RCT BULLETIN

RCT PRODUCT UPDATE BULLETIN

3rd Quarter 2013

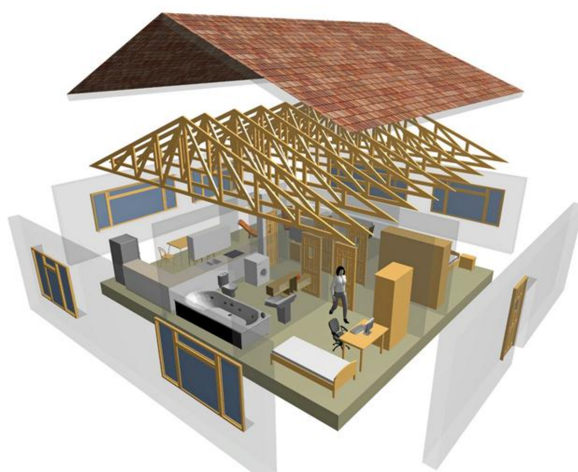
MSB is pleased to provide you with an overview of the updates and enhancements in the **3rd Quarter 2013 release of RCT**. This overview will provide you with an understanding of this quarter's changes in residential building costs as well as any enhancements to the Residential Component Technology® software.

To ensure that our clients receive the most current building material and labor costs, MSB's Data team continuously researches labor, material, and equipment costs (hard costs) including mark-ups. Our research is extended to cover 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, and localization requirements, including market trends. Other factors in this process include:

- 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 inspection 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 when adjusting renewal values for specific locations or across your book of business. The building material and labor cost trends presented in this bulletin are <u>broad averages</u> 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

1.7%

PLYWOOD

6.9%

LUMBER

6.3%

COPPER PIPE

0.4%

READY MIX

0.6%

FELT

0.1%

SHINGLES

0.8%

INSULATION

1.7%

DRYWALL

4.7%

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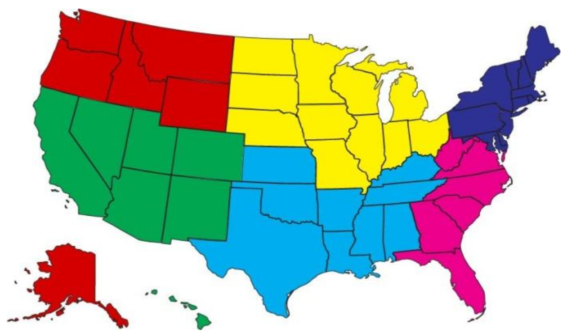

U.S. Regional Quarterly Cost Changes 3rd Quarter 2013 compared to 2nd Quarter 2013

Northwest	1.07%
Southwest	1.00%
Northeast	0.75%
Southeast	0.99%
North Central	0.69%
South Central	1.08%

National Average: 0.91%

U.S. Regional RCT Cost Changes

Plywood and Lumber are showing significant increases at 6.9% and 6.3%. These trends may continue into next quarter. Strengthening market conditions and growing demand are playing a large part as we progress through the summer. Drywall prices reflect a strong forecasted building season, with continued patterns of increases throughout the first half of 2013. Copper wire and pipe have fallen -1.7% and -0.4% over the past quarter, with annual decreases of 4.7% and 3.3% respectively.

Ready mix prices dropped off slightly at a -0.5% change for the quarter. They are expected to decline further into the fourth quarter, as cooler weather starts to push out the need for summer pricing. Insulation costs are up 1.7%, a steady rise expected to work into the markets throughout 2013.

The average change for U.S. building materials was 1.6% for the quarter. For labor, the average wage rate increased 0.5%, based on construction trade contracts that were renewed during the quarter. A snapshot of some of the most common elements MSB monitors is listed below.

