CHAPTER TWO

FUNDAMENTALS OF PROPERTY INSURANCE

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I. INTRODUCTION

Property insurance is simplistic in concept, but like most things, complex in detail. For our purposes, modern property insurance evolved from fire insurance, which covered the single peril of fire. Although some peculiarities exist insurer to insurer, the structure of property insurance forms and the types of property coverage are fairly uniform. All insurance forms used in Washington must be approved by the Washington Department of Insurance.

From the simple concept of insuring property from the single peril of fire, insureds now have protection of all tangible assets (and some intangible losses) from all causes, unless excluded. These policies were formally referred to as "all risk," but are now referred to as "open perils" or "risk of direct physical loss" policies.

The purpose of this chapter will be to orient the reader to the structure of a property insurance policy, to provide a methodology for approaching a property insurance coverage issue, and drawing the reader's attention to issues the author believes are most important for overall understanding of property insurance, or that have some unique role in Washington insurance law.

II. ANALYSIS OF THE PROPERTY INSURANCE POLICY

A. RULES OF INTERPRETATION

The Washington Supreme Court has ruled that insurance policies are interpreted as a matter of law. *McDonald v. State Farm Fire & Cas. Co.,* 119 Wn.2d 724, 837 P.2d 1000 (1992). An insurance policy must be interpreted as it would be understood by an average person, not a judge, lawyer or person with unique insurance skill or knowledge.

An insurance policy term or provision is ambiguous only when it is fairly susceptible to two different interpretations, both of which are reasonable. *Id.* If the policy term or provision is ambiguous, it is construed against the drafter. "Thus, if an insurance policy's exclusionary language is ambiguous, the legal effect of such ambiguity is to find the exclusionary language ineffective." *Id.* at 1005.

This method of policy interpretation is objective, rather than subjective. In other words, the language of the policy controls, and it is objectively construed by the court. Either of the parties may have had a subjective expectation different from the outcome, but that subjective intent is irrelevant.

B. PARTS OF THE INSURANCE POLICY

Almost all insurance policies consist of a Declarations Page that identifies the insured parties, the period the insurance covers, the type of insurance, the forms that apply, the coverages that apply, and the premium. *See,* R.C.W. § 48.18.140.

We will focus on the most common type of property insurance, covering all perils, subject only to specified exclusions. Buildings and personal property in which the insured has an insurable interest are covered against direct physical loss caused by a "Covered Cause of Loss." The Declarations page identifies the coverages purchased by the insured, the type of risks protected against, whether co-insurance applies and the limits. The three primary coverages are for Buildings, Business Personal Property and Business Interruption/Extra Expense.

Typically, it is easy to determine whether the insured has an insurable interest. Insurable interest is defined as "any lawful and substantial economic interest in the safety or preservation of the subject of the insurance free from loss, destruction or pecuniary damage." R.C.W. § 48.18.040.

It is important to recognize that property insurance protects only against direct physical loss to insured property. It does not protect against economic loss or other intangible loss, except as may be provided under certain coverages such as business interruption. In other words, there has to be direct physical damage to a covered building or covered personal property. If there is direct physical loss, the coverage analysis requires a determination of what peril caused the damage. If it is a covered peril, the amount of loss payable under the contract of insurance is then at issue. However, without direct physical loss to covered property, there is no coverage.

C. THE COVERAGE ANALYSIS MATRIX

The following matrix will help guide your property insurance analysis:

"During the policy period, has there been:

1. Direct physical loss
2. To covered property
3. By a covered peril
4. What exclusions may apply
5. If an exclusion applies, is there an ensuing or resulting loss
6. What limitations may apply
7. What is the amount payable?

D. CAUSATION ANALYSIS

As noted above, the usual form of property insurance is "open perils." In other words, the policy insures against "accidental direct physical loss," no matter how caused, unless

excluded. The insured must simply prove that there has been accidental direct physical loss to covered property. Thereafter, it is the insurer's burden to show that the loss falls within an exclusion. *McDonald*, at 1004.

When multiple perils join in causing a loss, the cause of loss is determined by the efficient proximate cause rule:

> "The efficient proximate cause rule states that where a peril specifically insured against sets other causes into motion which, in an unbroken sequence, produced the result for which recovery is sought, the loss is covered, even though other events within the chain of causation are excluded from coverage."

