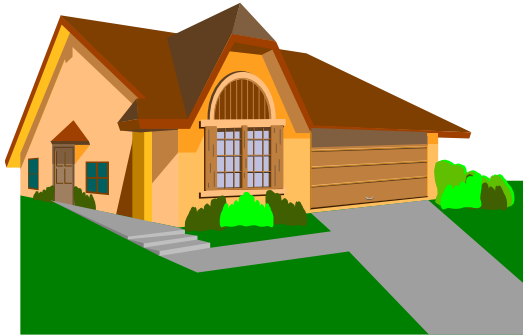
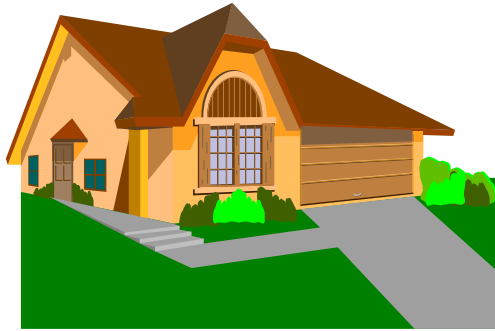


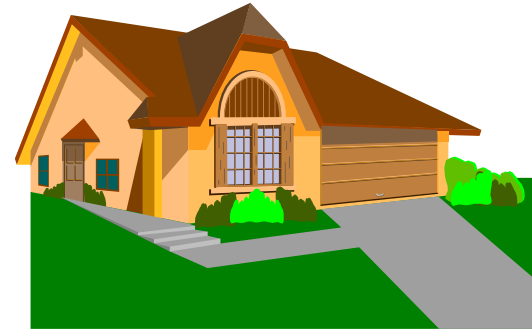
## GUARANTEED REPLACEMENT COST



Tom “policy” Limit



Bill “replacement” Cost



Mary “Guaranteed” Cost

All homes in Happytimes Development were built in 1996 for \$100,000 each. On May 15, 2004 a storm severely damaged all 3 homes. Each had to be rebuilt. Thousands of homes were damaged. Builders and supplies are in high demand.

To rebuild each home on May 20, 2004 will cost \$135,000 each

Tom receives his policy limit of \$100,000 from his insurance company.

Bill receives 120% of his policy limit which equals \$120,000.

Mary receives whatever it cost to rebuild her home exactly as it was, which in this scenario is \$135,000.