forms, Options, & Endorsements			
Homeowners Policy		FP-7955-IL	
Fungus (Including Mold) Excl		FP-5440	
Telecommuter Coverage		FP-5831	
Motor Vehicle Endorsement		FP-5452	
Amendatory Debris Removal		FP-5480	
Amendatory Endorsement		FP-2213	
Policy Endorsement		FP-5320	
Jewelry and Furs \$1,500 Each		Option JF	
Article \$2,500 Aggregate			

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

**TOM LANE**  
618-377-8912

5076 251 AI  
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Prepared FEB 25 2009

555-7020 IL 555-7020 1 Rev 10-2002 (e11039/c)

Page 121 of 165



## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%\$ 10,200

Option ID  
 Option OL

**Loan # 186411714**

**Mortgagee**

**COUNTRYWIDE HOME LOANS**

**ISAOA ATIMA**

**PO BOX 961206**

**FORT WORTH TX 76161-0206**

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

**State Farm Insurance Companies®**  
**Illinois Operations Center**  
**2702 Ireland Grove Road**  
**Bloomington, Illinois 61709-0001**  
**1-800-424-1162 (within Illinois)**  
**Office hours 8 A.M. to 4 P.M.**  
**Monday - Friday**  
**or**  
**Illinois Department of Insurance**  
**Consumer Services Section**  
**Springfield, Illinois 62767**

This message is provided by State Farm® in compliance with Illinois law.

010396g  
 Rev. 09-2005



## FUNGUS (INCLUDING MOLD) EXCLUSION ENDORSEMENT

### DEFINITIONS

The following definition is added:

"fungus" means any type or form of fungi, including mold or mildew, and any mycotoxins, spores, scents or byproducts produced or released by fungi.

### SECTION I - LOSSES INSURED

Item 12.d. is replaced with the following:

- d. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot.

Item 13.b. is replaced with the following:

- b. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot.

### SECTION I - LOSSES NOT INSURED

Item 1.i. is replaced with the following:

- i. wet or dry rot;

In item 2., the following is added as item g.:

- g. Fungus, including:
  - (1) any loss of use or delay in rebuilding, repairing or replacing covered property, including any

associated cost or expense, due to interference at the residence premises or location of the rebuilding, repair or replacement of that property, by fungus;

- (2) any remediation of fungus, including the cost or expense to:
  - (a) remove the fungus from covered property or to repair, restore or replace that property;
  - (b) tear out and replace any part of the building or other property as needed to gain access to the fungus; or
  - (c) contain, treat, detoxify, neutralize or dispose of or in any way respond to or assess the effects of the fungus;
- (3) the cost of any testing or monitoring of air or property to confirm the type, absence, presence or level of fungus, whether performed prior to, during or after removal, repair, restoration or replacement of covered property.

However, this exclusion does not apply if fungus results from an accidental direct physical loss caused by fire or lightning.

All other policy provisions apply.

FE-5440

FE-5831  
Page 1 of 1

## TELECOMMUTER COVERAGE

### SECTION I - COVERAGES

#### COVERAGE A - DWELLING

The following replaces item 2.b.:

- b. used in whole or in part for business purposes unless such use consists solely of use of office space for paperwork, computer work or use of a telephone, and consists solely of activities that are:
  - (1) duties of the insured's employment by another; and
  - (2) performed solely by the insured.

FE-5831

(CONTINUED)

## MOTOR VEHICLE ENDORSEMENT

### DEFINITIONS

The definition of "motor vehicle" is replaced by the following:

"motor vehicle", when used in Section II of this policy, means:

- a. a land motor vehicle designed for travel on public roads or subject to motor vehicle registration;
- b. a trailer or semi-trailer designed for travel on public roads and subject to motor vehicle registration;
- c. a "recreational vehicle" while off an insured location. "Recreational vehicle", means a motorized vehicle designed for recreation principally off public roads that is owned or leased by an insured. This includes, but is not limited to, a motorized all terrain vehicle, amphibious vehicle, dune buggy, go-cart, golf cart, snowmobile, trailbike, minibike and personal assistive mobility device;
- d. a "locomotive" while off an insured location. "Locomotive" means a self-propelled vehicle for pulling or pushing freight or passenger cars on tracks that is large enough to carry a person and is owned or leased by an insured;

e. a bulldozer, track loader, backhoe, high-hoe, trencher, grader, crane, self-propelled scraper, excavator, pipe-layer, cherry picker, telehandler, logging vehicle, mining vehicle or road building vehicle that is owned or leased by an insured while off an insured location;

f. any vehicle while being towed or pushed by or carried on a vehicle included in a., b., c., d. or e.;

g. the following are not motor vehicles:

(1) a motorized land vehicle in dead storage on an insured location;

(2) a boat, camp, home or utility trailer not being towed or pushed by or carried on a vehicle included in a., b., c., d. or e.;

(3) a motorized golf cart while used for golfing purposes;

(4) a motorized vehicle or trailer designed to assist the handicapped that is not designed for travel on public roads or subject to motor vehicle registration;

h. "leased" does not include temporary rental.

All other policy provisions apply.

FE-5452

FE-5480  
Page 1 of 1

## AMENDATORY DEBRIS REMOVAL ENDORSEMENT

### SECTION I - ADDITIONAL COVERAGES

Item 1., Debris Removal is replaced with the following:

1. **Debris Removal.** We will pay the reasonable expenses you incur in the removal of debris of covered property damaged by a Loss Insured. This expense is included in the limit applying to the damaged property. The following coverages and limits also apply:
  - a. When the amount payable for the property damage plus the debris removal exceeds the limit for damaged property, an additional 5% of that limit is available for debris removal expense. This additional amount of insurance does not apply to Additional Coverage, item 3. Trees, Shrubs and Other Plants.

b. We will also pay up to \$500 in the aggregate for each loss to cover the reasonable expenses you incur in the removal of tree debris from the residence premises, unless otherwise excluded. This coverage applies when:

- (1) the tree has caused a Loss Insured to Coverage A property; or
- (2) the tree debris felled by windstorm, hail, or weight of snow or ice blocks:
  - (a) the driveway, on the residence premises, and prevents land motor vehicle access to or from the dwelling; or
  - (b) a ramp designed to assist the handicapped, on the residence premises and prevents access to or from the dwelling.

FE-5480

(CONTINUED)

Page 124 of 165



FE-2213  
(4/98)**AMENDATORY ENDORSEMENT  
(Illinois)****SECTION I - CONDITIONS**

Appraisal is replaced with the following:

**Appraisal.** If you and we fail to agree on the amount of loss, either one can demand that the amount of the loss be set by appraisal. If either makes a written demand for appraisal, each shall select a competent, independent appraiser. Each shall notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers shall then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, you or we can ask a judge of a court of record in the state where the residence premises is located to select an umpire. The appraisers shall then set the amount of the loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon shall be the amount of the loss. If the appraisers

fail to agree within a reasonable time, they shall submit their differences to the umpire. Written agreement signed by any two of these three shall set the amount of the loss. Each appraiser shall be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire shall be paid equally by you and us except as provided below.

We will pay your appraiser's fee and the umpire's appraisal fee, if the following conditions exist:

- a. you demand the appraisal; and
- b. the full amount of loss, as set by your appraiser, is agreed to by our appraiser or by the umpire.

All other policy provisions apply.

FE-2213  
(4/98)FE-5320  
(4/99)**POLICY ENDORSEMENT****SECTION I AND SECTION II - CONDITIONS**

The following condition is added:

**Premium.** The premium for this policy may vary based upon the purchase of other insurance from one of the State Farm affiliated companies.

All other policy provisions apply.

FE-5320  
(4/99)





State Farm Fire and Casualty Company  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Named Insured

S-01-3747-F004

H F

SPROULL, JARRETT &  
VAUGHN, KERRI  
3603 FRANOR ST  
ALTON IL 62002-3117

## DECLARATIONS PAGE

AMENDED JAN 13 2009

Policy Number 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2008	NOV 25 2009

The policy period begins and ends at 12:01 am standard time at the residence premises.

Loan # 186411714  
Mortgagee

COUNTRYWIDE HOME LOANS  
ISADA ATIMA  
PO BOX 961206  
FORT WORTH TX 76161-0206

## HOMEOWNERS POLICY

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Your policy is amended JAN 13 2009  
INSURED NAME AND/OR ADDRESS CHANGE

### Coverages & Property

#### SECTION I

	Limits of Liability
A Dwelling	\$ 102,000
B Dwelling Extension up to	\$ 10,200
C Personal Property	\$ 76,500
C Loss of Use	Actual Loss Sustained

#### SECTION II

L Personal Liability (Each Occurrence)	\$ 300,000
Damage to Property of Others	\$ 500
M Medical Payments to Others (Each Person)	\$ 5,000

Inflation Coverage Index: 234.7

#### Deductibles - Section I

All Losses	\$ 500
------------	--------

In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.

### Loss Settlement Provision (See Policy)

A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

#### Forms, Options, & Endorsements

Homeowners Policy	FP-7955 . IL
Amendatory Endorsement	-2213
Policy Endorsement	-3320
Fungus (Including Mold) Excl	-5440
Motor Vehicle Endorsement	-5452
Telecommuter Coverage	-5831
Amendatory Debris Removal	-5480
Jewelry and Furs \$1,500 Each	Option JF
Article/\$2,500 Aggregate	

### Endorsement Premium

NONE

Discounts Applied:  
Home/Auto  
Claim Free

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

TOM LANE  
618-377-8912

4328 251 I  
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Prepared JAN 16 2009

555-7020 IL

555-7020.1 Rev. 10-2002 (01/03/9(c))

Page 127 of 165

## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%/\$ 10,200

Option ID  
 Option OL

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

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010396g  
 Rev. 09-2005

State Farm Fire and Casualty Company  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Named Insured

S-01-3747-F004 H F

VAUGHN, KERRI & SPROULL,  
JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

## DECLARATIONS PAGE

AMENDED JAN 13 2009

Policy Number 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2008	NOV 25 2009

The policy period begins and ends at 12:01 am standard time at the residence premises.

Loan # 186411714  
Mortgagee

COUNTRYWIDE HOME LOANS  
ISADA ATIMA  
PO BOX 961206  
FORT WORTH TX 76161-0206

## HOMEOWNERS POLICY

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Your policy is amended JAN 13 2009  
1ST MORTGAGEE LOAN NUMBER CHANGED  
1ST MORTGAGEE NAME/ADDRESS CHANGED

### Coverages & Property

#### SECTION I

A Dwelling	\$ 102,000
B Dwelling Extension up to	\$ 10,200
C Personal Property	\$ 76,500
C Loss of Use	Actual Loss Sustained

#### SECTION II

L Personal Liability (Each Occurrence)	\$ 300,000
Damage to Property of Others	\$ 500
M Medical Payments to Others (Each Person)	\$ 5,000

Inflation Coverage Index: 234.7

Deductibles - Section I

All Losses \$ 500

In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.

### Loss Settlement Provision (See Policy)

A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

Forms, Options, & Endorsements

Homeowners Policy  
Fungus (Including Mold) Excl  
Telecommuter Coverage  
Motor Vehicle Endorsement  
Amendatory Debris Removal  
Amendatory Endorsement  
Policy Endorsement  
Jewelry and Furs \$1,500 Each  
Article/\$2,500 Aggregate

FP-7955 . IL  
FE-5440  
FE-5831  
FE-5452  
FE-5480  
FE-2213  
FE-5320  
Option JF

Endorsement Premium

NONE

Discounts Applied:  
Home/Auto  
Claim Free

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

TOM LANE  
618-377-8912

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Prepared JAN 14 2009

555-7020 IL

555-7020.1 Rev 10-2002 (01/03/91c)

Page 129 of 165



## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%\$ 10,200

Option ID  
 Option OL

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

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0110396g  
 Rev. 09-2005

State Farm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Named Insured

8-01-3747-F004

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VAUGHN, KERRI & SPROULL,  
JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

## DECLARATIONS PAGE

AMENDED NOV 25 2008

**Policy Number** 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 25 2008	NOV 25 2009

The policy period begins and ends at 12:01 am standard time at the residence premises.

**Loan # 08-009700**  
**Mortgagee**

PULASKI BANK  
ITS SUCCESSORS AND/OR ASSIGNS  
PO BOX 14054  
ST LOUIS MO 63178-4054

## HOMEOWNERS POLICY

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

**Your policy is amended NOV 25 2008**  
**EFFECTIVE AND EXPIRATION DATES**

### Coverages & Property

#### SECTION I

- A Dwelling  
Dwelling Extension up to  
B Personal Property  
C Loss of Use

#### Limits of Liability

\$ 102,000  
\$ 10,200  
\$ 76,500  
Actual Loss Sustained

#### SECTION II

- L Personal Liability  
(Each Occurrence)  
Damage to Property  
of Others  
M Medical Payments to  
Others (Each Person)

\$ 300,000  
\$ 500  
\$ 5,000

**Inflation Coverage Index: 234.7**

#### Deductibles - Section I

All Losses \$ 500

In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.

### Loss Settlement Provision (See Policy)

- A1 Replacement Cost - Similar Construction  
B1 Limited Replacement Cost - Coverage B

#### Forms, Options, & Endorsements

- Homeowners Policy  
Amendatory Endorsement  
Policy Endorsement  
Fungus (Including Mold) Excl  
Motor Vehicle Endorsement  
Telecommuter Coverage  
Amendatory Debris Removal  
Jewelry and Furs \$1,500 Each  
Article/\$2,500 Aggregate

FP-7955-IL  
FF-2213  
FF-5320  
FF-5440  
FF-5452  
FF-5831  
FF-5480  
Option JF

### Endorsement Premium

NONE

Discounts Applied:  
Home/Auto  
Claim Free

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

**TOM LANE**  
618-377-8912

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Prepared NOV 25 2008

555-7020 IL

555-7020.1 Rev. 10-2002 (01/03/0c)

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## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%\$ 10,200

Option ID  
 Option OL

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

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State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

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61103969  
 Rev 09-2005



State Farm

**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001  
Mortgagee

S-01-3747-F004

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PULASKI BANK  
ITS SUCCESSORS AND/OR ASSIGNS  
PO BOX 14054  
ST LOUIS MO 63178-4054

**DECLARATIONS PAGE**

AMENDED NOV 25 2008

<b>Policy Number</b>	<b>73-BP-R427-1</b>
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<b>Policy Period</b>	<b>Effective Date</b>	<b>Expiration Date</b>
12 Months	NOV 25 2008	NOV 25 2009
The policy period begins and ends at 12:01 am standard time at the residence premises.		