Id., at 1004. *Graham v. Public Employees Mutual Ins. Co.*, 98 Wn.2d 533, 538 , 656 P.2d 1077 (1983).

> "Stated in another fashion, where an insured risk itself sets into operation a chain of causation in which the last step may have been an excepted risk, the excepted risk will not defeat recovery."

Villella v. Public Employees Mutual Ins. Co., 106 Wn.2d 806, 815, 725 P.2d 957 (1986).

The efficient proximate cause of a loss is the efficient or "predominant cause which sets into motion the chain of events producing the loss" . . . . *Kish v. Ins. Co. of North America*, 125 Wn.2d 164, 170, 883 P.2d 308 (1994). *Graham*, at 538. Insurers may not "contract out" of the application of the efficient proximate cause rule by writing a causation test into the policy. *Safeco Ins. Co. of America v. Hirschmann*, 112 Wn.2d 621, 773 P.2d 413 (1989). However, the efficient proximate cause rule applies only when more than one peril combines or acts in sequence to cause a loss. If there is only one peril causing the loss, then there is no need for efficient proximate cause analysis.

> "When, however, the evidence shows the loss was in fact occasioned by only a single cause, albeit one susceptible to various characterizations, the efficient proximate cause analysis has no application. An insured may not avoid a contractual exclusion merely be affixing an additional label or separate characterization to the act or event causing the loss."

Chadwick v. Fire Ins. Exchange, 17 Cal.App. 4th 1112, 1117, 21 Cal.Rpt.2d 871 (1993), cited by the Washington Supreme Court.

In *Kish*, multiple residences were damaged when flood waters over-topped protective dikes surrounding the Stanwood, Washington sewage lagoon. The flood water inundated the lagoon, the dikes failed, and the lagoon waters were released, flooding the plaintiffs' homes. The high levels of water in the river basin were the result of heavy, continuous rainfall in the

river basin area and snow melt and rain in the mountains. Flood was excluded in all of the policies, but the insureds argued that the efficient proximate cause of the loss was rain, a covered peril.

As defined by the court, the pivotal question was: are rain and flood two separate perils? The court applied its rules of policy interpretation and determined that the plain, ordinary and popular meaning of the word "flood" encompasses a rain-induced flood. The court recognized that rain is a common part of a flood. The court found that rain was simply another characterization of flood damage. Consequently, the cause of the loss was the single peril of flood.

Most insurance policies contain a Washington endorsement altering the lead-in language to the exclusions to conform to Washington law. Typically, the endorsements read as follows:

> "A. In each of the following Forms:
>
> * * * *
>
> In the sections titled Covered Causes of Loss or Exclusions, any introductory paragraph preceding an exclusion or list of exclusions is replaced by the following paragraph, which pertains to application of those exclusions:
>
> We will not pay for loss or damage caused by any of the excluded events described below. Loss or damage will be considered to have been caused by an excluded event if the occurrence of that event:
>
> a. Directly and solely results in loss or damage; or
>
> b. Initiates a sequence of events that results in loss or damage, regardless of the nature or any intermediate or final event in that sequence."

E. EXCLUSIONS

Assuming accidental direct physical loss to covered property within the effective dates of the policy, the main coverage issue is whether the loss was caused by an excluded peril. If the cause of loss falls within one of the exclusions, whether the sole cause or the efficient proximate cause, the loss will be excluded (subject to ensuing loss analysis, discussed below). If the efficient proximate cause of loss is not excluded, the loss will be covered.

Most modern policies divide the exclusions into three parts. We will address the most common and important of the exclusions in each part.

The Part 1 exclusions typically apply to events that can trigger widespread liability for the insurer. These causes include the exclusions for earth movement, flood, nuclear hazard, war and military action, and governmental action involving a seizure or destruction of property by order of governmental authority. These exclusions are all fairly self-explanatory and logical. The exclusions often contain defined terms, so they must be studied closely.

However, two additional exclusions, often the subject of disagreement, fall in the Part 1 exclusions. The first is the exclusion for any increased costs necessary to comply with the enforcement of an ordinance or law regulating the construction or repair of damaged property. The second is an exclusion that has developed in the last several years for any loss caused by "fungus" or bacteria.

