RCT® BULLETIN

RCT® PRODUCT UPDATE BULLETIN

4th Quarter 2011

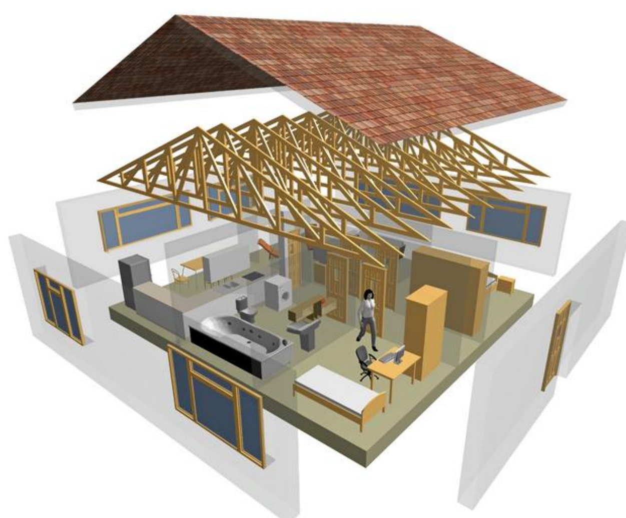
MSB is pleased to provide you with an overview of the updates and enhancements in the 4th Quarter 2011 release of RCT®. This overview will provide you with an understanding of this quarter's changes in residential building costs as well as any enhancements to the RCT® software.

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.

Marshall & Swift/Boeckh

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U.S.
QUARTERLY MATERIAL COST CHANGES

ROMEX® WIRE
1.7%

PLYWOOD
2.1%

LUMBER
1.1%

COPPER PIPE
3.0%

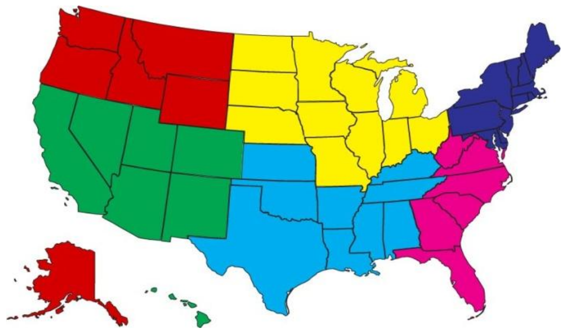
READY MIX
0.1%

FELT
2.0%

SHINGLES
7.9%

INSULATION
1.9%

DRYWALL
0.5%



U.S. Regional Quarterly Cost Changes:
4th Quarter 2011 compared to 3rd Quarter 2011

Northwest	0.51%
Southwest	0.71%
Northeast	0.85%
Southeast	0.57%
North Central	0.61%
South Central	0.55%

National Average: 0.63%

U.S. Regional Weighted RCT® Cost Changes

The third quarter of 2011 saw roofing price increases of 7.9%, since shingles are on allocation from most manufacturers. As a result, these increases are expected to continue into the colder months until supply levels can be replenished.

Lumber prices are continuing to rise, having done so for the third straight quarter. Demand for logs from the Asian market has also continued to rise. We are on pace to double our softwood log exports to China over last year's numbers and eclipse all log sales to China between 2006 and 2010 combined. If this trend continues, we can look forward to large spikes in lumber prices when the U.S. housing market begins to recover.

The average change for U.S. building materials was 1.6% for the quarter. For labor, the average wage rate increased 0.7%, 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	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Romex® Wire	11.5	3.5	10.9	3.8	4.5	6.2	5.9	1.7
1/2" Plywood	3.5	2.1	15.9	4.9	-3.0	-2.9	-3.0	-2.1
2x4 Lumber	1.5	2.7	11.9	0.8	-3.6	1.0	1.7	1.1
1/2" Copper Pipe	5.3	3.1	6.1	3.3	3.8	4.1	6.8	3.0
Ready Mix	0.9	0.5	-2.0	-1.0	0.8	1.1	-0.4	-0.1
Asphalt Felt 15#	-3.7	-1.8	-3.2	-1.6	-1.6	-0.6	0.3	2.0
Asphalt Shingles 25 yr, 3 tab	-2.4	-0.4	0.5	0.6	-1.1	0.1	1.4	7.9
R-13 Fiber Batt Insulation	-1.0	1.0	-3.7	3.8	2.4	4.5	3.0	1.9
1/2" Drywall	-2.4	-0.9	1.2	2.6	1.3	0.5	-0.2	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.

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

MSB Marshall & Swift/Boeckh

CANADA

QUARTERLY MATERIAL COST CHANGES

COPPER WIRE

0.7%

PLYWOOD

2.6%

LUMBER

1.1%

COPPER PIPE

0.4%

READY MIX

1.3%

FELT

1.0%

SHINGLES

2.2%

INSULATION

0.7%

DRYWALL

0.8%

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Canada Regional Quarterly Cost Changes
4th Quarter 2011 compared to 3rd Quarter 2011

North	0.33%
West	0.41%
Central	0.31%
Atlantic	0.65%
National Average:	0.40%

Canada Regional RCT® Cost Changes

The third quarter of 2011 saw a price decrease in copper pipe and only a slight increase in copper wire. Copper prices look as though they are poised to continue decreasing over the next couple of quarters, with decreasing raw material prices.

