

RCT PRODUCT® UPDATE BULLETIN 4th Quarter 2010

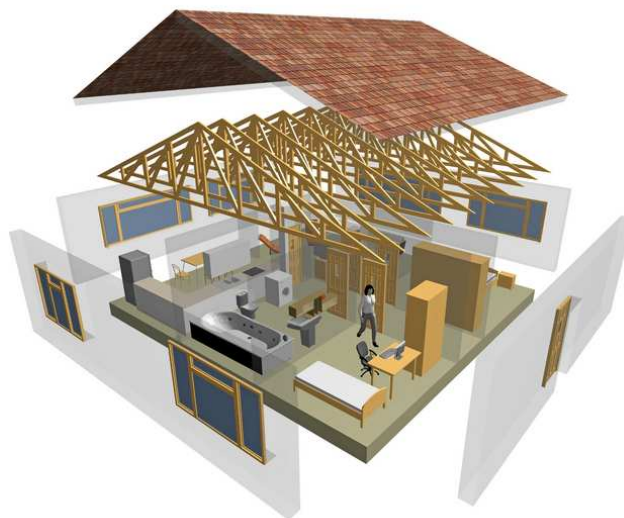
MSB is pleased to provide you with an overview of the updates and enhancements in the 4th Quarter 2010 release of RCT®. This overview will provide you with an understanding of this quarter's changes in residential building costs as well as any enhancements to the RCT software.

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 crews, both union and non-union
- Over 20,000 materials, 70,000 components, and 20,000 construction assemblies used in building
- 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.

**U.S.
QUARTERLY
MATERIAL COST
CHANGES**

**RCT PRODUCT® UPDATE BULLETIN
4th Quarter 2010**

ROMEX WIRE

3.8%

PLYWOOD

4.9%

LUMBER

0.8%

COPPER PIPE

3.3%

READY MIX

1.0%

FELT

1.6%

SHINGLES

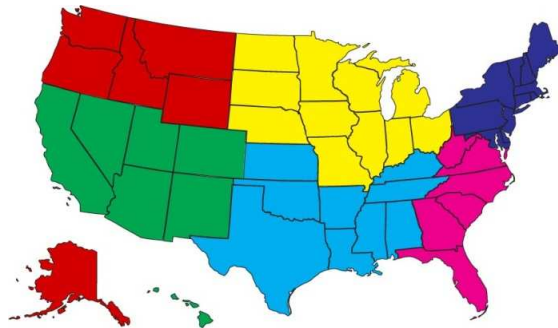
0.6%

INSULATION

3.8%

DRYWALL

2.3%



**U.S. Regional Quarterly Cost Changes:
4th Quarter 2010 compared to 3rd Quarter 2010**

Northwest	0.21%
Southwest	0.81%
Northeast	0.77%
Southeast	0.54%
North Central	0.48%
South Central	0.49%

National Average: 0.55%

U.S. Regional Weighted RCT Cost Changes

The above map represents material and labor cost changes for a set residential model measured across all regions.

There was modest movement in most materials during the quarter. Most building materials have shown a steady increase over the last 12 months with the exception of asphalt felt, asphalt shingles and ready-mix concrete. These materials have seen decreases due to reduced volatility in the oil industry, which has lowered raw material prices used in the manufacturing of petroleum-based products as well as reducing transportation costs of these heavier materials. Copper has been increasing over the last 24 months, which is up 27% year to date after dropping 33% the year before.

To date, the four big movers over the last year are lumber, plywood, copper wire and pipe which all experienced double-digit increases. After the very unpredictable first three quarters of 2010, lumber appears to have stabilized with an increase. The drywall industry has finally raised their prices 2.3% after months of consistent declines.