Regarding these last two exclusions, most commercial insurance policies contain an additional coverage for the "Increased Cost of Construction" caused by the enforcement of building codes. Also, there is often a separate additional coverage for the presence or growth of "fungus." The fungus additional coverage is normally restricted to $10,000 or so.

The Part 2 exclusions contain the traditional exclusions sometimes generally called the "maintenance exclusions." These include exclusions for consequential damage (such as delay, loss of use or loss of market), wear and tear, rust or corrosion, decay and deterioration, settling and cracking, and mechanical breakdown.

The general principle is that the effects of wear, tear, and time on covered property is not a covered event. It is not the purpose of insurance to maintain property, but to guard against fortuitous, unexpected events. Normal wear and tear is not fortuitous.[1]

Further, mechanical breakdown is excluded, as it is a separate type of insurance coverage, now broadly called Equipment Breakdown coverage. Equipment Breakdown coverage has developed out of what was known as Boiler and Machinery coverage.

For a comprehensive discussion of the Part 2 exclusions (and other exclusions) see **Cozen, Insuring Real Property**, Vol. I, Chapter 2.

The Part 3 exclusions contain, most importantly, the faulty workmanship exclusion. This exclusion arises in the context of defective construction of all types. Because of the importance and wide application of the faulty workmanship exclusion, I have set forth typical exclusion language below.

"We will not pay for loss or damage caused by faulty, inadequate or defective:

1. Planning, zoning, development, surveying, siting;

[1] The Washington Supreme Court calls the fortuity principle the "known risk" principle. It was extended to first party property insurance in *Hill Haven Properties, Ltd. V. Sellen Construction Co.,* 133 Wash.2d 751, 948 P2d 796 (1997).

2. Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

3. Materials used in repair, construction, renovation or remodeling; or

4. Maintenance of part or all of any property on or off the described premises."

This is an encompassing exclusion that developed in response to "concurrent causation" law that existed for a limited period of time in California. Concurrent causation analysis provided coverage for otherwise excluded events, because the negligence of a third party contributed with another peril to cause, for example, earth movement, or mold or other normally excluded events. Because negligence was not an excluded peril, the courts found coverage until the California Supreme Court addressed the causation issue in *Garvey v. State Farm Fire & Cas. Co.*, 48 Cal.3d 395, 257 Cal.Rpt. 292, 770 P.2d 704 (1989).

The faulty workmanship exclusion has an ensuing or resulting loss provision, that must be considered. In fact, almost all of the exclusions have an ensuing or resulting loss clause. It is important to examine the policy carefully to determine if there is an ensuing or resulting loss clause and exactly how it is expressed.

F. ENSUING/RESULTING LOSS

The current typical language for an ensuing or resulting loss clause[2] is as follows:

> "But if an excluded cause of loss results in a Covered Cause of Loss, we will pay for the loss or damage caused by that Covered Cause of Loss."

Earlier ensuing loss clauses provided generally as follows:

> "However, we do insure for any ensuing loss from [faulty workmanship] unless the ensuing loss is itself a Loss Not Insured by this Section."

The Washington Supreme Court first addressed the ensuing loss issue in *McDonald v. State Farm Fire & Cas. Co., supra.* The McDonalds owned a home built in 1984 on a hillside. After heavy rains in January 1986, fill on the side of the house nearest the slope slid away, causing the foundation to crack and tilt in the direction of the slide. The policy excluded foundation cracking, earth movement and faulty workmanship and materials. The insureds reported the loss and State Farm investigated. State Farm denied coverage based on the policy exclusion for earth movement. The McDonalds funded the repair themselves. Approximately one year later, in March 1987, those repairs failed and the hillside slide away a second time, again causing damage to the foundation. State Farm investigated again and denied coverage.

[2] Courts do not seem to distinguish between the words resulting and ensuing.

The McDonalds sued. Their soils engineer determined that the cause of the second slide (as well as the first) was the faulty design and construction of the fill near the foundation. State Farm agreed with the insureds' expert that the efficient proximate cause of the damage to the McDonalds' home was the poor construction of the filled area. On summary judgment, the trial court found that the policy excluded coverage for faulty construction. As to the ensuing losses, the trial court found that earth movement and foundation cracking were ensuing losses from the faulty construction, but that they were excluded as well.

