RCT® BULLETIN

RCT® PRODUCT UPDATE BULLETIN
3rd Quarter 2011

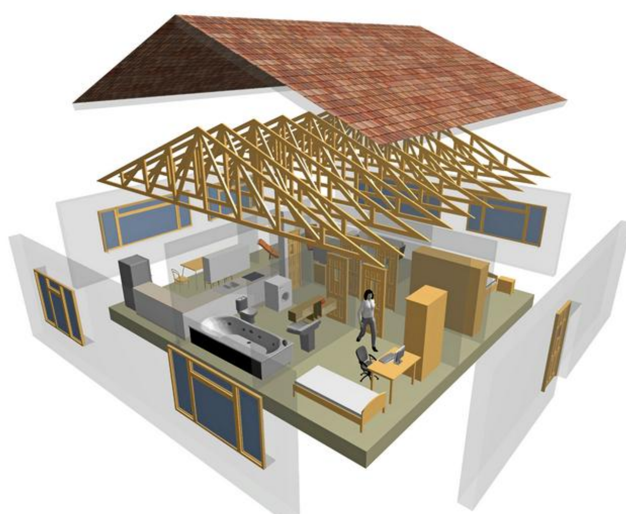
MSB is pleased to provide you with an overview of the updates and enhancements in the 3rd Quarter 2011 release of RCT®. This overview will provide you with an understanding of this quarter's changes in residential building costs as well as any enhancements to the RCT® software.

To ensure that our clients receive the most current building material and labor costs, MSB continually researches labor, material, and equipment costs (hard costs) plus mark-ups, taxes, and fringes (soft costs) for reconstruction work performed for the insurance industry in the United States and Canada. Research professionals monitor data from nearly 3,000 unique economies in the United States and over 100 in Canada.

The process includes monitoring demographics and econometric statistics, government indicators, localization requirements, markets trends as well as:

- Wage rates for more than 85 union and non-union trades
- Over 100,000 line items of construction data
- Productivity rates and crew sizes
- Local cost concerns such as building code requirements and other localized variables

In addition, we validate cost data by analyzing field inspections records, contractor estimates, phone surveys, and partial and full loss claim information.



NOTE: The cost information in this bulletin is only intended to give you a *general sense* of reconstruction cost trends in North America. We do not advocate using these factors for adjusting renewal values for specific locations or across your book of business. The building material and labor cost trends presented in this bulletin are broad averages derived from our research of construction trades and building materials used in a typical, 2,400 square foot, single family, 2-story home and does not translate into the property specific localized, detailed results calculated by RCT.

For more information or explanation, please contact your sales consultant or account manager.

MSB® Marshall & Swift/Boeckh

U.S.

QUARTERLY MATERIAL COST CHANGES

ROMEX® WIRE
↑ 5.9%

PLYWOOD
↓ 3.0%

LUMBER
↑ 1.7%

COPPER PIPE
↑ 6.8%

READY MIX
↓ 0.4%

FELT
↑ 0.3%

SHINGLES
↑ 1.4%

INSULATION
↑ 3.0%

DRYWALL
↓ 0.2%

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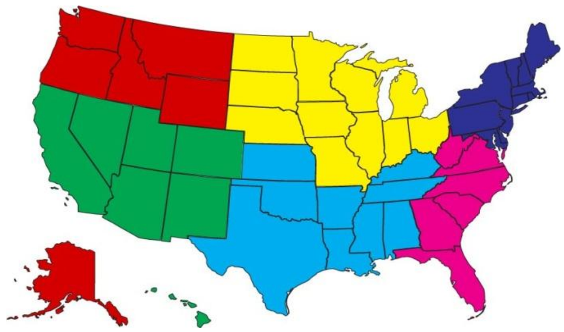

U.S. Regional Quarterly Cost Changes:
3rd Quarter 2011 compared to 2nd Quarter 2011

Northwest	0.63%
Southwest	0.50%
Northeast	0.64%
Southeast	0.57%
North Central	0.76%
South Central	0.52%

National Average: 0.62%

U.S. Regional Weighted RCT® Cost Changes

The second quarter of 2011 saw a continuation of price increases from the first quarter in copper wire and pipe. However, these increases have been slowing down the last couple of months, indicating that prices may be more stable during the third quarter.

Lumber prices are beginning to rise and preliminary indicators, such as rising prices from the mills, suggest this trend will continue through the summer. Demand for logs from the Asian market has also continued to rise. This trend, combined with a very wet spring through most of Canada, has kept log supplies at the mills low.

Roofing shingle prices are on alert, as manufacturers are issuing increase letters. Local market conditions in this industry will play a large part as to when these increases will be seen, as well as how large or small these increases will be.

The average change for U.S. building materials was 2.8% for the quarter. For labor, the average wage rate increased 0.5% based on construction trade contracts that expired and were renewed during the quarter. A snapshot of some of the most common elements MSB monitors is listed below.