US	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12	4Q11	3Q11
Copper Wire	-1.7	0.5	0.9	-4.4	-1.2	-1.2	-1.1	1.7
1/2" Plywood	6.9	3.0	5.4	6.7	6.1	3.7	1.7	-2.1
2x4 Lumber	6.3	3.0	2.6	6.5	4.0	-0.9	0.0	1.1
1/2" Copper Pipe	-0.4	0.8	-1.0	-2.7	0.1	0.4	0.3	3.0
Ready Mix	-0.6	2.0	1.1	0.5	-1.7	1.3	1.6	-0.1
Asphalt Felt 15#	-0.1	-0.3	-0.5	1.3	0.2	-1.4	0.1	2.0
Asphalt Shingles 25yr, 3-tab	-0.8	0.1	0.1	1.3	0.1	0.8	3.2	7.9
R-13 Fiber Batt Insulation	1.7	0.8	1.9	0.8	-0.1	0.6	1.3	1.9
1/2" Drywall	4.7	4.5	1.0	3.2	6.5	5.9	0.5	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

Marshall & Swift/Boeckh

CANADA

QUARTERLY MATERIAL COST CHANGES

COPPER WIRE

2.1%

PLYWOOD

3.6%

LUMBER

4.9%

COPPER PIPE

0.3%

READY MIX

1.3%

FELT

1.4%

SHINGLES

1.1%

INSULATION

0.4%

DRYWALL

0.9%

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Canada Regional Quarterly Cost Changes
3rd Quarter 2013 compared to 2nd Quarter 2013

North	0.83%
West	0.99%
Central	0.76%
Atlantic	0.94 %
National Average:	0.86%

Canada Regional RCT Cost Changes

Roofing shingles decreased at -1.1% for the quarter, resulting in a small decline in pricing due to increased production. However, we may start to see increases as the fall and winter seasons approach well into the fourth quarter. The third quarter of 2013 also saw a price decrease in copper wire at -2.1%, highlighting a downward trend in demand since the end of 2012.

Ready mix prices revealed a small increase of 1.3% during the quarter. Plywood prices have increased by 3.6% in the second quarter, which is slightly more expensive than pricing this time a year ago. Lumber prices remain high at 4.9%; with an annual increase reflecting a continuous pattern of high demand within the market.

The average change for Canadian building materials was 0.9% for the quarter. For labor, the average wage rate increased to 1.1% for the quarter, based on the construction trade contracts that were renewed during the quarter. A snapshot of the most common elements MSB monitors is listed below.

CANADA	2Q13	1Q13	4Q12	3Q12	2Q12	1Q12	4Q11	3Q11
Copper Wire	-2.1	-1.6	-0.9	-0.8	-0.2	-0.5	-1.5	0.7
1/2" Plywood	3.6	4.8	7.2	7.7	3.2	1.5	1.5	-2.6
2x4 Lumber	4.9	3.8	4.7	7.7	3.4	0.6	1.3	-1.1
1/2" Copper Pipe	0.3	-2.0	-0.6	-0.3	0.4	-0.8	-1.0	-0.4
Ready Mix	-1.3	3.0	3.4	-2.1	-1.5	2.7	3.3	-1.3
Asphalt Felt 15#	-1.4	-0.6	-0.7	0.6	-1.1	-0.8	0.0	1.0
Asphalt Shingles 25yr, 3-tab	-1.1	0.6	0.9	0.5	-0.6	-1.2	0.3	2.2
R-13 Fiber Batt Insulation	-0.4	1.3	0.5	0.5	0.4	0.1	0.3	0.7
1/2" Drywall	0.9	0.0	-1.3	-1.8	-1.6	-0.7	-0.9	-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
COPPER WIRE	4.7%	5.4%
PLYWOOD	23.8%	25.4%
LUMBER	19.6%	22.8%
COPPER PIPE	3.3%	2.5%
READY MIX	3.1%	2.9%
FELT	0.4%	2.1%
SHINGLES	0.7%	0.9%
INSULATION	5.3%	1.9%
DRYWALL	13.9%	2.1%

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 third quarter 2013 cost data update reflects reconstruction cost changes in both labor and material. Standardized costs in this release reflect localized, updated costs representing the impact of emerging markets and economic trends on construction costs.

In addition to normal quarterly cost updates, slate roofing materials and labor costs within RCT Main Street, High Value and 4.x. have been updated. As a result, there are average increases ranging from 2% up to 5%.

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