The Court of Appeals reversed, and the Washington Supreme Court accepted review. The Court accepted the parties' agreement that the efficient proximate cause of the loss was the faulty construction of the filled hillside. To avoid the faulty workmanship exclusion, the McDonalds argued that the policy language excluded only loss consisting of faulty construction and workmanship, not the loss caused by faulty construction. They argued that loss caused by faulty construction was a covered, ensuing loss. If that construction prevailed, the insurance company would not be liable to repair the fill on the hillside, which "consisted" of the faulty workmanship, but would be liable for all the ensuing damage caused to the house. [Note: land is not covered in any case.]

The Supreme Court rejected the insureds' argument. The Court noted that the ensuing loss clause appears in the Exclusions section of the policy. The court reasoned that the ensuing loss clause therefore was not an affirmative grant of coverage. The court said:

> "The ensuing loss clause may be confusing, but is not ambiguous. Reasonably interpreted, the ensuing loss clause says that if one of the specified uncovered events takes place, any ensuing loss which is otherwise covered by the policy will remain covered. The uncovered event itself, however, is never covered." *Id.*, at 1005.

The Washington Supreme Court then went on to adopt the trial court's analysis that the foundation cracking and earth movement were ensuing losses. It looked to the policy and determined that both of these losses were excluded by the policy.

The modern ensuing loss language makes clear that there must be a second, non-excluded peril that results from the efficient proximate cause of the loss, and causes a separate scope of loss. The classic example is a loss by an excluded peril, such as electrical disturbance. If the electrical disturbance causes a fire, the fire is a separate, ensuing peril that causes a separate covered scope of damage. Although the damage from electrical disturbance will not be covered, the loss caused by the fire is covered.

The correct analysis is to first determine the scope of damage that is caused by the excluded peril. Then, determine whether there was an ensuing or resulting peril that caused a separate scope of damage. Finally, is the ensuing loss caused by a peril that is covered or excluded? If not excluded, there is coverage for the ensuing loss.

Because of the Supreme Court's articulation of ensuing loss, it is my opinion that the Courts of Appeals have struggled with ensuing loss issues. Most of the cases have addressed ensuing loss in the context of faulty construction. The most comprehensive case since *McDonald* is probably *Wright v. Safeco Ins. Co. of America,* 124 Wn.App 263, 109 P.3d 1 (2004). Ms. Wright owned a luxury condominium. She built out her condominium in 1994 through 1996. During construction, some leaks in the exterior walls, built in 1990 to 1991, were discovered. A mitigation program regarding mold and mildew was undertaken, and there was repair, to the exterior wall.

When Ms. Wright moved in, she noticed leaks in the exterior walls and at some windows. Repairs were made again. In the latter part of 1996, Ms. Wright had an indoor fountain installed. The fountain leaked and caused marble flooring tiles surrounding it to degrade and discolor.

In May of 1999, the fountain overflowed, flooding the living room, part of the dining room and the master bedroom. Ms. Wright said a cat toy plugged one of the fountain drains. After the rugs and furniture were removed, extensive crumbling and deterioration of the marble floor was discovered under the fountain. Ms. Wright hired an engineering firm that did several months of testing. The engineers issued a final report in November 2001, concluding that water and mold damage to the condominium unit was caused by construction defects. Ms. Wright submitted claims for damage caused by the fountain leaks and the fountain flooding, for water and mold damage in the laundry room walls, and finally, water and mold damage in the exterior walls.

Safeco provided coverage for losses from the fountain flood, including drywall, marble tiles, flooring and personal property. Safeco denied coverage for fountain leakage, for water and mold damage in the laundry area caused by defective construction, and for water and mold damage in exterior walls caused by defective construction, all under the construction defect exclusion. Safeco relied on the causation report by Ms. Wright's engineers.

The ensuing loss clause at issue provided as follows: "However, any ensuing loss not excluded or excepted in this policy is covered." Ms. Wright argued that there was coverage for mold in walls and under the fountain because the efficient proximate cause of the mold was covered water damage. Ms. Wright's argument was that water leaks that resulted from construction defects in the walls and at the fountain were ensuing losses, and that any damage caused by the water was covered, as the efficient proximate cause of that damage was covered water.. The court said:

> "Under the ensuing loss exception to the defective construction exclusion, if defective construction causes water damage that in turn causes mold, the mold damage is covered if it is not specifically excluded by some other provision in the policy."