**Loan # 08-009700**  
**Named Insured**

VAUGHN, KERRI & SPROULL,  
JARRET  
3603 FRANDR ST  
ALTON IL 62002-3117

**HOMEOWNERS POLICY**

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

**Your policy is amended NOV 25 2008**  
**EFFECTIVE AND EXPIRATION DATES**

Coverages & Property		Limits of Liability	Inflation Coverage Index: 234.7
<b>SECTION I</b>			<b>Deductibles - Section I</b>
A Dwelling		\$ 102,000	All Losses \$ 500
B Dwelling Extension up to		\$ 10,200	
C Personal Property		\$ 76,500	
		Actual Loss Sustained	
<b>SECTION II</b>			In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.
L Personal Liability (Each Occurrence)		\$ 300,000	
M Damage to Property of Others		\$ 500	
M Medical Payments to Others (Each Person)		\$ 5,000	
<b>Loss Settlement Provision (See Policy)</b>			<b>Endorsement Premium</b> NONE
A1 Replacement Cost - Similar Construction			Discounts Applied: Home/Auto Claim Free
B1 Limited Replacement Cost - Coverage B			
Forms, Options, & Endorsements			
Homeowners Policy		FP-7955, IL	
Amendatory Endorsement		FE-2213	
Policy Endorsement		FE-5320	
Fungus (Including Mold) Excl		FE-5440	
Motor Vehicle Endorsement		FE-5452	
Telecommuter Coverage		FE-5831	
Amendatory Debris Removal		FE-5480	
Jewelry and Furs \$1,500 Each		Option JF	
Article/\$2,500 Aggregate			

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

DEC PAGE ONLY Continued on Reverse

**TOM LANE**  
618-377-8912

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Prepared NOV 25 2008

555-7020 IL

555-7020.1 Rev 10-2002 (011039/c)

Page 133 of 165



## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%/\$ 10,200

Option ID  
 Option OL

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

01/03/96g  
 Rev. 09-2005

State Farm Fire and Casualty Company  
A Stock Company With Home Offices in Bloomington, Illinois



2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Named Insured

8-01-3747-F004 H F

VAUGHN, KERRI & SPROULL,  
JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

## DECLARATIONS PAGE

Policy Number 73-BP-R427-1

Policy Period	Effective Date	Expiration Date
12 Months	NOV 26 2008	NOV 26 2009

The policy period begins and ends at 12:01 am standard time at the residence premises.

Loan # 08-009700  
Mortgagee

PULASKI BANK  
ITS SUCCESSORS AND/OR ASSIGNS  
PO BOX 14054  
ST LOUIS MO 63178-4054

## HOMEOWNERS POLICY

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Coverages & Property		Limits of Liability	Inflation Coverage Index: 234.7
SECTION I			Deductibles - Section I
A	Dwelling	\$ 102,000	All Losses \$ 500
B	Dwelling Extension up to	\$ 10,200	
C	Personal Property	\$ 76,500	
C	Loss of Use	Actual Loss Sustained	
SECTION II			
L	Personal Liability (Each Occurrence)	\$ 300,000	In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.
M	Damage to Property of Others	\$ 500	
M	Medical Payments to Others (Each Person)	\$ 5,000	
Loss Settlement Provision (See Policy)			Policy Premium \$ 498.00
A1 Replacement Cost - Similar Construction			Discounts Applied:
B1 Limited Replacement Cost - Coverage B			Home/Auto
			Claim Free
Forms, Options, & Endorsements			
Homeowners Policy		FP-7955 . IL	
Fungus (Including Mold) Excl		FP-5440	
Telecommuter Coverage		FP-5831	
Motor Vehicle Endorsement		FP-5452	
Amendatory Debris Removal		FP-5480	
Amendatory Endorsement		FP-2213	
Policy Endorsement		FP-5320	
Jewelry and Furs \$1,500 Each		Option JF	
Article \$2,500 Aggregate			

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

TOM LANE  
618-377-8912

2390 151 I  
N 1S,8L

Prepared NOV 17 2008

555-7020 IL 555-7020.1 Rev. 10-2002 (e110391c)

Page 135 of 165

**CONTINUED FROM FRONT SIDE****Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%\$ 10,200

Option ID  
 Option OL

State Farm® works hard to offer you the best combination of price, service, and protection. The amount you pay for homeowners insurance is determined by many factors such as the coverages you have, the type of construction, the likelihood of future claims, and information from consumer reports.

Your premium was influenced by information from consumer reports:

Average number of months open for all accounts; Number of accounts ever 30 days or more late; Ratio of age of oldest bank revolving account to age of the oldest account; Number of active accounts with high percent of balance to high credit.

Please refer to the enclosed insert for additional details.

**For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.**

**Section 143c of the Illinois Insurance Code requires notification of the following addresses:**

**State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767**

**This message is provided by State Farm® in compliance with Illinois law.**

6110306g  
 Rev. 09-2005





## FUNGUS (INCLUDING MOLD) EXCLUSION ENDORSEMENT

### DEFINITIONS

The following definition is added:

"fungus" means any type or form of fungi, including mold or mildew, and any mycotoxins, spores, scents or byproducts produced or released by fungi.

### SECTION I - LOSSES INSURED

Item 12.d. is replaced with the following:

- d. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot.

Item 13.b. is replaced with the following:

- b. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot.

### SECTION I - LOSSES NOT INSURED

Item 1.i. is replaced with the following:

- i. wet or dry rot;

In item 2., the following is added as item g.:

- g. Fungus, including:
  - (1) any loss of use or delay in rebuilding, repairing or replacing covered property, including any

associated cost or expense, due to interference at the residence premises or location of the rebuilding, repair or replacement of that property, by fungus;

- (2) any remediation of fungus, including the cost or expense to:

- (a) remove the fungus from covered property or to repair, restore or replace that property;

- (b) tear out and replace any part of the building or other property as needed to gain access to the fungus; or

- (c) contain, treat, detoxify, neutralize or dispose of or in any way respond to or assess the effects of the fungus;

- (3) the cost of any testing or monitoring of air or property to confirm the type, absence, presence or level of fungus, whether performed prior to, during or after removal, repair, restoration or replacement of covered property.

However, this exclusion does not apply if fungus results from an accidental direct physical loss caused by fire or lightning.

All other policy provisions apply.

FE-5440

FE-5831  
Page 1 of 1

## TELECOMMUTER COVERAGE

### SECTION I - COVERAGES

#### COVERAGE A - DWELLING

The following replaces item 2.b.:

- b. used in whole or in part for business purposes unless such use consists solely of use of office space for paperwork, computer work or use of a telephone, and consists solely of activities that are:
  - (1) duties of the insured's employment by another; and
  - (2) performed solely by the insured.

FE-5831

(CONTINUED)



## MOTOR VEHICLE ENDORSEMENT

### DEFINITIONS

The definition of "motor vehicle" is replaced by the following:

"motor vehicle", when used in Section II of this policy, means:

- a. a land motor vehicle designed for travel on public roads or subject to motor vehicle registration;
- b. a trailer or semi-trailer designed for travel on public roads and subject to motor vehicle registration;
- c. a "recreational vehicle" while off an insured location. "Recreational vehicle", means a motorized vehicle designed for recreation principally off public roads that is owned or leased by an insured. This includes, but is not limited to, a motorized all terrain vehicle, amphibious vehicle, dune buggy, go-cart, golf cart, snowmobile, trailbike, minibike and personal assistive mobility device;
- d. a "locomotive" while off an insured location. "Locomotive" means a self-propelled vehicle for pulling or pushing freight or passenger cars on tracks that is large enough to carry a person and is owned or leased by an insured;

- e. a bulldozer, track loader, backhoe, high-hoe, trencher, grader, crane, self-propelled scraper, excavator, pipe-layer, cherry picker, telehandler, logging vehicle, mining vehicle or road building vehicle that is owned or leased by an insured while off an insured location;
- f. any vehicle while being towed or pushed by or carried on a vehicle included in a., b., c., d. or e.;
- g. the following are not motor vehicles:
  - (1) a motorized land vehicle in dead storage on an insured location;
  - (2) a boat, camp, home or utility trailer not being towed or pushed by or carried on a vehicle included in a., b., c., d. or e.;
  - (3) a motorized golf cart while used for golfing purposes;
  - (4) a motorized vehicle or trailer designed to assist the handicapped that is not designed for travel on public roads or subject to motor vehicle registration;

h. "leased" does not include temporary rental.

All other policy provisions apply.

FE-5452

FE-5480  
Page 1 of 1

## AMENDATORY DEBRIS REMOVAL ENDORSEMENT

### SECTION I - ADDITIONAL COVERAGES

Item 1., Debris Removal is replaced with the following:

1. **Debris Removal.** We will pay the reasonable expenses you incur in the removal of debris of covered property damaged by a Loss Insured. This expense is included in the limit applying to the damaged property. The following coverages and limits also apply:
  - a. When the amount payable for the property damage plus the debris removal exceeds the limit for damaged property, an additional 5% of that limit is available for debris removal expense. This additional amount of insurance does not apply to Additional Coverage, item 3. Trees, Shrubs and Other Plants.

- b. We will also pay up to \$500 in the aggregate for each loss to cover the reasonable expenses you incur in the removal of tree debris from the residence premises, unless otherwise excluded. This coverage applies when:
  - (1) the tree has caused a Loss Insured to Coverage A property; or
  - (2) the tree debris felled by windstorm, hail, or weight of snow or ice blocks:
    - (a) the driveway, on the residence premises, and prevents land motor vehicle access to or from the dwelling; or
    - (b) a ramp designed to assist the handicapped, on the residence premises and prevents access to or from the dwelling.

FE-5480

(CONTINUED)

Page 138 of 165

State Farm



73-BP-R427-1 (2392)

FE-2213  
(4/98)

## AMENDATORY ENDORSEMENT (Illinois)

### SECTION I - CONDITIONS

Appraisal is replaced with the following:

**Appraisal.** If you and we fail to agree on the amount of loss, either one can demand that the amount of the loss be set by appraisal. If either makes a written demand for appraisal, each shall select a competent, independent appraiser. Each shall notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers shall then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, you or we can ask a judge of a court of record in the state where the residence premises is located to select an umpire. The appraisers shall then set the amount of the loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon shall be the amount of the loss. If the appraisers

fail to agree within a reasonable time, they shall submit their differences to the umpire. Written agreement signed by any two of these three shall set the amount of the loss. Each appraiser shall be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire shall be paid equally by you and us except as provided below.

We will pay your appraiser's fee and the umpire's appraisal fee, if the following conditions exist:

- a. you demand the appraisal; and
- b. the full amount of loss, as set by your appraiser, is agreed to by our appraiser or by the umpire.

All other policy provisions apply.

FE-2213  
(4/98)FE-5320  
(4/99)

## POLICY ENDORSEMENT

### SECTION I AND SECTION II - CONDITIONS

The following condition is added:

**Premium.** The premium for this policy may vary based upon the purchase of other insurance from one of the State Farm affiliated companies.

All other policy provisions apply.

FE-5320  
(4/99)







## This Notice Is Being Provided Pursuant To The Federal Fair Credit Reporting Act And Any Applicable State Law

The amount you pay for homeowners insurance is influenced by many factors, including the coverages you have, the type of construction, and the likelihood of future claims. Please refer to your declarations page for information about factors that affect your premium. State Farm® also considers information from consumer reports as a factor in determining your premium. These reports are obtained from ChoicePoint, a consumer reporting agency. ChoicePoint only provides information, does not make any decisions about your insurance, and is unable to provide any reasons for State Farm's decision.

We encourage you to obtain a free copy of the reports used by contacting ChoicePoint within 60 days of receiving this notice. Please submit your request for the consumer reports used to:

ChoicePoint National Consumer Disclosure Center  
2885 Breckenridge Boulevard - Suite 200  
Duluth, GA 30096-1975  
Phone: 1-800-156-6004  
Internet Address: [www.consumerdisclosure.com](http://www.consumerdisclosure.com)

If your credit history was adversely influenced by certain life events such as catastrophic illness or injury, death of an immediate family member, temporary loss of employment, divorce, or identity theft, please talk to your agent about requesting an additional review of your information. Or, if the information in your consumer reports is incomplete or inaccurate, you have the right to dispute it with ChoicePoint. If a correction is made as a result of your dispute, please tell your agent so State Farm may reconsider its decision.

Based on information in consumer reports, your premium for homeowners insurance in State Farm Fire and Casualty Company is more than the lowest available rate. You are receiving the most competitive rate State Farm can offer you at this time. If you would like the specific reasons for this action as related to loss history, please call or submit a written request to your State Farm agent within 90 days.

The names and addresses of any institutional sources that supplied this information are listed above. In order to obtain this information in the future, you may make a written request. Here is the procedure:

1. After you submit a written request for access to recorded personal information which is reasonably locatable and retrievable, within 21 days we will:
  - a. inform you of the nature and substance of the recorded personal information in writing, by telephone or by other oral communication.
  - b. permit you to see and copy, in person, the recorded personal information which applies to you, or provide you with copies of this information by mail, whichever you prefer.
  - c. inform you of the persons, if recorded, to which the personal information has been disclosed within two years of your request.

If the identities have not been recorded, we will provide you with the names of those insurance institutions, agents, insurance-support organizations or other persons to whom such information is normally disclosed.
  - d. provide you with a summary of the procedures by which you may request correction, amendment or deletion of recorded personal information.
2. State Farm may charge you a reasonable fee to cover the costs incurred in providing you with a copy of recorded personal information. If the information applies to reasons for an adverse underwriting decision, there will be no charge.