US	Winter 08	Spring 09	Summer 09	Fall 09	Winter 09	Spring 10	Summer 10	Fall 10
Romex Wire	-2.5	-4.8	-19.1	-7.4	-8.6	5.1	9.7	3.8
1/2" Plywood	-1.3	-4.5	-7.0	-6.0	2.8	2.2	11.1	4.9
2x4 Lumber	1.7	-4.7	-5.8	-2.5	2.1	1.9	9.2	0.8
1/2" Copper Pipe	-2.7	-4.8	-18.2	-9.3	3.3	3.2	5.4	3.3
Ready Mix	0.9	1.8	0.3	-1.0	0.1	1.0	-1.2	-1.0
Asphalt Felt 15#	23.3	4.8	-1.2	-4.4	-4.0	-2.1	-2.8	-1.6
Asphalt Shingles 25yr, 3-tab	22.1	8.7	5.1	3.8	-1.5	-1.0	-0.1	0.6
R-13 Fiber Batt Insulation	3.1	2.2	-3.5	-8.3	-1.1	1.2	-2.3	3.8
1/2" Drywall	-3.7	-3.9	-4.4	-4.5	-2.1	-1.5	0.2	2.3

*Aggregate Material Index of the 9 most commonly used building materials - Residential

The average change for MSB monitored U.S. building materials was 4.9% for the quarter and 1% for labor based on construction trade contracts that expired and were renewed during the quarter

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

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CANADA

QUARTERLY MATERIAL COST CHANGES

ROMEX WIRE

0.2%

PLYWOOD

0.7%

LUMBER

2.0%

COPPER PIPE

2.5%

READY MIX

0.7%

FELT

2.2%

SHINGLES

0.9%

INSULATION

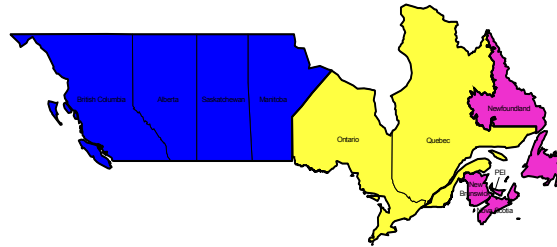
0.8%

DRYWALL

0.1%

RCT PRODUCT® UPDATE BULLETIN

4th Quarter 2010



Canada Regional Quarterly Cost Changes
4th Quarter 2010 compared to 3rd Quarter 2010

West	3.72%
Central	0.38%
Atlantic	1.79%
National Average:	1.63%

Canada Regional RCT Cost Changes

The above map represents material and labour cost changes for a set residential model measured across all regions.

Canada continues to see significantly smaller price increases compared to the U.S. in wood - based products. Infrastructure construction in China has increased the demand for building materials thereby driving prices upward.

Fractional price increases were seen in copper and plastic piping, aggregates, and ceramics. Slight percentage change declines were recorded in steel reinforcing bar and residential sized steel I-beams, while the year-over-year trend in structural steel prices remains upward.

Canada	Winter 08	Spring 09	Summer 09	Fall 09	Winter 09	Spring 10	Summer 10	Fall 10
Romex Wire	-1.6	-2.8	-8.3	-8.1	-8.6	-2.0	3.5	0.2
1/2" Plywood	-1.8	1.1	-1.1	-6.0	-0.1	5.7	0.8	0.7
2x4 Lumber	-2.6	-2.1	-3.2	-2.5	-1.7	1.5	3.8	2.0
1/2" Copper Pipe	-1.5	-0.8	-1.8	-9.3	-4.6	-1.4	6.4	2.5
Ready Mix	1.2	2.9	1.2	-1.0	0.5	0.4	-0.1	-0.7
Asphalt Felt 15#	11.9	9.3	3.6	-4.4	4.7	2.0	0.1	-2.2
Asphalt Shingles 25yr, 3-tab	21.2	8.2	1.0	3.8	-2.5	0.2	-0.5	-0.9
R-13 Fiber Batt Insulation	2.1	-0.1	-0.6	-8.3	-1.6	-0.8	0.5	0.8
1/2" Drywall	1.2	-0.5	-0.5	-4.5	-2.2	-0.6	1.5	0.1

*Aggregate Material Index of the 9 most commonly used building materials- Residential

The average change for MSB monitored Canadian building materials was 2.7% for the quarter and 1.3% for labor based on construction trade contracts that expired and were renewed during the quarter

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U.S.
ANNUAL
MATERIAL COST
CHANGES

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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 for Main Street, Mobile Manufacturing Housing and High Value

The fourth quarter 2010 cost data update reflects reconstruction cost changes in both labor and material costs. 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.