The court noted that the policy specifically excluded mold, so ruled there was no coverage. The court ruled that the efficient proximate cause of the loss does not change for ensuing loss

analysis. The efficient proximate cause of the mold was not the water, but the construction defects. The court looked at the ensuing losses to see if they fell within exclusions or not. Water damage did not, but mold fell within an exclusion. See also, *Sprague v. Safeco Ins. Co. of Am.*, Court of Appeals, div. 1 (filed 11/1/10) (finding collapse to be an "ensuing loss" from water allowed by defective construction, distinguishing *Wright*).

Ensuing/resulting loss analysis is a confusing area of law in Washington. Washington seems to view the types of damage that result from the efficient proximate cause of a loss as ensuing losses. This may be because the ensuing loss clauses the appellate courts have interpreted have not been as clear that a new peril must be caused by the excluded efficient proximate cause of loss to have an ensuing loss. Most of the time, damage the Washington courts have described as ensuing loss is simply damage caused by the faulty workmanship, not caused by a new peril. Nonetheless, this is an area that demands analysis and could be a source of coverage in some instances.

III. COLLAPSE

Collapse is a coverage with some limited "legs" for broader coverage than insurers intended. Most insurers have now defined "collapse" to require an abrupt falling down. This severely limits the current collapse coverage.

However, the older policy forms, generally those before 2003, that did not define collapse are still at issue. The language of the old form policies provided as follows:

> "We will pay for loss or damage caused by or resulting from risks of direct physical loss involving collapse of a building or any part of a building caused only by one or more of the following:
>
> * * * *
>
> b. Hidden decay of the Covered Property."

Courts uniformly have construed the language to apply to conditions apart from an actual falling down.

The Washington Supreme Court has never directly ruled on the scope of "collapse" coverage under a property insurance policy.[3] Other courts addressing "collapse" provisions under Washington law have found "collapse" coverage applies to "substantial impairment of structural integrity" when "collapse" is an undefined policy term. *See, e.g., Allstate Ins. Co.*

[3] *See, Seaman v. Farmers Ins. Exch.*, No. 58956-3-I, 2007 WL 258036, *5 (Wn. App. 2007) (unpublished opinion) (noting the Washington Supreme Court has never ruled on the issue, but that under existing law "substantial structural impairment" or "imminent peril of collapse" could serve as an appropriate definition. The court also noted, however, that the "growing majority" rule is that "collapse," unless otherwise defined, means "substantial impairment of structural integrity.")

v. Forest Lynn Homeowners Assoc., 892 F. Supp, 1310, 1314 (W.D. Wash. 1995) (unpublished opinion), opinion withdrawn at 914 F. Supp. 408; *Dally Properties, LLC v. Truck Ins. Exch.*, No. C05-0254L, 2006 WL 1041985 (W.D. Wash. 2006) (unpublished opinion).

In *Mercer Place*, for example, the Washington Court of Appeals addressed an undefined "collapse" coverage provision in a case where the parties ***agreed*** "collapse" should mean "substantial impairment of structural integrity." *Mercer Place Condo. Assoc. v. State Farm Fire & Cas. Co.*, 104 Wn. App. 597, 599, 17 P.3d 626 (2001). The court noted a "growing majority" of jurisdictions applied the same standard and that at least one federal court predicted the Washington Supreme Court would adopt the same standard. *Id*. at fn. 1 (citing *Forest Lynn Homeowners Assoc.*, 892 F. Supp at 1310). Thus, the court accepted the "substantial structural impairment" definition applied by the parties, without clearly identifying the parameters of such impairment. *See* also, *Sprague v. Safeco Ins. Co. of Am.*.

Later, in *Ellis Court Apartments*, the Washington Court of Appeals seemed to implicitly adopted the "substantial structural impairment" test in a case analyzing when "collapse" damages "commence" for coverage purposes. *Ellis Ct. Apts. L.P. v. State Farm Fire & Cas. Co.*, 117 Wn. App. 807, 809-11, 72 P.3d 1086 (2003).

The older policy forms are still in play because of appellate decisions concerning the timing of a "collapse." In *Ellis Court Apartments,* the court concluded "collapse" commences the moment the "hidden decay" reaches a state of "substantial structural impairment," not when the "collapse" is discovered. *Ellis Ct. Apts.*, 117 Wn. App. at 814-15. Consequently, insureds now try to back-date "collapse" into policy periods long expired.