(Continued)



3. In some circumstances, our obligations to you regarding access to recorded personal information may be satisfied by referring you to an insurance-support organization.

4. Access to recorded personal information may be denied to the extent that the information is collected in connection with or in reasonable anticipation of a claim or civil or criminal proceeding.

Finally, we want you to know you have the following rights in regard to the correction, amendment or deletion of recorded personal information:

1. Within 30 days of receiving your written request to correct, amend or delete any recorded personal information we have, State Farm will:
  - a. correct, amend or delete the portion of the recorded personal information in dispute, or
  - b. notify you of our refusal to make the correction, amendment or deletion, the reasons for the refusal and your right to file a protest statement.
2. If the recorded personal information is corrected, amended or deleted, you will be notified in writing and this information will be furnished to:
  - a. any person you've designated who may, have within the preceding 2 years, received such recorded personal information.
  - b. any insurance-support organization whose primary source of personal information is insurance institutions, if it has systematically received recorded personal information about you from us within the preceding 7 years, unless this information is no longer maintained.
  - c. any insurance-support organization that furnished the personal information that has been corrected, amended or deleted.
3. If you disagree with a refusal to correct, amend or delete recorded personal information, you may file a:
  - a. concise statement setting forth what you think is the correct, relevant or fair information, and
  - b. concise statement of the reasons why you disagree with the refusal to correct, amend or delete recorded personal information.
4. If you file either of the statements described above, State Farm will:
  - a. file the statement with the disputed personal information and provide a means by which anyone reviewing the disputed personal information will be made aware of the statement and have access to it.
  - b. in any subsequent disclosure of the recorded personal information that is the subject of disagreement, clearly identify the information in dispute and provide the statements that have been filed.
  - c. furnish the statement to any of the three categories of persons and organizations covered in the preceding point "2."

State Farm Fire and Casualty Company  
Bloomington, IL

553-2973 (C) (11/08)

State Farm



**State Farm Fire and Casualty Company**  
A Stock Company With Home Offices in Bloomington, Illinois

2702 Ireland Grove Road  
Bloomington, IL 61709-0001

Mortgagee

8-01-3747-F004

H F

PULASKI BANK  
ITS SUCCESSORS AND/OR ASSIGNS  
PO BOX 14054  
ST LOUIS MO 63178-4054

## DECLARATIONS PAGE

**Policy Number 73-BP-R427-1**

Policy Period	Effective Date	Expiration Date
12 Months	NOV 26 2008	NOV 26 2009

The policy period begins and ends at 12:01 am standard time at the residence premises.

**Loan # 08-009700**

**Named Insured**

VAUGHN, KERRI & SPROULL,  
JARRET  
3603 FRANOR ST  
ALTON IL 62002-3117

## HOMEOWNERS POLICY

**Automatic Renewal** - If the policy period is shown as 12 months, this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

Location of Residence Premises  
Same as Insured's Address

Coverages & Property		Limits of Liability	Inflation Coverage Index: 234.7
SECTION I			Deductibles - Section I
A Dwelling		\$ 102,000	All Losses \$ 500
B Dwelling Extension up to		\$ 10,200	
C Personal Property		\$ 76,500	
C Loss of Use		Actual Loss Sustained	
SECTION II			
L Personal Liability (Each Occurrence)		\$ 300,000	
Damage to Property of Others		\$ 500	
M Medical Payments to Others (Each Person)		\$ 5,000	
Loss Settlement Provision (See Policy)			Policy Premium \$ 498.00
A1 Replacement Cost - Similar Construction			Discounts Applied:
B1 Limited Replacement Cost - Coverage B			Home/Auto
Forms, Options, & Endorsements			Claim Free
Homeowners Policy	FP-7955 . IL		
Fungus (Including Mold) Excl	-5440		
Telecommuter Coverage	-5831		
Motor Vehicle Endorsement	-5452		
Amendatory Debris Removal	-5480		
Amendatory Endorsement	-2213		
Policy Endorsement	-5320		
Jewelry and Furs \$1,500 Each	Option JF		
Article/\$2,500 Aggregate			

In case of loss under this policy, the deductibles will be applied per occurrence and will be deducted from the amount of the loss. Other deductibles may apply - refer to policy.

Other limits and exclusions may apply - refer to your policy

Your policy consists of this page, any endorsements and the policy form. Please keep these together.

FP-7017C

Continued on Reverse

**TOM LANE**  
618-377-8912

2394 151 M  
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Prepared NOV 17 2008

555-7020 IL

555-7020.1 Rev 10-2002 (011039/c)

Page 143 of 165

## CONTINUED FROM FRONT SIDE

**Forms, Options, & Endorsements**

Increase Dwlg Up to \$ 20,400  
 Ordinance/Law 10%\$ 10,200

Option ID  
 Option OL

For information or assistance with any insurance problem, be sure to contact your STATE FARM AGENT first. Your good neighbor agent will be happy to help you.

Section 143c of the Illinois Insurance Code requires notification of the following addresses:

State Farm Insurance Companies®  
 Illinois Operations Center  
 2702 Ireland Grove Road  
 Bloomington, Illinois 61709-0001  
 1-800-424-1162 (within Illinois)  
 Office hours 8 A.M. to 4 P.M.  
 Monday - Friday  
 or  
 Illinois Department of Insurance  
 Consumer Services Section  
 Springfield, Illinois 62767

This message is provided by State Farm® in compliance with Illinois law.

0180396g  
 Rev. 09-2005





## FUNGUS (INCLUDING MOLD) EXCLUSION ENDORSEMENT

### DEFINITIONS

The following definition is added:

"fungus" means any type or form of fungi, including mold or mildew, and any mycotoxins, spores, scents or byproducts produced or released by fungi.

### SECTION I - LOSSES INSURED

Item 12.d. is replaced with the following:

- d. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot.

Item 13.b. is replaced with the following:

- b. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, or wet or dry rot.

### SECTION I - LOSSES NOT INSURED

Item 1.i. is replaced with the following:

- i. wet or dry rot;

In item 2., the following is added as item g.:

- g. Fungus, including:
  - (1) any loss of use or delay in rebuilding, repairing or replacing covered property, including any

FE-5440

associated cost or expense, due to interference at the residence premises or location of the rebuilding, repair or replacement of that property, by fungus;

- (2) any remediation of fungus, including the cost or expense to:
  - (a) remove the fungus from covered property or to repair, restore or replace that property;
  - (b) tear out and replace any part of the building or other property as needed to gain access to the fungus; or
  - (c) contain, treat, detoxify, neutralize or dispose of or in any way respond to or assess the effects of the fungus;
- (3) the cost of any testing or monitoring of air or property to confirm the type, absence, presence or level of fungus, whether performed prior to, during or after removal, repair, restoration or replacement of covered property.

However, this exclusion does not apply if fungus results from an accidental direct physical loss caused by fire or lightning.

All other policy provisions apply.

## TELECOMMUTER COVERAGE

### SECTION I - COVERAGES

#### COVERAGE A - DWELLING

The following replaces item 2.b.:

- b. used in whole or in part for business purposes unless such use consists solely of use of office space for paperwork, computer work or use of a telephone, and consists solely of activities that are:
  - (1) duties of the insured's employment by another; and
  - (2) performed solely by the insured.

FE-5831

(CONTINUED)



## MOTOR VEHICLE ENDORSEMENT

### DEFINITIONS

The definition of "motor vehicle" is replaced by the following:

"motor vehicle", when used in Section II of this policy, means:

- a. a land motor vehicle designed for travel on public roads or subject to motor vehicle registration;
- b. a trailer or semi-trailer designed for travel on public roads and subject to motor vehicle registration;
- c. a "recreational vehicle" while off an insured location. "Recreational vehicle", means a motorized vehicle designed for recreation principally off public roads that is owned or leased by an insured. This includes, but is not limited to, a motorized all terrain vehicle, amphibious vehicle, dune buggy, go-cart, golf cart, snowmobile, trailbike, minibike and personal assistive mobility device;
- d. a "locomotive" while off an insured location. "Locomotive" means a self-propelled vehicle for pulling or pushing freight or passenger cars on tracks that is large enough to carry a person and is owned or leased by an insured;

e. a bulldozer, track loader, backhoe, high-hoe, trencher, grader, crane, self-propelled scraper, excavator, pipe-layer, cherry picker, telehandler, logging vehicle, mining vehicle or road building vehicle that is owned or leased by an insured while off an insured location;

f. any vehicle while being towed or pushed by or carried on a vehicle included in a., b., c., d. or e.;

g. the following are not motor vehicles:

(1) a motorized land vehicle in dead storage on an insured location;

(2) a boat, camp, home or utility trailer not being towed or pushed by or carried on a vehicle included in a., b., c., d. or e.;

(3) a motorized golf cart while used for golfing purposes;

(4) a motorized vehicle or trailer designed to assist the handicapped that is not designed for travel on public roads or subject to motor vehicle registration;

h. "leased" does not include temporary rental.

All other policy provisions apply.

FE-5452

FE-5480  
Page 1 of 1

## AMENDATORY DEBRIS REMOVAL ENDORSEMENT

### SECTION I - ADDITIONAL COVERAGES

Item 1., Debris Removal is replaced with the following:

- 1. Debris Removal. We will pay the reasonable expenses you incur in the removal of debris of covered property damaged by a Loss Insured. This expense is included in the limit applying to the damaged property. The following coverages and limits also apply:
  - a. When the amount payable for the property damage plus the debris removal exceeds the limit for damaged property, an additional 5% of that limit is available for debris removal expense. This additional amount of insurance does not apply to Additional Coverage, item 3. Trees, Shrubs and Other Plants.

b. We will also pay up to \$500 in the aggregate for each loss to cover the reasonable expenses you incur in the removal of tree debris from the residence premises, unless otherwise excluded. This coverage applies when:

- (1) the tree has caused a Loss Insured to Coverage A property; or
- (2) the tree debris felled by windstorm, hail, or weight of snow or ice blocks:
  - (a) the driveway, on the residence premises, and prevents land motor vehicle access to or from the dwelling; or
  - (b) a ramp designed to assist the handicapped, on the residence premises and prevents access to or from the dwelling.

FE-5480

(CONTINUED)

Page 146 of 165

FE-2213  
(4/98)**AMENDATORY ENDORSEMENT  
(Illinois)****SECTION I - CONDITIONS**

Appraisal is replaced with the following:

Appraisal. If you and we fail to agree on the amount of loss, either one can demand that the amount of the loss be set by appraisal. If either makes a written demand for appraisal, each shall select a competent, independent appraiser. Each shall notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers shall then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, you or we can ask a judge of a court of record in the state where the residence premises is located to select an umpire. The appraisers shall then set the amount of the loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon shall be the amount of the loss. If the appraisers

fail to agree within a reasonable time, they shall submit their differences to the umpire. Written agreement signed by any two of these three shall set the amount of the loss. Each appraiser shall be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire shall be paid equally by you and us except as provided below.

We will pay your appraiser's fee and the umpire's appraisal fee, if the following conditions exist:

- a. you demand the appraisal; and
- b. the full amount of loss, as set by your appraiser, is agreed to by our appraiser or by the umpire.

All other policy provisions apply.

FE-2213  
(4/98)FE-5320  
(4/99)**POLICY ENDORSEMENT****SECTION I AND SECTION II - CONDITIONS**

The following condition is added:

**Premium.** The premium for this policy may vary based upon the purchase of other insurance from one of the State Farm affiliated companies.

All other policy provisions apply.

FE-5320  
(4/99)







## This Notice Is Being Provided Pursuant To The Federal Fair Credit Reporting Act And Any Applicable State Law

The amount you pay for homeowners insurance is influenced by many factors, including the coverages you have, the type of construction, and the likelihood of future claims. Please refer to your declarations page for information about factors that affect your premium. State Farm® also considers information from consumer reports as a factor in determining your premium. These reports are obtained from ChoicePoint, a consumer reporting agency. ChoicePoint only provides information, does not make any decisions about your insurance, and is unable to provide any reasons for State Farm's decision.

We encourage you to obtain a free copy of the reports used by contacting ChoicePoint within 60 days of receiving this notice. Please submit your request for the consumer reports used to:

ChoicePoint National Consumer Disclosure Center  
2885 Breckenridge Boulevard - Suite 200  
Duluth, GA 30096-1975  
Phone: 1-800-156-6004  
Internet Address: [www.consumerdisclosure.com](http://www.consumerdisclosure.com)

If your credit history was adversely influenced by certain life events such as catastrophic illness or injury, death of an immediate family member, temporary loss of employment, divorce, or identity theft, please talk to your agent about requesting an additional review of your information. Or, if the information in your consumer reports is incomplete or inaccurate, you have the right to dispute it with ChoicePoint. If a correction is made as a result of your dispute, please tell your agent so State Farm may reconsider its decision.

Based on information in consumer reports, your premium for homeowners insurance in State Farm Fire and Casualty Company is more than the lowest available rate. You are receiving the most competitive rate State Farm can offer you at this time. If you would like the specific reasons for this action as related to loss history, please call or submit a written request to your State Farm agent within 90 days.

The names and addresses of any institutional sources that supplied this information are listed above. In order to obtain this information in the future, you may make a written request. Here is the procedure:

1. After you submit a written request for access to recorded personal information which is reasonably locatable and retrievable, within 21 days we will:
  - a. inform you of the nature and substance of the recorded personal information in writing, by telephone or by other oral communication.
  - b. permit you to see and copy, in person, the recorded personal information which applies to you, or provide you with copies of this information by mail, whichever you prefer.
  - c. inform you of the persons, if recorded, to which the personal information has been disclosed within two years of your request.

