



MSB is pleased to provide you with an overview of the updates and enhancements you will see in the 2nd Quarter 2007 release of Residential *Component* Technology (RCT) soon to be delivered to your company. This overview will provide you with an understanding of this quarter's changes in residential building costs as well as any enhancements to RCT software your company employs.

To ensure that our clients receive the most current building material and labour costs, MSB continually researches labour, material, and equipment costs (hard costs) plus mark-ups, taxes, and fringes (soft costs) for reconstruction work performed by the insurance industry in Canada. Over 70 research professionals, the largest force in the industry, monitor and collect data from over 100 areas in Canada.

The process includes monitoring activity, demographics and econometrics, code variations, localization requirements, and emerging markets, as well as:

- Wage rates for more than 75 trades, both union and non-union
- Nearly 40,000 line items of construction for RCT, including the productivity rates and crew sizes needed for installation
- Local cost concerns such as building code requirements and other variables

In addition, we validate all cost data by analyzing the thousands of field inspections, phone surveys, and claims files we receive and process.

Residential Construction Cost Update

Key Cost Trends this Quarter

Canada

The average wage rate increased by 0.5% for the quarter. The average material cost decreased by 0.5% for the quarter and is primarily attributable to decreases in lumber and plywood.

- **Lumber** – Lumber prices decreased by 3.6% for the quarter.
- **Plywood** – Plywood prices decreased by 0.3% for the quarter.
- **Drywall** – Drywall increased by 0.8% for the quarter.
- **Asphalt Shingles** – Asphalt Shingles increased by 3.0% for the quarter.
- **Ready Mix** – Ready Mix increased by 7.4% for the quarter, mainly due to the additional costs of hot water.
- **Copper Pipe** – Copper Pipe increased by 2.1% for the quarter partially due to the Chilean mining strikes ending.
- **Copper Wire** – Copper Wire decreased by 0.9% for the quarter partially due to the Chilean mining strikes ending.
- **PVC Pipe** – PVC Pipe prices increased by 1.2% for the quarter.
- **Structural Steel** – Structural Steel increased by 2.4% for the quarter due to increases in demand.
- **Steel Studs** – Steel Studs decreased by 0.2% for the quarter due to decreases in demand.
- **Reinforcing Bars** – Reinforcing Bars decreased by 0.5% for the quarter due to decreases in demand.
- **Steel Deck** – Steel Deck increased by 2.0% for the quarter due to increases in demand.

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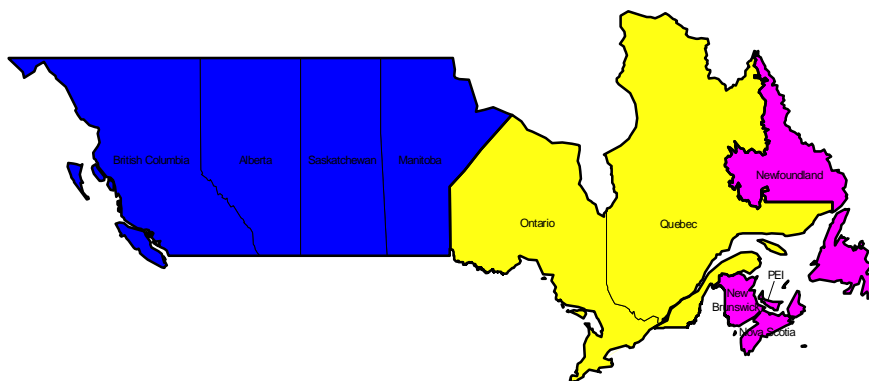
NOTE: The building material and labour cost trends presented in this bulletin are broad averages derived from our research of construction trades and building materials used in a typical, 2,400 square foot, single family, 2-storey home.

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.

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

Results by Geographic Region

NOTE: This information is only intended to give you a general sense of reconstruction cost trends in North America.



Canada Regional Quarterly Cost Changes
2nd quarter 2007 compared to 1st quarter 2007

■ West	- 0.2%
■ Central	- 0.2%
■ Atlantic	- 0.5%
National Average:	- 0.2%

RCT Software Updates for this Quarter

RCT Version 3.3, 3.0, and 1.8 - 2Q07

Cost Data Changes

The second quarter 2007 cost data update reflects reconstruction cost changes in both labour and material.

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