

RCT PRODUCT UPDATE BULLETIN

3rd Quarter 2014

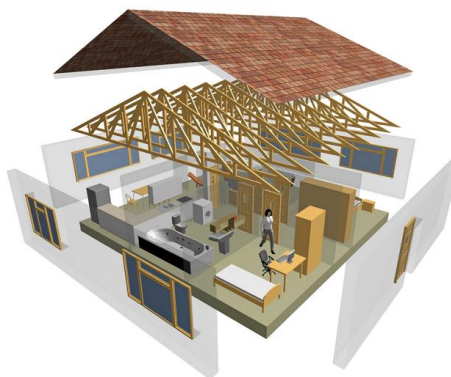
CoreLogic® Insurance Solutions is pleased to provide you with an overview of the updates and enhancements in the **3rd Quarter 2014 release of RCT®**. This overview will provide you with an understanding of this quarter's changes in residential building costs as well as any enhancements to the RCT® software.

To ensure that our clients receive the most current building material and labor costs, CoreLogic® Insurance Solutions 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 demographic 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 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 do 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

COPPER WIRE

3.3%

PLYWOOD

0.7%

LUMBER

2.9%

COPPER PIPE

1.5%

READY MIX

0.7%

FELT

0.3%

SHINGLES

1.6%

INSULATION

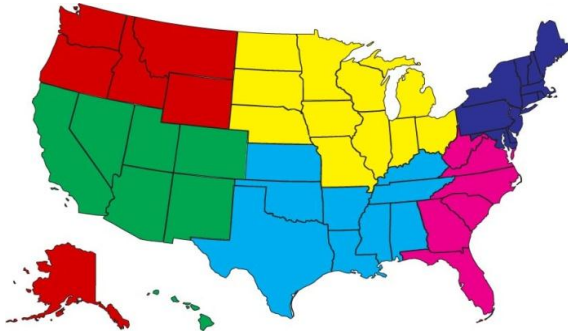
1.6%

DRYWALL

2.6%

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U.S. Regional Quarterly Cost Changes 3rd Quarter 2014 compared to 2nd Quarter 2014

Northwest	0.26%
Southwest	0.37%
Northeast	0.26%
Southeast	0.10%
North Central	0.09%
South Central	0.21%

National Average: 0.21%

U.S. Regional RCT Cost Changes

All major producers of drywall such as Georgia Pacific, USG, Continental and others notified customers of increases for all board products on all shipments in 2014. Information received through contact with suppliers reflected higher prices on drywall, as old supplies diminished and new shipments arrived. Drywall has increased almost 6% overall this year. Insulation increased 1.6% for the quarter. Pricing increases for insulation are higher than normal for the year, primarily due to positive demand stemming from the harsh winter season.

The average for U.S. building materials increased 0.1% over the quarter. For labor, the average wage rate increased 0.4%, based on construction trade contracts that were renewed during the quarter. CoreLogic® Insurance Solutions monitors a wide variety of construction materials for the residential building industry. A snapshot of some of the most common materials elements is listed below:

US	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12
Copper Wire	-3.3	0.3	-0.6	-1.4	-1.7	0.5	0.9	-4.4
1/2" Plywood	0.7	-2.8	-5.0	1.3	6.9	3.0	5.4	6.7
2x4 Lumber	2.9	0.7	-2.1	1.1	6.3	3.0	2.6	6.5
1/2" Copper Pipe	-1.5	-0.2	-0.4	-1.0	-0.4	0.8	-1.0	-2.7
Ready-Mix	-0.7	2.3	1.4	0.1	-0.6	2.0	1.1	0.5
Asphalt Felt 15#	-0.3	-0.3	0.0	-0.3	-0.1	-0.3	-0.5	1.3
Asphalt Shingles 25yr, 3-tab	-1.6	-0.6	-0.2	1.1	-0.8	0.1	0.1	1.3
R-13 Fiber Batt Insulation	1.6	2.7	5.6	4.8	1.7	0.8	1.9	0.8
1/2" Drywall	2.6	3.1	1.5	3.9	4.7	4.5	1.0	3.2

*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.

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

COPPER WIRE

2.0%

PLYWOOD

1.7%

LUMBER

2.6%

COPPER PIPE

0.3%

READY MIX

1.8%

FELT

0.0%

SHINGLES

0.2%

INSULATION

0.9%

DRYWALL

1.6%

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Canada Regional Quarterly Cost Changes 3rd Quarter 2014 compared to 2nd Quarter 2014

North	0.18%
West	0.20%
Central	-0.04%
Atlantic	0.26%

National Average: 0.09%

Canada Regional RCT Cost Changes

Canadian mills are starting to recover from beetle infested areas, resulting in some temporary mill closures. Although plywood decreased 1.7%, there is more demand for lumber as construction projects rise over the quarter. Roofing felt revealed little to no change with pricing continuing to stagnate in the first half of 2014.