If the identities have not been recorded, we will provide you with the names of those insurance institutions, agents, insurance-support organizations or other persons to whom such information is normally disclosed.
  - d. provide you with a summary of the procedures by which you may request correction, amendment or deletion of recorded personal information.
2. State Farm may charge you a reasonable fee to cover the costs incurred in providing you with a copy of recorded personal information. If the information applies to reasons for an adverse underwriting decision, there will be no charge.

(Continued)



3. In some circumstances, our obligations to you regarding access to recorded personal information may be satisfied by referring you to an insurance-support organization.
4. Access to recorded personal information may be denied to the extent that the information is collected in connection with or in reasonable anticipation of a claim or civil or criminal proceeding.

Finally, we want you to know you have the following rights in regard to the correction, amendment or deletion of recorded personal information:

1. Within 30 days of receiving your written request to correct, amend or delete any recorded personal information we have, State Farm will:
  - a. correct, amend or delete the portion of the recorded personal information in dispute, or
  - b. notify you of our refusal to make the correction, amendment or deletion, the reasons for the refusal and your right to file a protest statement.
2. If the recorded personal information is corrected, amended or deleted, you will be notified in writing and this information will be furnished to:
  - a. any person you've designated who may, have within the preceding 2 years, received such recorded personal information.
  - b. any insurance-support organization whose primary source of personal information is insurance institutions, if it has systematically received recorded personal information about you from us within the preceding 7 years, unless this information is no longer maintained.
  - c. any insurance-support organization that furnished the personal information that has been corrected, amended or deleted.
3. If you disagree with a refusal to correct, amend or delete recorded personal information, you may file a:
  - a. concise statement setting forth what you think is the correct, relevant or fair information, and
  - b. concise statement of the reasons why you disagree with the refusal to correct, amend or delete recorded personal information.
4. If you file either of the statements described above, State Farm will:
  - a. file the statement with the disputed personal information and provide a means by which anyone reviewing the disputed personal information will be made aware of the statement and have access to it.
  - b. in any subsequent disclosure of the recorded personal information that is the subject of disagreement, clearly identify the information in dispute and provide the statements that have been filed.
  - c. furnish the statement to any of the three categories of persons and organizations covered in the preceding point "2."

State Farm Fire and Casualty Company  
Bloomington, IL

553-2975 (C) (11/08)



# HOMEOWNERS POLICY



FP-7955 IL  
(9/97)

PRINTED  
IN  
U.S.A.

This policy is one of the broadest forms available today, and provides you with outstanding value for your insurance dollars. However, we want to point out that every policy contains limitations and exclusions. Please read your policy carefully, especially "Losses Not Insured" and all exclusions.

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FP-7955 IL  
(9/87)

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16-L-1341



## HOMEOWNERS POLICY

### DECLARATIONS CONTINUED

We agree to provide the insurance described in this policy:

1. based on your payment of premium for the coverages you chose;
2. based on your compliance with all applicable provisions of this policy; and
3. in reliance on your statements in these Declarations.

You agree, by acceptance of this policy, that:

1. you will pay premiums when due and comply with the provisions of the policy;
2. the statements in these Declarations are your statements and are true;

3. we insure you on the basis your statements are true; and
4. this policy contains all of the agreements between you and us and any of our agents.

Unless otherwise indicated in the application, you state that during the three years preceding the time of your application for this insurance your Loss History and Insurance History are as follows:

1. Loss History: you have not had any losses, insured or not; and
2. Insurance History: you have not had any insurer or agency cancel or refuse to issue or renew similar insurance to you or any household member.

### DEFINITIONS

"You" and "your" mean the "named insured" shown in the Declarations. Your spouse is included if a resident of your household. "We", "us" and "our" mean the Company shown in the Declarations.

Certain words and phrases are defined as follows:

1. "bodily injury" means physical injury, including any resulting sickness or disease to a person. This includes required care, loss of services and death resulting therefrom.

Bodily injury does not include:

- a. any of the following which are communicable: disease, bacteria, parasite, virus, or other organism, any of which are transmitted by any insured to any other person;
- b. the exposure to any such communicable disease, bacteria, parasite, virus, or other organism; or
- c. emotional distress, mental anguish, humiliation, mental distress, mental injury, or any similar injury unless it arises out of actual physical injury to some person.

5. "Insured" means you and, if residents of your household:

- a. your relatives; and
- b. any other person under the age of 21 who is in the care of a person described above.

Under Section II, "Insured" also means:

- c. with respect to animals or watercraft to which this policy applies, the person or organization legally responsible for them. However, the animal or watercraft must be owned by you or a person included in 5.a. or 5.b. A person or organization using or having custody of these animals or watercraft in the course

of a business, or without permission of the owner, is not an Insured; and

- d. with respect to any vehicle to which this policy applies, any person while engaged in your employment or the employment of a person included in 5.a. or 5.b.

6. "insured location" means:

- a. the residence premises;
- b. the part of any other premises, other structures and grounds used by you as a residence. This includes premises, structures and grounds you acquire while this policy is in effect for your use as a residence;
- c. any premises used by you in connection with the premises included in 6.a. or 6.b.;
- d. any part of a premises not owned by an Insured but where an Insured is temporarily residing;
- e. land owned by or rented to an Insured on which a one or two family dwelling is being constructed as a residence for an Insured;
- f. individual or family cemetery plots or burial vaults owned by an Insured;
- g. any part of a premises occasionally rented to an Insured for other than business purposes;
- h. vacant land owned by or rented to an Insured. This does not include farm land; and
- i. farm land (without buildings), rented or held for rental to others, but not to exceed a total of 500 acres, regardless of the number of locations.

7. "motor vehicle", when used in Section II of this policy, means:

- a. a motorized land vehicle designed for travel on public roads or subject to motor vehicle registration. A motorized land vehicle in dead storage on an insured location is not a motor vehicle;
- b. a trailer or semi-trailer designed for travel on public roads and subject to motor vehicle registration. A boat, camp, home or utility trailer not being towed by

or carried on a vehicle included in 7.a. is not a motor vehicle;

- c. a motorized golf cart, snowmobile, motorized bicycle, motorized tricycle, all-terrain vehicle or any other similar type equipment owned by an insured and designed or used for recreational or utility purposes off public roads, while off an insured location. A motorized golf cart while used for golfing purposes is not a motor vehicle; and

- d. any vehicle while being towed by or carried on a vehicle included in 7.a., 7.b. or 7.c.

8. "occurrence", when used in Section II of this policy, means an accident, including exposure to conditions, which results in:

- a. bodily injury; or
- b. property damage;

during the policy period. Repeated or continuous exposure to the same general conditions is considered to be one occurrence.

9. "property damage" means physical damage to or destruction of tangible property, including loss of use of this property. Theft or conversion of property by any insured is not property damage.

10. "residence employee" means an employee of an insured who performs duties, including household or domestic services, in connection with the maintenance or use of the residence premises. This includes employees who perform similar duties elsewhere for you. This does not include employees while performing duties in connection with the business of an insured.

11. "residence premises" means:

- a. the one, two, three or four-family dwelling, other structures and grounds; or
- b. that part of any other building;

where you reside and which is shown in the Declarations.



## SECTION I - COVERAGES

## COVERAGE A - DWELLING

1. Dwelling. We cover the dwelling used principally as a private residence on the residence premises shown in the Declarations.

Dwelling includes:

- a. structures attached to the dwelling;
- b. materials and supplies located on or adjacent to the residence premises for use in the construction, alteration or repair of the dwelling or other structures on the residence premises;
- c. foundation, floor slab and footings supporting the dwelling; and
- d. wall-to-wall carpeting attached to the dwelling.

2. Dwelling Extension. We cover other structures on the residence premises, separated from the dwelling by clear space. Structures connected to the dwelling by only a fence, utility line, or similar connection are considered to be other structures.

We do not cover other structures:

- a. not permanently attached to or otherwise forming a part of the realty;
- b. used in whole or in part for business purposes; or
- c. rented or held for rental to a person not a tenant of the dwelling, unless used solely as a private garage.

3. Property Not Covered. We do not cover:

- a. land, including the land necessary to support any Coverage A property;
- b. any costs required to replace, rebuild, stabilize, or otherwise restore the land; or
- c. the costs of repair techniques designed to compensate for or prevent land instability to any property, whether or not insured under Coverage A.

## COVERAGE B - PERSONAL PROPERTY

1. Property Covered. We cover personal property owned or used by an Insured while it is anywhere in the world. This includes structures not permanently attached to or

otherwise forming a part of the realty. At your request, we will cover personal property owned by others while the property is on the part of the residence premises occupied exclusively by an Insured. At your request, we will also cover personal property owned by a guest or a residence employee, while the property is in any other residence occupied by an Insured.

We cover personal property usually situated at an Insured's residence, other than the residence premises, for up to \$1,000 or 10% of the Coverage B limit, whichever is greater. This limitation does not apply to personal property in a newly acquired principal residence for the first 30 days after you start moving the property there. If the residence premises is a newly acquired principal residence, personal property in your immediate past principal residence is not subject to this limitation for the first 30 days after the inception of this policy.

**Special Limits of Liability.** These limits do not increase the Coverage B limit. The special limit for each of the following categories is the total limit for each loss for all property in that category:

- a. \$200 on money, coins and medals, including any of these that are a part of a collection, and bank notes;
  - b. \$1,000 on property used or intended for use in a business, including merchandise held as samples or for sale or for delivery after sale, while on the residence premises. This coverage is limited to \$250 on such property away from the residence premises.
- Electronic data processing system equipment or the recording or storage media used with that equipment is not included under this coverage;
- c. \$1,000 on securities, checks, cashier's checks, traveler's checks, money orders and other negotiable instruments, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports and tickets;
  - d. \$1,000 on watercraft of all types and outboard motors, including their trailers, furnishings and equipment;
  - e. \$1,000 on trailers not used with watercraft;

f. \$2,500 on stamps, trading cards and comic books, including any of these that are a part of a collection;

g. \$2,500 for loss by theft of firearms;

h. \$2,500 for loss by theft of silverware and goldware;

i. \$5,000 on electronic data processing system equipment and the recording or storage media used with that equipment. There is no coverage for said equipment or media while located away from the residence premises except when said equipment or media are removed from the residence premises for the purpose of repair, servicing or temporary use. An Insured student's equipment and media are covered while at a residence away from home; and

j. \$5,000 on any one article and \$10,000 in the aggregate for loss by theft of any rug, carpet (except wall-to-wall carpet), tapestry, wall-hanging or other similar article.

2. Property Not Covered. We do not cover:

- a. articles separately described and specifically insured in this or any other insurance;
- b. animals, birds or fish;
- c. any engine or motor propelled vehicle or machine, including the parts, designed for movement on land. We do cover those not licensed for use on public highways which are:
  - (1) used solely to service the Insured location; or
  - (2) designed for assisting the handicapped;
- d. devices or instruments for the recording or reproduction of sound permanently attached to an engine or motor propelled vehicle. We do not cover tapes, wires, records or other mediums that may be used with these devices or instruments while in the vehicle;
- e. aircraft and parts;
- f. property of roomers, boarders, tenants and other residents not related to an Insured. We do cover property of roomers, boarders and other residents related to an Insured;
- g. property regularly rented or held for rental to others by an Insured. This exclusion does not apply to

property of an Insured in a sleeping room rented to others by an Insured;

h. property rented or held for rental to others away from the residence premises;

i. any citizens band radios, radio telephones, radio transceivers, radio transmitters, radar or laser detectors, antennas and other similar equipment which may be operated by power from the electrical system of an engine or motor propelled vehicle, permanently attached to an engine or motor propelled vehicle;

j. books of account, abstracts, drawings, card index systems and other records. This exclusion does not apply to any recording or storage media for electronic data processing. We will cover the cost of blank books, cards or other blank material plus the cost of labor you incur for transcribing or copying such records; or

k. recording or storage media for electronic data processing that cannot be replaced with other of like kind and quality on the current retail market.

## COVERAGE C - LOSS OF USE

1. Additional Living Expense. When a Loss Insured causes the residence premises to become uninhabitable, we will cover the necessary increase in cost you incur to maintain your standard of living for up to 24 months. Our payment is limited to incurred costs for the shortest of: (a) the time required to repair or replace the premises; (b) the time required for your household to settle elsewhere; or (c) 24 months. This coverage is not reduced by the expiration of this policy.

2. Fair Rental Value. When a Loss Insured causes that part of the residence premises rented to others or held for rental by you to become uninhabitable, we will cover its fair rental value. Payment shall be for the shortest time required to repair or replace the part of the premises rented or held for rental, but not to exceed 12 months. This period of time is not limited by expiration of this policy. Fair rental value shall not include any expense that does not continue while that part of the residence premises rented or held for rental is uninhabitable.

3. Prohibited Use. When a civil authority prohibits your use of the residence premises because of direct damage to a neighboring premises by a Loss Insured, we will cover



any resulting Additional Living Expense and Fair Rental Value. Coverage is for a period not exceeding two weeks while use is prohibited.

We do not cover loss or expense due to cancellation of a lease or agreement.

#### SECTION I - ADDITIONAL COVERAGES

The following Additional Coverages are subject to all the terms, provisions, exclusions and conditions of this policy.

1. **Debris Removal.** We will pay the reasonable expenses you incur in the removal of debris of covered property damaged by a Loss Insured. This expense is included in the limit applying to the damaged property.

When the amount payable for the property damage plus the debris removal exceeds the limit for the damaged property, an additional 5% of that limit is available for debris removal expense. This additional amount of insurance does not apply to Additional Coverage, item 3. Trees, Shrubs and Other Plants.

We will also pay up to \$500 in the aggregate for each loss to cover the reasonable expenses you incur in the removal of tree debris from the residence premises when the tree has caused a Loss Insured to Coverage A property.

2. **Temporary Repairs.** If damage is caused by a Loss Insured, we will pay the reasonable and necessary cost you incur for temporary repairs to covered property to protect the property from further immediate damage or loss. This coverage does not increase the limit applying to the property being repaired.

3. **Trees, Shrubs and Other Plants.** We cover outdoor trees, shrubs, plants or lawns, on the residence premises, for direct loss caused by the following: Fire or lightning, Explosion, Riot or civil commotion, Aircraft, Vehicles (not owned or operated by a resident of the residence premises), Vandalism or malicious mischief or Theft.