U. S. Cost Updates

The MSB Knowledge Tables have been updated for California, District of Columbia, Maryland, Pennsylvania and South Carolina to account for the new interior sprinkler codes, which have been enacted in these states. Additional updates have been made specifically for California to provide whole house fans and High Efficiency (HE) HVAC system selections based on the new CALGreen codes.

Canadian Cost Updates

As a result of a recent MSB field research trip to Canada, a detailed study of the Canadian residential labour market was undertaken. An independent 3rd party consultant was hired and completed a labour study that included a review of wage rates, taxes, workers comp and associated fees/overhead by various trades in all Canadian provinces. The Data Asset team completed an in-depth review of city population/density, construction starts and the addition of "Big Box" retailers in different areas throughout the Canadian provinces and modified collection cities with the addition of several new locations. MSB started monitoring the additional cities last quarter. Localized costs for AB, BC, MB and SK have been adjusted, resulting in an overall increase of approximately +3.6%. This cost impact estimate is in addition to the normal quarterly update changes to specific labour and materials. MSB will continue to monitor market conditions and incorporate emerging trends into the RCT cost database as applicable.

Material Updates

The following new materials and definitions have been added:

Main Street

- Heat Pump System, High Efficiency (Count) (HVAC)
- Central Air Conditioning, High Efficiency, Same Ducts (HVAC)
- Central Air Conditioning, High Efficiency, Separate Ducts (HVAC)
- Heat Pump System, High Efficiency (Percent) (HVAC)

High Value

- Range Hood, Residential (Kitchens, Baths & Plumbing, Plumbing Specialties)
- Heat Pump, High Efficiency (Count) (Heating & AC Specialties)
- Central Air Conditioning, High Efficiency, Same Ducts (Heating & AC Specialties)
- Central Air Conditioning, High Efficiency, Separate Ducts (Heating & AC Specialties)
- Heat Pump, High Efficiency (Percent) (Heating & AC Specialties)

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ROMEX WIRE

32.7%

PLYWOOD

28.5%

LUMBER

17.6%

COPPER PIPE

19%

READY MIX

1.7%

FELT

9.9%

SHINGLES

1.8%

INSULATION

0.0%

DRYWALL

0.3%

CANADA

ANNUAL MATERIAL COST CHANGES

ROMEX WIRE

5.5%

PLYWOOD

7.5%

LUMBER

10.6%

COPPER PIPE

14.2%

READY MIX

0.4%

FELT

1.9%

SHINGLES

1.8%

INSULATION

9.0%

DRYWALL

1.9%

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High Value

- Spray Acoustical Texture (Ceiling Finish, Ceilings)
- Range Hood, Copper (Kitchens, Baths & Plumbing, Plumbing Specialties)
- Wet Bar (Plumbing Specialties)
- Wet Bar, Luxury (Plumbing Specialties)
- Wet Bar, Standard (Plumbing Specialties)
- Heat Pump (Count) (Heating & AC Specialties)

Material Name Changes

The following High Value materials had their name and description updated for clarity:

Current Description

055927 – Oven
055953 – Oven, Wall
055936 – Range & Oven
055937 – Range & Oven, Commercial
055938 – Range & Oven, Double Wide
055939 – Range & Oven, with Microwave
055941 – Range Hood
055942 – Range Hood, Stainless Steel
055956 – Wet Bar, Deluxe

New Description

Oven, Wall, Double
Oven, Wall, Single
Range, 30”
Range, Commercial, 36”
Range, Commercial, Double, 48”
Range, 30”, with Microwave
Range Hood, Stainless Steel, Commercial
Range Hood, Stainless Steel, Residential
Wet Bar, Luxury

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