RCT PRODUCT UPDATE BULLETIN
2nd Quarter 2012

RCT BULLETIN

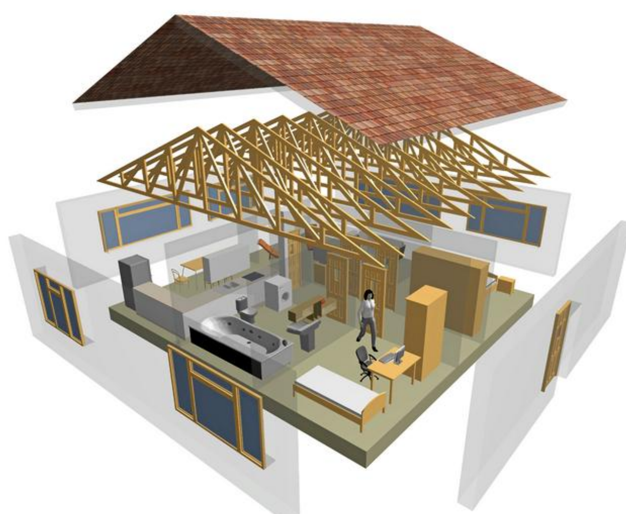
MSB is pleased to provide you with an overview of the updates and enhancements in the 2nd Quarter 2012 release of RCT. This overview will provide you with an understanding of this quarter's changes in residential building costs as well as any enhancements to the Residential Component Technology® software.

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.

Marshall & Swift/Boeckh

U.S.

QUARTERLY MATERIAL COST CHANGES

COPPER WIRE

1.2%

PLYWOOD

3.7%

LUMBER

0.9%

COPPER PIPE

0.4%

READY MIX

1.3%

FELT

1.4%

SHINGLES

0.8%

INSULATION

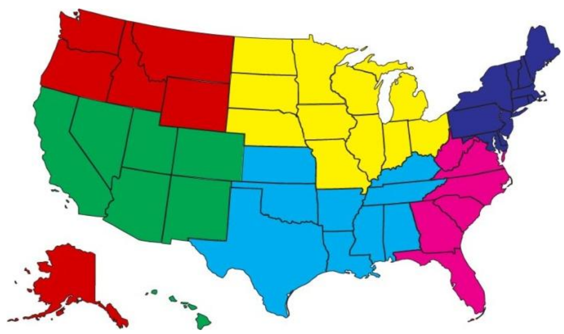
0.6%

DRYWALL

5.9%

RCT PRODUCT UPDATE BULLETIN

2nd Quarter 2012



U.S. Regional Quarterly Cost Changes 2nd Quarter 2012 compared to 1st Quarter 2012

Northwest	0.56%
Southwest	0.12%
Northeast	0.77%
Southeast	0.72%
North Central	0.60%
South Central	0.70%

National Average: 0.57%

U.S. Regional RCT Cost Changes

The first quarter of 2012 saw a 5.9% increase in drywall prices. These increases have been driven by manufacturer price increases in the first part of 2012 and are expected to continue into the next quarter.

Plywood prices were also on the rise, increasing 3.7% in the first quarter of 2012. Prices are now 0.2% higher than this time a year ago. These prices are expected to continue their rise in the next quarter, due to high log prices and increased demand from overseas.

The average change for U.S. building materials was 0.6% for the quarter. For labor, the average wage rate increased 0.6%, 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	1Q12	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10
Copper Wire	-1.2	-1.1	1.7	5.9	6.2	4.5	3.8	10.9
1/2" Plywood	3.7	1.7	-2.1	-3.0	-2.9	-3.0	4.9	15.9
2x4 Lumber	-0.9	0.0	1.1	1.7	1.0	-3.6	0.8	11.9
1/2" Copper Pipe	0.4	0.3	3.0	6.8	4.1	3.8	3.3	6.1
Ready Mix	1.3	1.6	-0.1	-0.4	1.1	0.8	-1.0	-2.0
Asphalt Felt 15#	-1.4	0.1	2.0	0.3	-0.6	-1.6	-1.6	-3.2
Asphalt Shingles 25yr, 3-tab	0.8	3.2	7.9	1.4	0.1	-1.1	0.6	0.5
R-13 Fiber Batt Insulation	0.6	1.3	1.9	3.0	4.5	2.4	3.8	-3.7
1/2" Drywall	5.9	0.5	0.5	-0.2	0.5	1.3	2.6	1.2

*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.

CANADA

QUARTERLY MATERIAL COST CHANGES

COPPER WIRE

0.5%

PLYWOOD

1.5%

LUMBER

0.6%

COPPER PIPE

0.8%

READY MIX

2.7%

FELT

0.8%

SHINGLES

1.2%

INSULATION

0.1%

DRYWALL

0.7%

RCT PRODUCT UPDATE BULLETIN

2nd Quarter 2012

Canada Regional Quarterly Cost Changes
2nd Quarter 2012 compared to 1st Quarter 2012

North	0.43%
West	0.58%
Central	0.81%
Atlantic	0.68%
National Average:	0.71%

Canada Regional RCT Cost Changes

The first quarter of 2012 saw copper prices decrease, with copper wire and copper pipe down -0.5% and -0.8%, respectively. This marks the first time since late 2009 that copper prices have decreased for consecutive quarters.