The limit for this coverage, including the removal of debris, shall not exceed 5% of the amount shown in the Declarations for COVERAGE A - DWELLING. We will

not pay more than \$500 for any one outdoor tree, shrub or plant, including debris removal expense. This coverage may increase the limit otherwise applicable. We do not cover property grown for business purposes.

4. **Fire Department Service Charge.** We will pay up to \$500 for your liability assumed by contract or agreement for fire department charges. This means charges incurred when the fire department is called to save or protect covered property from a Loss Insured. No deductible applies to this coverage. This coverage may increase the limit otherwise applicable.

5. **Property Removed.** Covered property, while being removed from a premises endangered by a Loss Insured, is covered for any accidental direct physical loss. This coverage also applies to the property for up to 30 days while removed. We will also pay for reasonable expenses incurred by you for the removal and return of the covered property. This coverage does not increase the limit applying to the property being removed.

6. **Credit Card, Bank Fund Transfer Card, Forgery and Counterfeit Money.**

- a. We will pay up to \$1,000 for:

- (1) the legal obligation of an Insured to pay because of the theft or unauthorized use of credit cards and bank fund transfer cards issued to or registered in an Insured's name. If an Insured has not complied with all terms and conditions under which the cards are issued, we do not cover use by an Insured or anyone else;
- (2) loss to an Insured caused by forgery or alteration of any check or negotiable instrument; and
- (3) loss to an Insured through acceptance in good faith of counterfeit United States or Canadian paper currency.

No deductible applies to this coverage.

We will not pay more than the limit stated above for forgery or alteration committed by any one person. This limit applies when the forgery or alteration involves one or more instruments in the same loss.

- b. We do not cover loss arising out of business pursuits or dishonesty of an Insured.

- c. **Defense:**

- (1) We may make any investigation and settle any claim or suit that we decide is appropriate. Our obligation to defend claims or suits ends when the amount we pay for the loss equals our limit of liability.

- (2) If claim is made or a suit is brought against an Insured for liability under the Credit Card or Bank Fund Transfer Card coverage, we will provide a defense. This defense is at our expense by counsel of our choice.

- (3) We have the option to defend at our expense an Insured or an Insured's bank against any suit for the enforcement of payment under the Forgery coverage.

7. **Power Interruption.** We cover accidental direct physical loss caused directly or indirectly by a change of temperature which results from power interruption that takes place on the residence premises. The power interruption must be caused by a Loss Insured occurring on the residence premises. The power lines off the residence premises must remain energized. This coverage does not increase the limit applying to the damaged property.

8. **Refrigerated Products.** Coverage B is extended to cover the contents of deep freeze or refrigerated units on the residence premises for loss due to power failure or mechanical failure. If mechanical failure or power failure is known to you, all reasonable means must be used to protect the property insured from further damage or this coverage is void. Power failure or mechanical failure shall not include:

- a. removal of a plug from an electrical outlet; or
- b. turning off an electrical switch unless caused by a Loss Insured.

This coverage does not increase the limit applying to the damaged property.

9. **Arson Reward.** We will pay \$1,000 for information which leads to an arson conviction in connection with a fire loss to property covered by this policy. This coverage may

increase the limit otherwise applicable. However, the \$1,000 limit shall not be increased regardless of the number of persons providing information.

10. **Volcanic Action.** We cover direct physical loss to a covered building or covered property contained in a building resulting from the eruption of a volcano when the loss is directly and immediately caused by:

- a. volcanic blast or airborne shock waves;
- b. ash, dust or particulate matter; or
- c. lava flow.

We will also pay for the removal of that ash, dust or particulate matter which has caused direct physical loss to a covered building or covered property contained in a building.

One or more volcanic eruptions that occur within a 72-hour period shall be considered one volcanic eruption.

This coverage does not increase the limit applying to the damaged property.

11. **Collapse.** We insure only for direct physical loss to covered property involving the sudden, entire collapse of a building or any part of a building.

Collapse means actually fallen down or fallen into pieces. It does not include settling, cracking, shrinking, bulging, expansion, sagging or bowing.

The collapse must be directly and immediately caused only by one or more of the following:

- a. perils described in SECTION I - LOSSES INSURED, COVERAGE B - PERSONAL PROPERTY. These perils apply to covered building and personal property for loss insured by this Additional Coverage;
- b. hidden decay of a supporting or weight-bearing structural member of the building;
- c. hidden insect or vermin damage to a structural member of the building;
- d. weight of contents, equipment, animals or people;
- e. weight of ice, snow, sleet or rain which collects on a roof; or

- f. use of defective material or methods in the construction (includes remodeling or renovation) of the building, if the collapse occurs during the course of the construction of the building.

Loss to an awning, fence, patio, pavement, swimming pool, underground pipe, flue, drain, cesspool, septic tank, foundation, retaining wall, bulkhead, pier, wharf or dock is not included under items b., c., d., e. and f. unless the loss is the direct and immediate cause of the collapse of the building.

This coverage does not increase the limit applying to the damaged property.

12. **Locks.** We will pay the reasonable expenses you incur to re-key locks on exterior doors of the dwelling located on the residence premises, when the keys to those locks are a part of a covered theft loss.

No deductible applies to this coverage.

## SECTION I - LOSSES INSURED

### COVERAGE A - DWELLING

We insure for accidental direct physical loss to the property described in Coverage A, except as provided in SECTION I - LOSSES NOT INSURED.

### COVERAGE B - PERSONAL PROPERTY

We insure for accidental direct physical loss to property described in Coverage B caused by the following perils, except as provided in SECTION I - LOSSES NOT INSURED:

1. **Fire or lightning.**
2. **Windstorm or hail.** This peril does not include loss to property contained in a building caused by rain, snow, sleet, sand or dust. This limitation does not apply when the direct force of wind or hail damages the building causing an opening in a roof or wall and the rain, snow, sleet, sand or dust enters through this opening.  
  
This peril includes loss to watercraft of all types and their trailers, furnishings, equipment, and outboard motors, only while inside a fully enclosed building.
3. **Explosion.**
4. **Riot or civil commotion.**

### INFLATION COVERAGE

The limits of liability shown in the Declarations for Coverage A, Coverage B and, when applicable, Option ID will be increased at the same rate as the increase in the Inflation Coverage Index shown in the Declarations.

To find the limits on a given date:

1. divide the Index on that date by the Index as of the effective date of this Inflation Coverage provision; then
2. multiply the resulting factor by the limits of liability for Coverage A, Coverage B and Option ID separately.

The limits of liability will not be reduced to less than the amounts shown in the Declarations.

If during the term of this policy the Coverage A limit of liability is changed at your request, the effective date of this Inflation Coverage provision is changed to coincide with the effective date of such change.

5. **Aircraft,** including self-propelled missiles and spacecraft.
6. **Vehicles,** meaning impact by a vehicle.
7. **Smoke,** meaning sudden and accidental damage from smoke.  
  
This peril does not include loss caused by smoke from agricultural smudging or industrial operations.
8. **Vandalism or malicious mischief,** meaning only willful and malicious damage to or destruction of property.
9. **Theft,** including attempted theft and loss of property from a known location when it is probable that the property has been stolen.

This peril does not include:

- a. loss of a precious or semi-precious stone from its setting;
- b. loss caused by theft:
  - (1) committed by an Insured or by any other person regularly residing on the insured location. Property of a student who is an Insured is covered

while located at a residence away from home, if the theft is committed by a person who is not an Insured;

- (2) in or to a dwelling under construction or of materials and supplies for use in the construction until the dwelling is completed and occupied; or
- (3) from the part of a residence premises rented to others:
  - (a) caused by a tenant, members of the tenant's household, or the tenant's employees;
  - (b) of money, bank notes, bullion, gold, goldware, silver, silverware, pewterware, platinum, coins and medals;
  - (c) of securities, checks, cashier's checks, traveler's checks, money orders and other negotiable instruments, accounts, deeds, evidences of debt, letters of credit, notes other than bank notes, manuscripts, passports, tickets and stamps; or
  - (d) of jewelry, watches, fur garments and garments trimmed with fur, precious and semi-precious stones;

c. loss caused by theft that occurs away from the residence premises of:

- (1) property while at any other residence owned, rented to, or occupied by an Insured, except while an Insured is temporarily residing there. Property of a student who is an Insured is covered while at a residence away from home;
- (2) watercraft of all types, including their furnishings, equipment and outboard motors; or
- (3) trailers and campers designed to be pulled by or carried on a vehicle.

If the residence premises is a newly acquired principal residence, property in the immediate past principal residence shall not be considered property away from the residence premises for the first 30 days after the inception of this policy.

10. **Falling objects.** This peril does not include loss to property contained in a building unless the roof or an exterior

wall of the building is first damaged by a falling object. Damage to the falling object itself is not included.

11. **Weight of ice, snow or sleet** which causes damage to property contained in a building.
12. **Sudden and accidental discharge or overflow** of water or steam from within a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or from within a household appliance.

This peril does not include loss:

- a. to the system or appliance from which the water or steam escaped;
- b. caused by or resulting from freezing;
- c. caused by or resulting from water or sewage from outside the residence premises plumbing system that enters through sewers or drains, or water which enters into and overflows from within a sump pump, sump pump well or any other system designed to remove subsurface water which is drained from the foundation area; or
- d. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, mold, or wet or dry rot.

13. **Sudden and accidental tearing asunder, cracking, burning or bulging** of a steam or hot water heating system, an air conditioning or automatic fire protective sprinkler system, or an appliance for heating water.

This peril does not include loss:

- a. caused by or resulting from freezing; or
- b. caused by or resulting from continuous or repeated seepage or leakage of water or steam which occurs over a period of time and results in deterioration, corrosion, rust, mold, or wet or dry rot.

14. **Freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or of a household appliance.**



This peril does not include loss on the residence premises while the dwelling is vacant, unoccupied or being constructed, unless you have used reasonable care to:

- a. maintain heat in the building; or
- b. shut off the water supply and drain the system and appliances of water.

15. Sudden and accidental damage to electrical appliances, devices, fixtures and wiring from an increase or

decrease of artificially generated electrical current. We will pay up to \$1,000 under this peril for each damaged item described above.

16. Breakage of glass, meaning damage to personal property caused by breakage of glass which is a part of a building on the residence premises. There is no coverage for loss or damage to the glass.

#### SECTION I - LOSSES NOT INSURED

1. We do not insure for any loss to the property described in Coverage A which consists of, or is directly and immediately caused by, one or more of the perils listed in items a. through n. below, regardless of whether the loss occurs suddenly or gradually, involves isolated or widespread damage, arises from natural or external forces, or occurs as a result of any combination of these:

a. collapse, except as specifically provided in SECTION I - ADDITIONAL COVERAGES, Collapse;

b. freezing of a plumbing, heating, air conditioning or automatic fire protective sprinkler system, or of a household appliance, or by discharge, leakage or overflow from within the system or appliance caused by freezing. This exclusion only applies while the dwelling is vacant, unoccupied or being constructed. This exclusion does not apply if you have used reasonable care to:

(1) maintain heat in the building; or

(2) shut off the water supply and drain the system and appliances of water;

c. freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to a swimming pool, hot tub or spa, including their filtration and circulation systems, fence, pavement, patio, foundation, retaining wall, bulkhead, pier, wharf or dock;

d. theft in or to a dwelling under construction, or of materials and supplies for use in the construction, until the dwelling is completed and occupied;

e. vandalism or malicious mischief or breakage of glass and safety glazing materials if the dwelling has been

vacant for more than 30 consecutive days immediately before the loss. A dwelling being constructed is not considered vacant;

f. continuous or repeated seepage or leakage of water or steam from a:

(1) heating, air conditioning or automatic fire protective sprinkler system;

(2) household appliance; or

(3) plumbing system, including from, within or around any shower stall, shower bath, tub installation, or other plumbing fixture, including their walls, ceilings or floors;

which occurs over a period of time. If loss to covered property is caused by water or steam not otherwise excluded, we will cover the cost of tearing out and replacing any part of the building necessary to repair the system or appliance. We do not cover loss to the system or appliance from which the water or steam escaped;

g. wear, tear, marring, scratching, deterioration, inherent vice, latent defect or mechanical breakdown;

h. corrosion, electrolysis or rust;

i. mold, fungus or wet or dry rot;

j. contamination;

k. smog, smoke from agricultural smudging or industrial operations;

l. settling, cracking, shrinking, bulging, or expansion of pavements, patios, foundation, walls, floors, roofs or ceilings;

m. birds, vermin, rodents, insects, or domestic animals. We do cover the breakage of glass or safety glazing material which is a part of a building, when caused by birds, vermin, rodents, insects or domestic animals; or

n. pressure from or presence of tree, shrub or plant roots.

However, we do insure for any resulting loss from items a. through m. unless the resulting loss is itself a Loss Not Insured by this Section.

2. We do not insure under any coverage for any loss which would not have occurred in the absence of one or more of the following excluded events. We do not insure for such loss regardless of: (a) the cause of the excluded event; or (b) other causes of the loss; or (c) whether other causes acted concurrently or in any sequence with the excluded event to produce the loss; or (d) whether the event occurs suddenly or gradually, involves isolated or widespread damage, arises from natural or external forces, or occurs as a result of any combination of these:

a. Ordinance or Law, meaning enforcement of any ordinance or law regulating the construction, repair or demolition of a building or other structure.

b. Earth Movement, meaning the sinking, rising, shifting, expanding or contracting of earth, all whether combined with water or not. Earth movement includes but is not limited to earthquake, landslide, mudflow, mudslide, sinkhole, subsidence, erosion or movement resulting from improper compaction, site selection or any other external forces. Earth movement also includes volcanic explosion or lava flow, except as specifically provided in SECTION I - ADDITIONAL COVERAGES, Volcanic Action.