The lumber and plywood markets continued the decline that began at the end of last summer with -1.1% and -2.6% dips, respectively. With increased log prices, especially in the West, this downward trend looks as though it should be dissipating.

Although roofing shingles had one of the largest increases this quarter at 2.2% over the previous quarter, things were not as bad as forecasted. The material shortages that plagued the U.S. market did not appear to make it across the border.

The average change for Canadian building materials was 0.2% for the quarter. For labor, the average wage rate increased 0.5% 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	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11
Copper Wire	-1.0	1.6	4.6	0.2	2.4	4.3	5.3	0.7
1/2" Plywood	4.3	0.5	1.8	0.7	-3.0	-3.0	-3.7	-2.6
2x4 Lumber	1.7	1.7	4.8	2.0	-2.9	-1.5	-1.4	-1.1
1/2" Copper Pipe	0.1	4.6	6.4	2.5	1.3	2.8	2.4	-0.4
Ready Mix	0.8	2.1	-1.8	-0.7	2.8	2.5	-1.6	-1.3
Asphalt Felt 15#	0.6	0.1	-0.3	-2.2	-1.0	-0.3	0.0	1.0
Asphalt Shingles 25yr, 3-tab	0.1	-0.1	-0.8	-0.9	-0.8	0.7	0.5	2.2
R-13 Fiber Batt Insulation	-0.6	-0.5	0.9	0.8	-2.0	-0.8	1.1	0.7
1/2" Drywall	-0.7	0.4	2.1	0.1	-1.5	0.1	-0.5	-0.8

*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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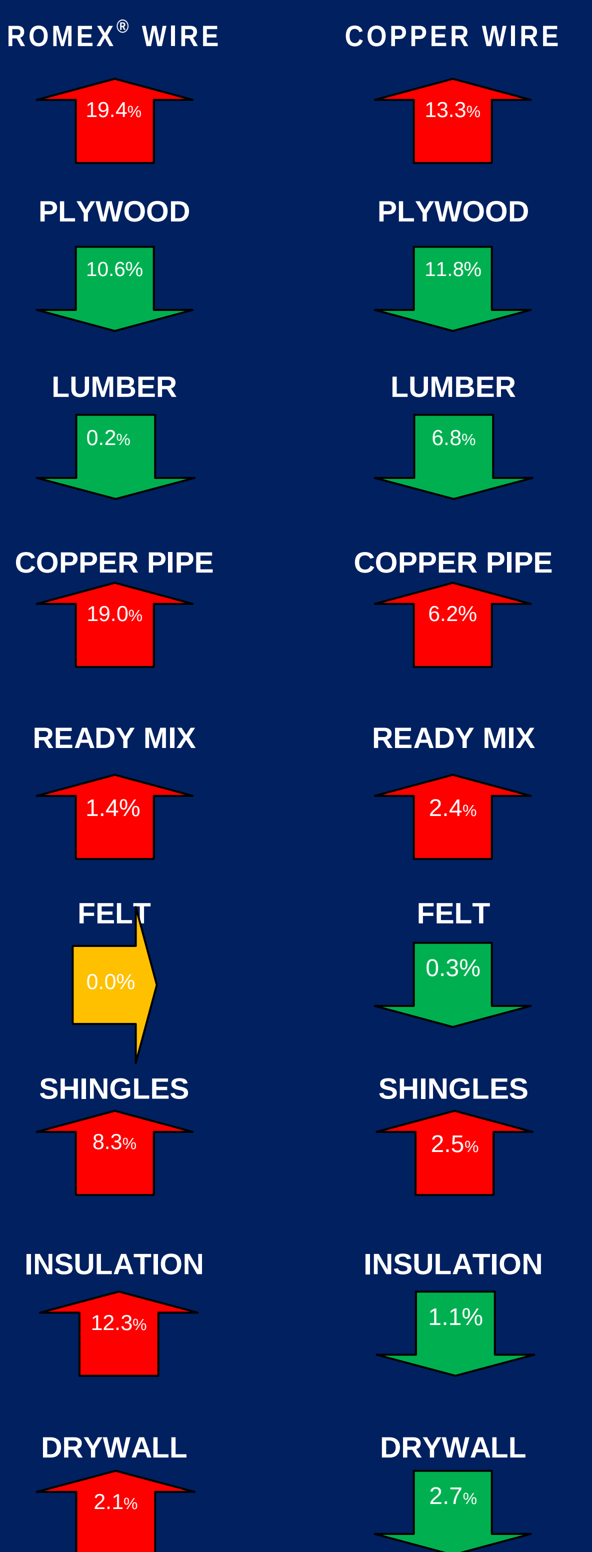
U.S. — ANNUAL MATERIAL COST CHANGES

CANADA — ANNUAL MATERIAL COST CHANGES



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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

RCT Main Street, Mobile Manufacturing Housing and High Value

The fourth 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.

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