US	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11
Romex® Wire	0.4	11.5	3.5	10.9	3.8	4.5	6.2	5.9
1/2" Plywood	-2.6	3.5	2.1	15.9	4.9	-3.0	-2.9	-3.0
2x4 Lumber	0.7	1.5	2.7	11.9	0.8	-3.6	1.0	1.7
1/2" Copper Pipe	-2.1	5.3	3.1	6.1	3.3	3.8	4.1	6.8
Ready Mix	-1.1	0.9	0.5	-2.0	-1.0	0.8	1.1	-0.4
Asphalt Felt 15#	-4.2	-3.7	-1.8	-3.2	-1.6	-1.6	-0.6	0.3
Asphalt Shingles 25 yr, 3 tab	2.5	-2.4	-0.4	0.5	0.6	-1.1	0.1	1.4
R-13 Fiber Batt Insulation	-4.3	-1.0	1.0	-3.7	3.8	2.4	4.5	3.0
1/2" Drywall	-3.4	-2.4	-0.9	1.2	2.6	1.3	0.5	-0.2

*Aggregate Material Index of the nine most commonly used building materials – Residential
** This table represents the percent change from one quarter to the next period.

TECHNICAL SUPPORT: 1-888-370-8324 7 a.m. to 7 p.m. CT ◆ MSBHelpdesk@msbinfo.com

Marshall & Swift/Boeckh

CANADA

QUARTERLY MATERIAL COST CHANGES

COPPER WIRE

5.3%

PLYWOOD

3.7%

LUMBER

1.4%

COPPER PIPE

2.4%

READY MIX

1.6%

FELT

0.0%

SHINGLES

0.5%

INSULATION

1.1%

DRYWALL

0.5%

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Canada Regional Quarterly Cost Changes
3t Quarter 2011 compared to 2nd Quarter 2011

North	0.49%
West	0.67%
Central	0.81%
Atlantic	0.99%
National Average:	0.80%

Canada Regional RCT® Cost Changes

The second quarter of 2011 again saw price increases in copper wire and pipe, although they have been slowing down the last couple of months. If this trend continues, third quarter prices should be more stable, if not slightly lower, than prices in the first half of the year.

The lumber and plywood markets continued the decline that began at the end of last summer with -1.4% and -3.7% dips, respectively. The lumber market appears to be the first to turn and head back up, as preliminary indicators from the mills are showing some price increases. The plywood market, however, may take a bit longer to rebound.

Roofing shingles warrant special mention this quarter, as manufacturers are issuing increase letters. Most of these increases had not yet taken effect in the second quarter, but are expected to gain momentum in the third quarter.

The average change for Canadian building materials was 0.5% for the quarter. For labor, the average wage rate increased 1.0% for the quarter based on the construction trade contracts that expired and were renewed during the quarter. A snapshot of the most common elements MSB monitors is listed below.

CANADA	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11
Copper Wire	-5.7	-1.0	1.6	4.6	0.2	2.4	4.3	5.3
1/2" Plywood	4.0	4.3	0.5	1.8	0.7	-3.0	-3.0	-3.7
2x4 Lumber	1.3	1.7	1.7	4.8	2.0	-2.9	-1.5	-1.4
1/2" Copper Pipe	-5.0	0.1	4.6	6.4	2.5	1.3	2.8	2.4
Ready Mix	0.0	0.8	2.1	-1.8	-0.7	2.8	2.5	-1.6
Asphalt Felt 15#	5.2	0.6	0.1	-0.3	-2.2	-1.0	-0.3	0.0
Asphalt Shingles 25yr, 3-tab	-1.8	0.1	-0.1	-0.8	-0.9	-0.8	0.7	0.5
R-13 Fiber Batt Insulation	-1.5	-0.6	-0.5	0.9	0.8	-2.0	-0.8	1.1
1/2" Drywall	-1.9	-0.7	0.4	2.1	0.1	-1.5	0.1	-0.5

*Aggregate Material Index of the nine most commonly used building materials – Residential
**This table represents the percent change from one quarter to the next period.

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U.S. ANNUAL MATERIAL COST CHANGES		CANADA ANNUAL MATERIAL COST CHANGES	
ROMEX® WIRE	21.9%	COPPER WIRE	12.8%
PLYWOOD	4.2%	PLYWOOD	8.7%
LUMBER	0.1%	LUMBER	3.9%
COPPER PIPE	19.3%	COPPER PIPE	9.3%
READY MIX	0.5%	READY MIX	3.0%
FELT	3.5%	FELT	3.4%
SHINGLES	1.0%	SHINGLES	0.6%
INSULATION	14.5%	INSULATION	0.9%
DRYWALL	4.1%	DRYWALL	1.8%

RCT® Software Updates for this Quarter

NOTE: **MSB recommends a full program install whenever possible to ensure that you have the latest data and program enhancements.**

Cost Data Changes

Main Street, Mobile Manufactured Housing and High Value

The third quarter 2011 cost data update reflects reconstruction cost changes in both labor and material. Standardized costs in this release reflect localized, updated costs, which represent the impact of emerging markets on construction cost trends as required by economic trends.

Localized costs for six Central California zip codes have been added. The cost impact of these updates range from 0% to -5%.

95304 - Tracy, CA
95376 - Tracy, CA
95377 - Tracy, CA
95378 - Tracy, CA
95385 - Tracy, CA
95391 - Tracy, CA

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