However, we do insure for any direct loss by fire resulting from earth movement, provided the resulting fire loss is itself a Loss Insured.

c. Water Damage, meaning:

(1) flood, surface water, waves, tidal water, tsunami, seiche, overflow of a body of water, or spray from any of these, all whether driven by wind or not;

(2) water or sewage from outside the residence premises plumbing system that enters through sewers or drains, or water which enters into and overflows from within a sump pump, sump pump well or any other system designed to remove subsurface water which is drained from the foundation area; or

(3) water below the surface of the ground, including water which exerts pressure on, or seeps or leaks through a building, sidewalk, driveway, foundation, swimming pool or other structure.

However, we do insure for any direct loss by fire, explosion or theft resulting from water damage, provided the resulting loss is itself a Loss Insured.

d. Neglect, meaning neglect of the Insured to use all reasonable means to save and preserve property at and after the time of a loss, or when property is endangered.

e. War, including any undeclared war, civil war, insurrection, rebellion, revolution, warfare act by a military force or military personnel, destruction or seizure or use for a military purpose, and including any consequence of any of these. Discharge of a nuclear weapon shall be deemed a warfare act even if accidental.

f. Nuclear Hazard, meaning any nuclear reaction, radiation, or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these. Loss caused by the nuclear hazard shall not be considered loss caused by fire, explosion or smoke.

However, we do insure for any direct loss by fire resulting from the nuclear hazard, provided the resulting fire loss is itself a Loss Insured.

3. We do not insure under any coverage for any loss consisting of one or more of the items below. Further, we do not insure for loss described in paragraphs 1. and 2. immediately above regardless of whether one or more of the following: (a) directly or indirectly cause, contribute to



or aggravate the loss; or (b) occur before, at the same time, or after the loss or any other cause of the loss:

- a. conduct, act, failure to act, or decision of any person, group, organization or governmental body whether intentional, wrongful, negligent, or without fault;
- b. defect, weakness, inadequacy, fault or unsoundness in:
  - (1) planning, zoning, development, surveying, siting;
  - (2) design, specifications, workmanship, construction, grading, compaction;

- (3) materials used in construction or repair; or
- (4) maintenance;

of any property (including land, structures, or improvements of any kind) whether on or off the residence premises; or

- c. weather conditions.

However, we do insure for any resulting loss from items a., b. and c. unless the resulting loss is itself a Loss Not Insured by this Section.

## SECTION I - LOSS SETTLEMENT

Only the Loss Settlement provisions shown in the Declarations apply. We will settle covered property losses according to the following:

### COVERAGE A - DWELLING

#### 1. A1 - Replacement Cost Loss Settlement - Similar Construction.

- a. We will pay the cost to repair or replace with similar construction and for the same use on the premises shown in the Declarations, the damaged part of the property covered under SECTION I - COVERAGES, COVERAGE A - DWELLING, except for wood fences, subject to the following:

- (1) until actual repair or replacement is completed, we will pay only the actual cash value at the time of the loss of the damaged part of the property, up to the applicable limit of liability shown in the Declarations, not to exceed the cost to repair or replace the damaged part of the property;
- (2) when the repair or replacement is actually completed, we will pay the covered additional amount you actually and necessarily spend to repair or replace the damaged part of the property, or an amount up to the applicable limit of liability shown in the Declarations, whichever is less;
- (3) to receive any additional payments on a replacement cost basis, you must complete the actual repair or replacement of the damaged part of the property within two years after the date of loss,

and notify us within 30 days after the work has been completed; and

- (4) we will not pay for increased costs resulting from enforcement of any ordinance or law regulating the construction, repair or demolition of a building or other structure, except as provided under Option OL - Building Ordinance or Law Coverage.

- b. Wood Fences: We will pay the actual cash value at the time of loss for loss or damage to wood fences, not to exceed the limit of liability shown in the Declarations for COVERAGE A - DWELLING EXTENSION.

#### 2. A2 - Replacement Cost Loss Settlement - Common Construction.

- a. We will pay the cost to repair or replace with common construction and for the same use on the premises shown in the Declarations, the damaged part of the property covered under SECTION I - COVERAGES, COVERAGE A - DWELLING, except for wood fences, subject to the following:

- (1) we will pay only for repair or replacement of the damaged part of the property with common construction techniques and materials commonly used by the building trades in standard new construction. We will not pay the cost to repair or replace obsolete, antique or custom construction with like kind and quality;

- (2) until actual repair or replacement is completed, we will pay only the actual cash value at the time of the loss of the damaged part of the property, up to the applicable limit of liability shown in the Declarations, not to exceed the cost to repair or replace the damaged part of the property as described in a.(1) above;

- (3) when the repair or replacement is actually completed as described in a.(1) above, we will pay the covered additional amount you actually and necessarily spend to repair or replace the damaged part of the property, or an amount up to the applicable limit of liability shown in the Declarations, whichever is less;

- (4) to receive any additional payments on a replacement cost basis, you must complete the actual repair or replacement of the damaged part of the property within two years after the date of loss, and notify us within 30 days after the work has been completed; and

- (5) we will not pay for increased costs resulting from enforcement of any ordinance or law regulating the construction, repair or demolition of a building or other structure, except as provided under Option OL - Building Ordinance or Law Coverage.

- b. Wood Fences: We will pay the actual cash value at the time of loss for loss or damage to wood fences, not to exceed the limit of liability shown in the Declarations for COVERAGE A - DWELLING EXTENSION.

### COVERAGE B - PERSONAL PROPERTY

#### 1. B1 - Limited Replacement Cost Loss Settlement.

- a. We will pay the cost to repair or replace property covered under SECTION I - COVERAGES, COVERAGE B - PERSONAL PROPERTY, except for property listed in item b. below, subject to the following:

- (1) until repair or replacement is completed, we will pay only the cost to repair or replace less depreciation;

- (2) after repair or replacement is completed, we will pay the difference between the cost to repair or replace less depreciation and the cost you have actually and necessarily spent to repair or replace the property; and

- (3) if property is not repaired or replaced within two years after the date of loss, we will pay only the cost to repair or replace less depreciation.

- b. We will pay market value at the time of loss for:

- (1) antiques, fine arts, paintings, statuary and similar articles which by their inherent nature cannot be replaced with new articles;

- (2) articles whose age or history contribute substantially to their value including, but not limited to, memorabilia, souvenirs and collectors items; and

- (3) property not useful for its intended purpose.

However, we will not pay an amount exceeding the smallest of the following for items a. and b. above:

- (1) our cost to replace at the time of loss;
- (2) the full cost of repair;
- (3) any special limit of liability described in the policy; or
- (4) any applicable Coverage B limit of liability.

#### 2. B2 - Depreciated Loss Settlement.

- a. We will pay the cost to repair or replace less depreciation at the time of loss for property covered under SECTION I - COVERAGES, COVERAGE B - PERSONAL PROPERTY, except for property listed in item b. below.

- b. We will pay market value at the time of loss for:

- (1) antiques, fine arts, paintings, statuary and similar articles which by their inherent nature cannot be replaced with new articles;

- (2) articles whose age or history contribute substantially to their value including, but not limited to, memorabilia, souvenirs and collectors items; and

- (3) property not useful for its intended purpose.

However, we will not pay an amount exceeding the smallest of the following for items a. and b. above:

- (1) our cost to replace at the time of loss;
- (2) the full cost of repair;

#### SECTION I - CONDITIONS

1. **Insurable Interest and Limit of Liability.** Even if more than one person has an insurable interest in the property covered, we shall not be liable:

- a. to the insured for an amount greater than the insured's interest; or
- b. for more than the applicable limit of liability.

2. **Your Duties After Loss.** After a loss to which this insurance may apply, you shall see that the following duties are performed:

- a. give immediate notice to us or our agent. Also notify the police if the loss is caused by theft. Also notify the credit card company or bank if the loss involves a credit card or bank fund transfer card;
- b. protect the property from further damage or loss, make reasonable and necessary temporary repairs required to protect the property, keep an accurate record of repair expenditures;
- c. prepare an inventory of damaged or stolen personal property. Show in detail the quantity, description, age, replacement cost and amount of loss. Attach to the inventory all bills, receipts and related documents that substantiate the figures in the inventory;
- d. as often as we reasonably require:
  - (1) exhibit the damaged property;
  - (2) provide us with records and documents we request and permit us to make copies;
  - (3) submit to and subscribe, while not in the presence of any other insured:
    - (a) statements; and
    - (b) examinations under oath; and

- (3) any special limit of liability described in the policy; or
- (4) any applicable Coverage B limit of liability.

(4) produce employees, members of the insured's household or others for examination under oath to the extent it is within the insured's power to do so; and

e. submit to us, within 60 days after the loss, your signed, sworn proof of loss which sets forth, to the best of your knowledge and belief:

- (1) the time and cause of loss;
- (2) interest of the insured and all others in the property involved and all encumbrances on the property;
- (3) other insurance which may cover the loss;
- (4) changes in title or occupancy of the property during the term of this policy;
- (5) specifications of any damaged building and detailed estimates for repair of the damage;
- (6) an inventory of damaged or stolen personal property described in 2.c.;
- (7) receipts for additional living expenses incurred and records supporting the fair rental value loss; and
- (8) evidence or affidavit supporting a claim under the Credit Card, Bank Fund Transfer Card, Forgery and Counterfeit Money coverage, stating the amount and cause of loss.

3. **Loss to a Pair or Set.** In case of loss to a pair or set, we may elect to:

- a. repair or replace any part to restore the pair or set to its value before the loss; or
- b. pay the difference between the depreciated value of the property before and after the loss.

4. **Appraisal.** If you and we fail to agree on the amount of loss, either one can demand that the amount of the loss be set by appraisal. If either makes a written demand for appraisal, each shall select a competent, disinterested appraiser. Each shall notify the other of the appraiser's identity within 20 days of receipt of the written demand. The two appraisers shall then select a competent, impartial umpire. If the two appraisers are unable to agree upon an umpire within 15 days, you or we can ask a judge of a court of record in the state where the residence premises is located to select an umpire. The appraisers shall then set the amount of the loss. If the appraisers submit a written report of an agreement to us, the amount agreed upon shall be the amount of the loss. If the appraisers fail to agree within a reasonable time, they shall submit their differences to the umpire. Written agreement signed by any two of these three shall set the amount of the loss. Each appraiser shall be paid by the party selecting that appraiser. Other expenses of the appraisal and the compensation of the umpire shall be paid equally by you and us.

5. **Other Insurance.** If a loss covered by this policy is also covered by other insurance, we will pay only our share of the loss. Our share is the proportion of the loss that the applicable limit under this policy bears to the total amount of insurance covering the loss.

6. **Suit Against Us.** No action shall be brought unless there has been compliance with the policy provisions. The action must be started within one year after the date of loss or damage. This one year period is extended by the number of days between the date that proof of loss was filed and the date the claim is denied in whole or in part.

7. **Our Option.** We may repair or replace any part of the property damaged or stolen with similar property. Any property we pay for or replace becomes our property.

8. **Loss Payment.** We will adjust all losses with you. We will pay you unless some other person is named in the policy or is legally entitled to receive payment. Loss will be payable 30 days after we receive your proof of loss and:

- a. reach agreement with you;
- b. there is an entry of a final judgment; or
- c. there is a filing of an appraisal award with us.

9. **Abandonment of Property.** We need not accept any property abandoned by an insured.

10. **Mortgage Clause.** The word "mortgagee" includes trustee.

a. If a mortgagee is named in this policy, any loss payable under Coverage A shall be paid to the mortgagee and you, as interests appear. If more than one mortgagee is named, the order of payment shall be the same as the order of precedence of the mortgages.

b. If we deny your claim, that denial shall not apply to a valid claim of the mortgagee, if the mortgagee:

(1) notifies us of any change in ownership, occupancy or substantial change in risk of which the mortgagee is aware;

(2) pays on demand any premium due under this policy, if you have not paid the premium; and

(3) submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so. Policy conditions relating to Appraisal, Suit Against Us and Loss Payment apply to the mortgagee.

c. If this policy is cancelled by us, the mortgagee shall be notified at least 10 days before the date cancellation takes effect. Proof of mailing shall be proof of notice.

d. If we pay the mortgagee for any loss and deny payment to you:

(1) we are subrogated to all the rights of the mortgagee granted under the mortgage on the property; or

(2) at our option, we may pay to the mortgagee the whole principal on the mortgage plus any accrued interest. In this event, we shall receive a full assignment and transfer of the mortgage and all securities held as collateral to the mortgage debt.

e. Subrogation shall not impair the right of the mortgagee to recover the full amount of the mortgagee's claim.



11. No Benefit to Bailee. We will not recognize an assignment or grant coverage for the benefit of a person or organization holding, storing or transporting property for a fee. This applies regardless of any other provision of this policy.

12. Intentional Acts. If you or any person insured under this policy causes or procures a loss to property covered under this policy for the purpose of obtaining insurance benefits, then this policy is void and we will not pay you or any other insured for this loss.

## SECTION II - LIABILITY COVERAGES

### COVERAGE L - PERSONAL LIABILITY

If a claim is made or a suit is brought against an insured for damages because of bodily injury or property damage to which this coverage applies, caused by an occurrence, we will:

1. pay up to our limit of liability for the damages for which the insured is legally liable; and
2. provide a defense at our expense by counsel of our choice. We may make any investigation and settle any claim or suit that we decide is appropriate. Our obligation to defend any claim or suit ends when the amount we pay for damages, to effect settlement or satisfy a judgment resulting from the occurrence, equals our limit of liability.

### COVERAGE M - MEDICAL PAYMENTS TO OTHERS

We will pay the necessary medical expenses incurred or medically ascertained within three years from the date of an accident causing bodily injury. Medical expenses means reasonable charges for medical, surgical, x-ray, dental, ambulance, hospital, professional nursing, prosthetic devices and funeral services. This coverage applies only:

1. to a person on the insured location with the permission of an insured;
2. to a person off the insured location, if the bodily injury:
  - a. arises out of a condition on the insured location or the ways immediately adjoining;
  - b. is caused by the activities of an insured;
  - c. is caused by a residence employee in the course of the residence employee's employment by an insured; or
  - d. is caused by an animal owned by or in the care of an insured; or

3. to a residence employee if the occurrence causing bodily injury occurs off the insured location and arises out of or in the course of the residence employee's employment by an insured.