The average change for Canadian building materials revealed little to no change over the quarter. For labor, the average wage rate increased to 0.5% for the quarter, based on the construction trade contracts that were renewed during the quarter. CoreLogic® Insurance Solutions monitors a wide variety of construction materials for the residential building industry. A snapshot of some of the most common materials elements is listed below:

CANADA	2Q14	1Q14	4Q13	3Q13	2Q13	1Q13	4Q12	3Q12
Copper Wire	-2.0	-1.6	-0.3	-1.4	-2.1	-1.6	-0.9	-0.8
1/2" Plywood	-1.7	-1.0	-3.4	-1.7	3.6	4.8	7.2	7.7
2x4 Lumber	2.6	2.3	0.1	2.2	4.9	3.8	4.7	7.7
1/2" Copper Pipe	-0.3	-0.8	-0.5	-1.1	0.3	-2.0	-0.6	-0.3
Ready-Mix	-1.8	2.6	1.8	-1.1	-1.3	3.0	3.4	-2.1
Asphalt Felt 15#	0.0	0.0	-0.1	-0.3	-1.4	-0.6	-0.7	0.6
Asphalt Shingles 25yr, 3-tab	-0.2	0.4	-0.1	-1.3	-1.1	0.6	0.9	0.5
R-13 Fiber Batt Insulation	0.9	0.2	0.1	1.9	-0.4	1.3	0.5	0.5
1/2" Drywall	-1.6	1.1	-0.5	-0.8	0.9	0.0	-1.3	-1.8

*Aggregate Material Index of the nine most commonly used building materials – Residential

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U.S.

ANNUAL
MATERIAL
COST CHANGES

COPPER WIRE

5.0%

PLYWOOD

5.9%

LUMBER

2.6%

COPPER PIPE

3.1%

READY MIX

3.2%

FELT

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SHINGLES

1.4%

INSULATION

15.6%

DRYWALL

11.5%

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RCT Software Updates for This Quarter

NOTE: CoreLogic® Insurance Solutions recommends a full program install whenever possible to ensure that you have the latest data and program enhancements.

Cost Data Changes

The third quarter 2014 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 CoreLogic Insurance Solutions' Research.

Site Access Defaults

RCT Main Street, RCT High Value and RCT 4.0's Site Access defaults have been updated across the United States. These updates reflect definition updates to Island Access - Short and Island Access - Long:

- 206 zip codes updated from a site access designation of "Island Access" to "Flat Roads/Easy Access".
- 2 new zip codes updated with a site access designation of "Island Access - Long".
- 1 new zip code updated with a site access designation of "Island Access - Short".
- 1 zip code updated from "Island Access - Short" to "Slightly Congested".

Non Cost Data Changes – Material Updates

Definition Updates

RCT Main Street, RCT High Value and RCT 4.0's Site Access definitions have been updated. The updated definitions offer clarity on RCT's determination of Island Access - Short and Island Access - Long.

RCT High Value and RCT 4.x existing material "Generator, Emergency Backup" description/name is being updated to "Generator, Emergency Backup, Extra Large".

Note: Additional options have been added and can be found in the "New Materials" sections.

New Material Selections

The following new materials were added to RCT Main Street, High Value and RCT 4.x:

- Siding, Vinyl Shake/Shingle (Percent) (Exterior, Exterior Walls)
- Siding, Vinyl Shake/Shingle on Masonry (Percent) (Exterior, Exterior Walls)

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DRYWALL

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- Concrete, Poured, 4" to 6" (Percent) (Interior, Partitions)
- Concrete, w/Drywall, Poured, 4" to 6" (Percent) (Interior, Partitions)
- Ceiling Heat, Electric Radiant (Percent) (Interior, HVAC Heating)
- Heating, Electric Baseboard (Percent) (Interior, HVAC Heating)
- 3-Wall Addition, Basement (MS/MMH & 4.x Only) (Square Feet) (Exterior, Attached Structures)

The following new materials were added to RCT High Value and RCT 4.x:

- Door, Fiberglass, Exterior (Count) (Exterior Features, Exterior Doors (Count))
- Door, Fiberglass, with Beveled Glass (Count) (Exterior Features, Exterior Doors (Count))
- Door, Fiberglass, with Crystal Glass (Count) (Exterior Features, Exterior Doors (Count))
- Door, Fiberglass, with Stained Glass (Count) (Exterior Features, Exterior Doors (Count))
- Door, Fiberglass, with Sidelights (Count) (Exterior Features, Exterior Doors (Count))
- Door, Fiberglass, Interior (Count) (Partition Walls, Wall Specialties)
- Molding, Crown, Plaster, 2" (Linear Feet) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, 4" (Linear Feet) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, 6" (Linear Feet) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, 8" (Linear Feet) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, 10" (Linear Feet) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, 12" (Linear Feet) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, Ornate, 12" (Linear Feet) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, 2" (Percent) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, 4" (Percent) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, 6" (Percent) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, 8" (Percent) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, 10" (Percent) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, 12" (Percent) (Ceiling Finishes, Ceiling Extras)
- Molding, Crown, Plaster, Ornate, 12" (Percent) (Ceiling Finishes, Ceiling Extras)
- Ceiling Heat, Electric Radiant (Percent) (Heating & Cooling, Heating)
- Generator, Emergency Backup, Small (Count) (Whole House System, Fire & Burglar Protection)
- Generator, Emergency Backup, Medium (Count) (Whole House System, Fire & Burglar Protection)
- Generator, Emergency Backup, Large (Count) (Whole House System, Fire & Burglar Protection)

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