Lumber prices continued to rise in the first quarter, with a 1.5% increase for plywood and a 0.6% increase for dimensional lumber. These prices are expected to continue to climb during the next quarter, as preliminary numbers from the U.S. and Asia report a projected increase in demand over 2011.

Ready mix prices rose again during the first quarter of 2012. Some relief is expected in the second quarter as hot water charges drop off and spring weather takes over once again. Currently, ready mix prices are 3.0% higher than they were at this same time in 2011.

The average change for Canadian building materials was 0.3% for the quarter. For labor, the average wage rate increased 1.4% 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	1Q12	4Q11	3Q11	2Q11	1Q11	4Q10	3Q10	2Q10
Copper Wire	-0.5	-1.5	0.7	5.3	4.3	2.4	0.2	4.6
1/2" Plywood	1.5	1.5	-2.6	-3.7	-3.0	-3.0	0.7	1.8
2x4 Lumber	0.6	1.3	-1.1	-1.4	-1.5	-2.9	2.0	4.8
1/2" Copper Pipe	-0.8	-1.0	-0.4	2.4	2.8	1.3	2.5	6.4
Ready Mix	2.7	3.3	-1.3	-1.6	2.5	2.8	-0.7	-1.8
Asphalt Felt 15#	-0.8	0.0	1.0	0.0	-0.3	-1.0	-2.2	-0.3
Asphalt Shingles 25yr, 3-tab	-1.2	0.3	2.2	0.5	0.7	-0.8	-0.9	-0.8
R-13 Fiber Batt Insulation	0.1	0.3	0.7	1.1	-0.8	-2.0	0.8	0.9
1/2" Drywall	-0.7	-0.9	-0.8	-0.5	0.1	-1.5	0.1	2.1

*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

MSB Marshall & Swift/Boeckh

RCT PRODUCT UPDATE BULLETIN

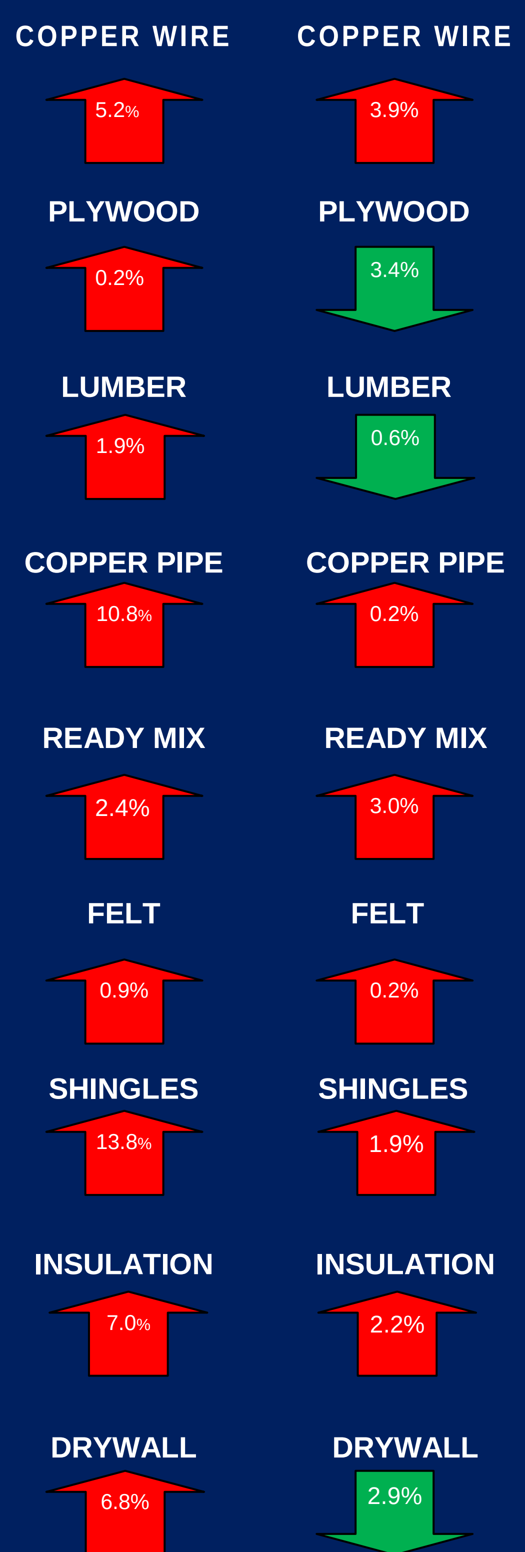
2nd Quarter 2012

U.S.

ANNUAL MATERIAL COST CHANGES

CANADA

ANNUAL MATERIAL COST CHANGES



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

The second quarter 2012 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.

California

A downward cost trend continues to occur in central to eastern and far northern regions of California due to the prolonged and further softening of construction costs in these areas. There are no changes in the highly populated southern coastal areas of California. 1193 California zip codes will see a slight reduction to reconstruction costs between -1.00% and -2.50%.
Percent change for Main Street, Mobile Manufactured Housing and High Value.

High Value Hillside Slope Entry Update

An update has been made to the Hillside Slope Min/Max Entry Value for RCT High Value.

Previous Min/Max Entry
Hillside Slope
Minimum = 0 Degrees
Maximum = 100 Degrees

New Min/Max Entry
Hillside Slope
Minimum = 0 Degrees
Maximum = 90 Degrees

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

Marshall & Swift/Boeckh