### SECTION II - ADDITIONAL COVERAGES

We cover the following in addition to the limits of liability:

#### 1. Claim Expenses. We pay:

- a. expenses we incur and costs taxed against an insured in suits we defend;
- b. premiums on bonds required in suits we defend, but not for bond amounts greater than the Coverage L limit. We are not obligated to apply for or furnish any bond;
- c. reasonable expenses an insured incurs at our request. This includes actual loss of earnings (but not loss of other income) up to \$100 per day for aiding us in the investigation or defense of claims or suits;
- d. prejudgment interest awarded against the insured on that part of the judgment we pay; and
- e. interest on the entire judgment which accrues after entry of the judgment and before we pay or tender, or deposit in court that part of the judgment which does not exceed the limit of liability that applies.

2. First Aid Expenses. We will pay expenses for first aid to others incurred by an insured for bodily injury covered under this policy. We will not pay for first aid to you or any other insured.

#### 3. Damage to Property of Others.

- a. We will pay for property damage to property of others caused by an insured.

- b. We will not pay more than the smallest of the following amounts:

- (1) replacement cost at the time of loss;
- (2) full cost of repair; or
- (3) \$500 in any one occurrence.

- c. We will not pay for property damage:

- (1) if insurance is otherwise provided in this policy;
- (2) caused intentionally by an insured who is 13 years of age or older;

- (3) to property, other than a rented golf cart, owned by or rented to an insured, a tenant of an insured, or a resident in your household; or

- (4) arising out of:

- (a) business pursuits;
- (b) any act or omission in connection with a premises an insured owns, rents or controls, other than the insured location; or
- (c) the ownership, maintenance, or use of a motor vehicle, aircraft, or watercraft, including airboat, air cushion, personal watercraft, sail board or similar type watercraft.

## SECTION II - EXCLUSIONS

1. Coverage L and Coverage M do not apply to:

#### a. bodily injury or property damage:

- (1) which is either expected or intended by the insured; or
- (2) which is the result of willful and malicious acts of the insured;

- b. bodily injury or property damage arising out of business pursuits of any insured or the rental or holding for rental of any part of any premises by any insured. This exclusion does not apply:

- (1) to activities which are ordinarily incident to non-business pursuits;
- (2) with respect to Coverage L to the occasional or part-time business pursuits of an insured who is under 19 years of age;
- (3) to the rental or holding for rental of a residence of yours:

- (a) on an occasional basis for the exclusive use as a residence;
- (b) in part, unless intended for use as a residence by more than two roomers or boarders; or
- (c) in part, as an office, school, studio or private garage;

- (4) when the dwelling on the residence premises is a two, three or four-family dwelling and you occupy one part and rent or hold for rental the other part; or

- (5) to farm land (without buildings), rented or held for rental to others, but not to exceed a total of 500 acres, regardless of the number of locations;

- c. bodily injury or property damage arising out of the rendering or failing to render professional services;

- d. bodily injury or property damage arising out of any premises currently owned or rented to any insured which is not an insured location. This exclusion does not apply to bodily injury to a residence employee arising out of and in the course of the residence employee's employment by an insured;

- e. bodily injury or property damage arising out of the ownership, maintenance, use, loading or unloading of:

- (1) an aircraft;
- (2) a motor vehicle owned or operated by or rented or loaned to any insured; or
- (3) a watercraft:
  - (a) owned by or rented to any insured if it has inboard or inboard-outdrive motor power of more than 50 horsepower;

(b) owned by or rented to any insured if it is a sailing vessel, with or without auxiliary power, 26 feet or more in overall length;

(c) powered by one or more outboard motors with more than 25 total horsepower owned by any insured;

(d) designated as an airboat, air cushion, or similar type of craft; or

(e) owned by any insured which is a personal watercraft using a water jet pump powered by an internal combustion engine as the primary source of propulsion.

This exclusion does not apply to bodily injury to a residence employee arising out of and in the course of the residence employee's employment by an insured. Exclusion e.(3) does not apply while the watercraft is on the residence premises;

**f. bodily injury or property damage arising out of:**

(1) the entrustment by any insured to any person;

(2) the supervision by any insured of any person;

(3) any liability statutorily imposed on any insured; or

(4) any liability assumed through an unwritten or written agreement by any insured;

with regard to the ownership, maintenance or use of any aircraft, watercraft, or motor vehicle which is not covered under Section II of this policy;

**g. bodily injury or property damage caused directly or indirectly by war, including undeclared war, or any warlike act including destruction or seizure or use for a military purpose, or any consequence of these. Discharge of a nuclear weapon shall be deemed a warlike act even if accidental;**

**h. bodily injury to you or any insured within the meaning of part a. or b. of the definition of insured.**

This exclusion also applies to any claim made or suit brought against you or any insured to share damages with or repay someone else who may be obligated to pay damages because of the bodily injury

sustained by you or any insured within the meaning of part a. or b. of the definition of insured;

**i. any claim made or suit brought against any insured by:**

(1) any person who is in the care of any insured because of child care services provided by or at the direction of:

(a) any insured;

(b) any employee of any insured; or

(c) any other person actually or apparently acting on behalf of any insured; or

(2) any person who makes a claim because of bodily injury to any person who is in the care of any insured because of child care services provided by or at the direction of:

(a) any insured;

(b) any employee of any insured; or

(c) any other person actually or apparently acting on behalf of any insured.

This exclusion does not apply to the occasional child care services provided by any insured, or to the part-time child care services provided by any insured who is under 19 years of age; or

**j. bodily injury or property damage arising out of an insured's participation in, or preparation or practice for any prearranged or organized race, speed or demolition contest, or similar competition involving a motorized land vehicle or motorized watercraft. This exclusion does not apply to a sailing vessel less than 26 feet in overall length with or without auxiliary power.**

**2. Coverage L does not apply to:**

**a. liability:**

(1) for your share of any loss assessment charged against all members of an association of property owners; or

(2) assumed under any unwritten contract or agreement, or by contract or agreement in connection with a business of the insured;

**b. property damage to property currently owned by any insured;**

**c. property damage to property rented to, occupied or used by or in the care of any insured. This exclusion does not apply to property damage caused by fire, smoke or explosion;**

**d. bodily injury to a person eligible to receive any benefits required to be provided or voluntarily provided by an insured under a workers' compensation, non-occupational disability, or occupational disease law;**

**e. bodily injury or property damage for which an insured under this policy is also an insured under a nuclear energy liability policy or would be an insured but for its termination upon exhaustion of its limit of liability. A nuclear energy liability policy is a policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters,**

Nuclear Insurance Association of Canada, or any of their successors.

**3. Coverage M does not apply to bodily injury:**

**a. to a residence employee if it occurs off the insured location and does not arise out of or in the course of the residence employee's employment by an insured;**

**b. to a person eligible to receive any benefits required to be provided or voluntarily provided under any workers' compensation, non-occupational disability or occupational disease law;**

**c. from nuclear reaction, radiation or radioactive contamination, all whether controlled or uncontrolled or however caused, or any consequence of any of these;**

**d. to a person other than a residence employee of an insured, regularly residing on any part of the insured location.**

**SECTION II - CONDITIONS**

**1. Limit of Liability.** The Coverage L limit is shown in the Declarations. This is our limit for all damages from each occurrence regardless of the number of insureds, claims made or persons injured.

The Coverage M limit is shown in the Declarations. This is our limit for all medical expense for bodily injury to one person as the result of one accident.

**2. Severability of Insurance.** This insurance applies separately to each insured. This condition shall not increase our limit of liability for any one occurrence.

**3. Duties After Loss.** In case of an accident or occurrence, the insured shall perform the following duties that apply. You shall cooperate with us in seeing that these duties are performed:

**a. give written notice to us or our agent as soon as practicable, which sets forth:**

(1) the identity of this policy and insured;

(2) reasonably available information on the time, place and circumstances of the accident or occurrence; and

(3) names and addresses of any claimants and available witnesses;

**b. immediately forward to us every notice, demand, summons or other process relating to the accident or occurrence;**

**c. at our request, assist in:**

(1) making settlement;

(2) the enforcement of any right of contribution or indemnity against a person or organization who may be liable to an insured;

(3) the conduct of suits and attend hearings and trials; and

(4) securing and giving evidence and obtaining the attendance of witnesses;



- d. under the coverage - Damage to Property of Others, exhibit the damaged property if within the insured's control; and
  - e. the Insured shall not, except at the Insured's own cost, voluntarily make payments, assume obligations or incur expenses. This does not apply to expense for first aid to others at the time of the bodily injury.
4. Duties of an Injured Person - Coverage M. The injured person, or, when appropriate, someone acting on behalf of that person, shall:
- a. give us written proof of claim, under oath if required, as soon as practicable;
  - b. execute authorization to allow us to obtain copies of medical reports and records; and
  - c. submit to physical examination by a physician selected by us when and as often as we reasonably require.

#### SECTION I AND SECTION II - CONDITIONS

- 1. **Policy Period.** This policy applies only to loss under Section I or bodily injury or property damage under Section II which occurs during the period this policy is in effect.
- 2. **Concealment or Fraud.** This policy is void as to you and any other insured, if you or any other insured under this policy has intentionally concealed or misrepresented any material fact or circumstance relating to this insurance, whether before or after a loss.
- 3. **Liberalization Clause.** If we adopt any revision which would broaden coverage under this policy without additional premium, within 60 days prior to or during the period this policy is in effect, the broadened coverage will immediately apply to this policy.
- 4. **Waiver or Change of Policy Provisions.** A waiver or change of any provision of this policy must be in writing by us to be valid. Our request for an appraisal or examination shall not waive any of our rights.

- 5. **Payment of Claim - Coverage M.** Payment under this coverage is not an admission of liability by an Insured or us.
- 6. **Suit Against Us.** No action shall be brought against us unless there has been compliance with the policy provisions.  
No one shall have the right to join us as a party to an action against an Insured. Further, no action with respect to Coverage I shall be brought against us until the obligation of the Insured has been determined by final judgment or agreement signed by us.
- 7. **Bankruptcy of an Insured.** Bankruptcy or insolvency of an Insured shall not relieve us of our obligation under this policy.
- 8. **Other Insurance - Coverage L.** This insurance is excess over any other valid and collectible insurance except insurance written specifically to cover as excess over the limits of liability that apply in this policy.

#### 5. Cancellation.

- a. You may cancel this policy at any time by returning it to us or by notifying us in writing of the date cancellation is to take effect. We may waive the requirement that the notice be in writing by confirming the date and time of cancellation to you in writing.
- b. We may cancel this policy, subject to the following conditions:
  - (1) Cancellation for nonpayment of premium.

We may cancel this insurance and any renewal at any time during the policy period for your failure to discharge, when due, any of your obligations in connection with the payment of premiums or any installment of such premium that is payable directly to us or to our agent by mailing to you at the last mailing address known by us written notice stating when, not less than 10 days thereafter, such cancellation shall be effective.

- (2) Cancellation for reasons other than nonpayment of premium.

All notices of cancellation for any reason other than nonpayment of premium must be mailed to you at the last mailing address known by us at least 30 days prior to the effective date of cancellation.

- (3) Cancellation of policies in effect for 60 days or renewal policies.

After this policy has been in effect for 60 days, or if this is a renewal policy, we may cancel for one or more of the following reasons:

- (a) for nonpayment of premium;
- (b) when this policy has been obtained by misrepresentation or fraud; or
- (c) for any act which measurably increases the risk originally accepted.

- 6. **Nonrenewal.** If we elect not to renew this policy, we shall mail to you at the last mailing address known by us, written notice of such nonrenewal. The mailing of notice shall be sufficient proof of notice.

- a. When this policy has been in effect for less than five years, we may nonrenew it by mailing notice to you not less than 30 days prior to the expiration date.
- b. When this policy has been in effect for five years or more, we may nonrenew it:

- (1) for the following reasons by mailing notice to you not less than 60 days prior to the expiration date:
  - (a) when this policy has been obtained by misrepresentation or fraud; or
  - (b) for any act which measurably increases the risk originally accepted.

- (2) for any reason by mailing notice to you not less than 60 days prior to the expiration date.

- 7. **Assignment.** Assignment of this policy shall not be valid unless we give our written consent.

- 8. **Subrogation.** An Insured may waive in writing before a loss all rights of recovery against any person. If not

waived, we may require an assignment of rights of recovery for a loss to the extent that payment is made by us.

If an assignment is sought, an Insured shall:

- a. sign and deliver all related papers;
- b. cooperate with us in a reasonable manner; and
- c. do nothing after a loss to prejudice such rights.

Subrogation does not apply under Section II to Medical Payments to Others or Damage to Property of Others.

- 9. **Death.** If any person shown in the Declarations or the spouse, if a resident of the same household, dies:

- a. we insure the legal representative of the deceased. This condition applies only with respect to the premises and property of the deceased covered under this policy at the time of death;

- b. Insured includes:

- (1) any member of your household who is an Insured at the time of your death, but only while a resident of the residence premises; and

- (2) with respect to your property, the person having proper temporary custody of the property until appointment and qualification of a legal representative.

- 10. **Conformity to State Law.** When a policy provision is in conflict with the applicable law of the State in which this policy is issued, the law of the State will apply.

- 11. **Right to Inspect.** We have the right but are not obligated to make inspections and surveys at any time, give you reports on conditions we find and recommend changes. Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged.

We do not:

- a. make safety inspections;
- b. undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public;
- c. warrant that conditions are safe or healthful; or

d. warrant that conditions comply with laws, regulations, codes or standards.

This condition applies not only to us but also to any rating, advisory, rate service or similar organization which

makes insurance inspections, surveys, reports or recommendations.

12. Joint and Individual Interests. When there are two or more named insureds, each acts for all to cancel or change the policy.