However, relying on *Mercer Place*, the *Ellis Ct. Apts.* court further held that an insurer is not obligated to cover repairs to damaged portions of a building that have not yet reached a state of "collapse" (i.e., "substantial structural impairment"), even if "collapse" exists in other areas. *Ellis Ct. Apts.*, 117 Wn. App. at 815 (citing *Mercer Place*, 104 Wn. App. at 603.) Thus, the "precursors" to "collapse" do not trigger coverage until the damage crosses the threshold to "substantial structural impairment" or some other definition of "collapse."

The Washington Supreme Court has also made a contractual period of limitations defense virtually impossible for carriers with the older collapse language. In *Panorama Village Condo Ass'n Board of Dirs. v. Allstate Ins. Co.*, 144 Wn.2d 130, 26 P3d 910 (2001), the court construed a suit of limitation argument when faced with the peril of "hidden decay." The insurer argued that the insured had known or reasonably should have known that there was decay because of ongoing water intrusion issues at the apartment complex. Because of those issues, an investigator finally removed siding to inspect structural supports. He determined that there was significant decay, as expected.

The Washington Supreme Court determined that the term "hidden" meant "out of sight" or "concealed," rather than "known". Consequently, the decay is "hidden," and the suit

limitation period does not begin to run until the hidden decay is physically revealed. This decision was followed most recently in the *Ellis Court Apartments* decision, cited above.

IV. VALUATION ISSUES

A. ACTUAL CASH VALUE AND REPLACEMENT COST

Almost all policies are written on a replacement cost basis. In other words, the measure of loss is the cost new, without deduction for depreciation or obsolescence. Property policies provide that replacement cost will not be paid until and unless the insured actually replaces the damaged or destroyed property. Otherwise, a moral hazard would result. The Washington Supreme Court enforced this replacement requirement provision in *Hess v. North Pacific Ins. Co.*, 122 Wn.2d 180, 859 P.2d 586 (1993).

Until replacement is completed, the insured is entitled to the actual cash value of the property, which is its market or depreciated value. Until recently, it was generally believed that actual cash value had to be measured as "fair market value," i.e., the difference between the value of the property before and after a loss. *National Fire Ins. Co. v. Solomon*, 96 Wn.2d 763, 638 P.2d 1259 (1982).

However, the Washington Supreme Court seems to have implicitly adopted the "broad evidence rule" for calculation of actual cash value in its recent decision of *Holden v. Farmers Insurance Company of Washington*, __Wn.2d__, 239 P.3d 344 (2010).

Holden concerned the interpretation of the policy's actual cash value language, and whether sales tax had to be included in the calculation of the actual cash value amount of loss. The Court ruled that the policy language was ambiguous, and consequently, the actual cash value amount of loss, when measured by a replacement cost less depreciation formula, had to include sales tax in the replacement cost for the property. The replacement cost including sales tax is then depreciated. *Holden* involved a claim for personal property only, not building damage.

In reaching this decision, the Court held that its decisions in *Solomon* and *Hess* involved only interpretation of the replacement cost provisions in those policies. Any discussion of actual cash value was merely *dicta*. Although it did not expressly adopt the "broad evidence rule," which allows the calculation of actual cash value using any relevant measure to reflect indemnity, whether market value or replacement less depreciation or some other measure, the Court acknowledged that these various methods were all used to determine the actual cash value amount of loss. My analysis is that this is an implicit adoption of the "broad evidence rule," or something very similar. Nonetheless, sales tax should be considered in any actual cash value calculation.

B. INCREASED COST OF CONSTRUCTION COVERAGE

Finally, most property policies have an additional coverage for the "Increased Cost of Construction." The intent is to provide coverage, subject to limitations, for the increased costs compelled by the enforcement of new building codes following a loss. Again, the insured actually has to incur the expense to recover it, but the language of each policy must be examined carefully, as it can make a difference.

Replacement cost is normally measured by the cost to replace a building as it was. The increased cost of construction is most often a separate calculation, as codes prevent repair or replacement of the building as it was, and there can be significant variances between replacing "as was" and replacing with modern construction. The greatest chances for disagreement between the insured and the insurer involve the scenario of a total loss and construction at another site.

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