### CONTINGENT WORKERS' COMPENSATION

We agree to issue to you a Standard Workers' Compensation Policy at our approved rates, premiums and minimum premiums in the event you become legally obligated to pay compensation benefits for any person under the Workers' Compensation Act of the State of Illinois, provided:

1. that such obligation to pay compensation benefits does not arise out of property, or that part of any property, rented to others or held for such rental, or any other business, trade, profession or occupation of you or of any partnership or joint venture of which you are a partner or member;
2. you have not elected, and will not elect without 30 days written notice received by us, to provide and pay compensation according to provisions of the Workers' Compensation Act of the State of Illinois;
3. such obligation to provide compensation under the Workers' Compensation Act of the State of Illinois did not exist on the date which this policy became effective or did not exist on the most recent renewal date of this policy, whichever is later;

4. you do not have in effect on the date of any accident that results in such obligation a policy providing Workers' Compensation benefits for the person with respect to whom the obligation arises; and

5. this provision applies only to accidents which occur on or after the date on which this policy became effective.

Coverage under this provision shall not apply to any person whose duties are principally in connection with the farming operations of the insured.

The Standard Workers' Compensation Policy to be issued shall be effective on the effective date of this policy or on the date of commencement of the operations in which such person or persons were engaged at the time of the injury, whichever is later.

Reference above to the Workers' Compensation Act shall also include the "Occupational Disease Act" if applicable.

None of the terms or provisions of this policy apply to CONTINGENT WORKERS' COMPENSATION except Cancellation and Nonrenewal.

### OPTIONAL POLICY PROVISIONS

Each Optional Policy Provision applies only as shown in the Declarations and is subject to all the terms, provisions, exclusions and conditions of this policy.

Option AI - Additional Insured. The definition of Insured is extended to include the person or organization shown in the Declarations as an Additional Insured or whose name is on file with us. Coverage is with respect to:

1. Section I - Coverage A; or

2. Section II - Coverages L and M but only with respect to the residence premises. This coverage does not apply to bodily injury to an employee arising out of or in the course of the employee's employment by the person or organization.

This option applies only with respect to the location shown in the Declarations.

Option BP - Business Property. The COVERAGE B - PERSONAL PROPERTY, Special Limits of Liability, Item b., for property used or intended for use in a business, including merchandise held as samples or for sale or for delivery after sale, is changed as follows:

The \$1,000 limit is replaced with the amount shown in the Declarations for this option.

Option BU - Business Pursuits. SECTION II - EXCLUSIONS, item 1.b. is modified as follows:

1. Section II coverage applies to the business pursuits of an Insured who is a:

- a. clerical office employee, salesperson, collector, messenger; or
- b. teacher (except college, university and professional athletic coaches), school principal or school administrator;

while acting within the scope of the above listed occupations.

2. However, no coverage is provided:

- a. for bodily injury or property damage arising out of a business owned or financially controlled by the Insured or by a partnership of which the Insured is a partner or member;
- b. for bodily injury or property damage arising out of the rendering of or failure to render professional services of any nature (other than teaching or school administration). This exclusion includes but is not limited to:

- (1) computer programming, architectural, engineering or industrial design services;
  - (2) medical, surgical, dental or other services or treatment conducive to the health of persons or animals; and
  - (3) beauty or barber services or treatment;
- c. for bodily injury to a fellow employee of the Insured injured in the course of employment; or
  - d. when the Insured is a member of the faculty or teaching staff of a school or college;

(1) for bodily injury or property damage arising out of the maintenance, use, loading or unloading of:

- (a) draft or saddle animals, including vehicles for use with them; or
- (b) aircraft, motor vehicles, recreational motor vehicles or watercraft, airboats, air cushions or personal watercraft which use a water jet pump powered by an internal combustion engine as the primary source of propulsion;

owned or operated, or hired by or for the Insured or employer of the Insured or used by the Insured for the purpose of instruction in the use thereof; or

(2) under Coverage M for bodily injury to a pupil arising out of corporal punishment administered by or at the direction of the Insured.

Option FA - Firearms. Firearms are insured for accidental direct physical loss or damage.

The limits for this option are shown in the Declarations. The first amount is the limit for any one article; the second amount is the aggregate limit for each loss.

The following additional provisions apply:

1. we do not insure for any loss to the property described in this option either consisting of, or directly and immediately caused by, one or more of the following:

- a. mechanical breakdown, wear and tear, gradual deterioration;
- b. insects or vermin;
- c. any process of refinishing, renovating, or repairing;
- d. dampness of atmosphere or extremes of temperatures;
- e. inherent defect or faulty manufacture;
- f. rust, fouling or explosion of firearms;
- g. breakage, marring, scratching, tearing or denting unless caused by fire, thieves or accidents to conveyances; or



- h. infidelity of an insured's employees or persons to whom the insured property may be entrusted or rented;
- 2. our limit for loss by any Coverage B peril except theft is the limit shown in the Declarations for Coverage B, plus the aggregate limit;
- 3. our limits for loss by theft are those shown in the Declarations for this option. These limits apply in lieu of the Coverage B theft limit; and
- 4. our limits for loss by any covered peril except those in Items 2. and 3. are those shown in the Declarations.

**Option HC - Home Computer.** The COVERAGE B - PERSONAL PROPERTY, Special Limits of Liability, item i., for electronic data processing system equipment and the recording or storage media used with that equipment is increased to be the amount shown in the Declarations for this option.

**Option ID - Increased Dwelling Limit.** We will settle losses to damaged building structures covered under COVERAGE A - DWELLING according to the SECTION I - LOSS SETTLEMENT provision shown in the Declarations.

If the amount you actually and necessarily spend to repair or replace damaged building structures exceeds the applicable limit of liability shown in the Declarations, we will pay the additional amounts not to exceed:

- 1. the Option ID limit of liability shown in the Declarations to repair or replace the Dwelling; or
- 2. 10% of the Option ID limit of liability to repair or replace building structures covered under COVERAGE A - DWELLING, Dwelling Extension.

**Report Increased Values.** You must notify us within 90 days of the start of any new building structure costing \$5,000 or more; or any additions to or remodeling of building structures which increase their values by \$5,000 or more. You must pay any additional premium due for the increased value. We will not pay more than the applicable limit of liability shown in the Declarations, if you fail to notify us of the increased value within 90 days.

**Option IO - Incidental Business.** The coverage provided by this option applies only to that incidental business occupancy on file with us.

1. **COVERAGE A - DWELLING,** Dwelling Extension, item 2.b. is deleted.

2. **COVERAGE B - PERSONAL PROPERTY** is extended to include equipment, supplies and furnishings usual and incidental to this business occupancy. This Optional Policy Provision does not include electronic data processing system equipment or the recording or storage media used with that equipment or merchandise held as samples or for sale or for delivery after sale.

The Option IO limits are shown in the Declarations. The first limit applies to property on the residence premises. The second limit applies to property while off the residence premises. These limits are in addition to the COVERAGE B - PERSONAL PROPERTY, Special Limits of Liability on property used or intended for use in a business.

3. Under Section II, the residence premises is not considered business property because an Insured occupies a part of it as an incidental business.

4. **SECTION II - EXCLUSIONS,** item 1.b. of Coverage L and Coverage M is replaced with the following:

b. **bodily injury or property damage** arising out of business pursuits of an Insured or the rental or holding for rental of any part of any premises by an Insured. This exclusion does not apply:

- (1) to activities which are ordinarily incident to non-business pursuits or to business pursuits of an Insured which are necessary or incidental to the use of the residence premises as an incidental business;
- (2) with respect to Coverage L to the occasional or part-time business pursuits of an Insured who is under 19 years of age;
- (3) to the rental or holding for rental of a residence of yours:
  - (a) on an occasional basis for exclusive use as a residence;
  - (b) in part, unless intended for use as a residence by more than two roomers or boarders; or

(c) in part, as an incidental business or private garage;

(4) when the dwelling on the residence premises is a two family dwelling and you occupy one part and rent or hold for rental the other part; or

(5) to farm land (without buildings), rented or held for rental to others, but not to exceed a total of 500 acres, regardless of the number of locations.

5. This insurance does not apply to:

- a. **bodily injury** to an employee of an Insured arising out of the residence premises as an incidental business other than to a residence employee while engaged in the employee's employment by an Insured;
- b. **bodily injury** to a pupil arising out of corporal punishment administered by or at the direction of the Insured;
- c. liability arising out of any acts, errors or omissions of an Insured, or any other person for whose acts an Insured is liable, resulting from the preparation or approval of data; plans, designs, opinions, reports, programs, specifications, supervisory inspections or engineering services in the conduct of an Insured's incidental business involving data processing, computer consulting or computer programming; or
- d. any claim made or suit brought against any Insured by:
  - (1) any person who is in the care of any Insured because of child care services provided by or at the direction of:
    - (a) any Insured;
    - (b) any employee of any Insured; or
    - (c) any other person actually or apparently acting on behalf of any Insured; or
  - (2) any person who makes a claim because of bodily injury to any person who is in the care of any Insured because of child care services provided by or at the direction of:

(a) any Insured;

(b) any employee of any Insured; or

(c) any other person actually or apparently acting on behalf of any Insured.

Coverage M does not apply to any person indicated in (1) and (2) above.

This exclusion does not apply to the occasional child care services provided by any Insured, or to the part-time child care services provided by any Insured who is under 19 years of age.

**Option JF - Jewelry and Furs.** Jewelry, watches, fur garments and garments trimmed with fur, precious and semi-precious stones, gold other than goldware, silver other than silverware and platinum are insured for accidental direct physical loss or damage.

The limits for this option are shown in the Declarations. The first amount is the limit for any one article; the second amount is the aggregate limit for each loss.

The following additional provisions apply:

- 1. we do not insure for any loss to the property described in this option either consisting of, or directly and immediately caused by, one or more of the following:
  - a. mechanical breakdown, wear and tear, gradual deterioration;
  - b. insects or vermin;
  - c. inherent vice; or
  - d. seizure or destruction under quarantine or customs regulations;
- 2. our limit for loss by any Coverage B peril except theft is the limit shown in the Declarations for Coverage B, plus the aggregate limit;
- 3. our limits for loss by theft are those shown in the Declarations for this option; and
- 4. our limits for loss by any covered peril except those in Items 2. and 3. are those shown in the Declarations for this option.

Option OL - Building Ordinance or Law.

1. Coverage Provided.

The total limit of insurance provided by this Building Ordinance or Law provision will not exceed an amount equal to the Option OL percentage shown in the Declarations of the Coverage A limit shown in the Declarations at the time of the loss, as adjusted by the inflation coverage provisions of the policy. This is an additional amount of insurance and applies only to the dwelling.

2. Damaged Portions of Dwelling.

When the dwelling covered under COVERAGE A - DWELLING is damaged by a Loss Insured we will pay for the increased cost to repair or rebuild the physically damaged portion of the dwelling caused by the enforcement of a building, zoning or land use ordinance or law if the enforcement is directly caused by the same Loss Insured and the requirement is in effect at the time the Loss Insured occurs.

3. Undamaged Portions of Damaged Dwelling.

When the dwelling covered under COVERAGE A - DWELLING is damaged by a Loss Insured we will also pay for:

- a. the cost to demolish and clear the site of the undamaged portions of the dwelling caused by the enforcement of a building, zoning or land use ordinance or law if the enforcement is directly caused by the same Loss Insured and the requirement is in effect at the time the Loss Insured occurs; and
- b. loss to the undamaged portion of the dwelling caused by enforcement of any ordinance or law if:
  - (1) the enforcement is directly caused by the same Loss Insured;
  - (2) the enforcement requires the demolition of portions of the same dwelling not damaged by the same Loss Insured;
  - (3) the ordinance or law regulates the construction or repair of the dwelling, or establishes zoning or land use requirements at the described premises; and

(4) the ordinance or law is in force at the time of the occurrence of the same Loss Insured; or

- c. the legally required changes to the undamaged portion of the dwelling caused by the enforcement of a building, zoning or land use ordinance or law if the enforcement is directly caused by the same Loss Insured and the requirement is in effect at the time the Loss Insured occurs.

4. Building Ordinance or Law Coverage Limitations.

a. We will not pay for any increased cost of construction under this coverage:

(1) until the dwelling is actually repaired or replaced at the same or another premises in the same general vicinity; and

(2) unless the repairs or replacement are made as soon as reasonably possible after the loss, not to exceed two years.

b. We will not pay more for loss to the undamaged portion of the dwelling caused by the enforcement of any ordinance or law than:

(1) the depreciated value of the undamaged portion of the dwelling, if the dwelling is not repaired or replaced;

(2) the amount you actually spend to replace the undamaged portion of the dwelling if the dwelling is repaired or replaced.

c. We will not pay more under this coverage than the amount you actually spend:

(1) for the increased cost to repair or rebuild the dwelling at the same or another premises in the same general vicinity if relocation is required by ordinance or law; and

(2) to demolish and clear the site of the undamaged portions of the dwelling caused by enforcement of building, zoning or land use ordinance or law.

We will never pay for more than a dwelling of the same height, floor area and style on the same or similar premises as the dwelling, subject to the limit provided in paragraph 1. Coverage Provided of this option.

Option SG - Silverware and Goldware Theft. The COVERAGE B - PERSONAL PROPERTY, Special Limits of Liability, item h., for theft of silverware and goldware is

increased to be the amount shown in the Declarations for this option.

IN WITNESS WHEREOF, this Company has caused this policy to be signed by its President and Secretary at Bloomington, Illinois.

*Kim M. Brunner* Secretary

*Edward B. Rutledge* President

The Board of Directors, in accordance with Article VI(c) of this Company's Articles of Incorporation, may from time to time distribute equitably to the holders of the participating policies issued by said Company such sums out of its earnings as in its judgment are proper.



No. 126446

In the Supreme Court of Illinois

Jarret Sproull, individually and on  
behalf of all others similarly situated,

Plaintiff-Appellee

v.

State Farm Fire and Casualty Company,  
Defendant-Appellant

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