

Insurance to Value issues in respect to localized factors and contractors overhead and profit (O&P)

February, 28, 2008. Sooke, BC – Following up on the ITV Symposium in Vancouver on February 21, 2008 hosted by the IBABC, there are a few misconceptions about EvalWorks that need to be addressed. The Insurance to Value Symposium raised a number of concerns about the calculators that are currently used to generate replacement costs in Canada, particularly when it comes to Overhead and Profit (O&P) margins in Western Canada. Although this issue has been brought to the forefront due to specific concerns in Western Canada, the fact of the matter is that the ITV issue is a national concern.

First of all, it is important to give some background on the EvalWorks Evaluation engine. EvalWorks is an exclusive replacement cost engine, owned by PowerSoft and developed in 2003. The EvalWorks engine is used in our entire suite of evaluation programs, including PowerHouse, PowerHouse Web and PowerQuote. The EvalWorks engine is component based and exclusively utilizes Canadian cost data and factors.

Secondly, there is a need for information on how PowerSoft's EvalWorks engine determines replacement costs. There are 4 major factors in an EvalWorks calculation: material costs, labour costs, debris removal and overhead and profit (O&P). Each of these factors is driven by a localized cost factor. Localized cost factors are generated using three different location data sets; provincial, regional and postal code. This localized approach allows EvalWorks to accurately adjust costs, reflecting actual reconstruction variables on a smaller, regional basis. This has been proven to be more accurate than using a single, national average to generate these costs. Case in point - The recent economic growth in Western Canada over the past 24 months has greatly outpaced the national average, affecting reconstruction costs in some cases by as much as 200%.

With factors being applied to account for local economic considerations, EvalWorks has accurately kept pace with the specific economies of every region of Canada, regardless of the differences from region to region, province to province. While others have admittedly been unable to keep pace with the economic growth that has led to the increases in replacement costs in Western Canada, PowerSoft has and will continue to take the necessary steps to ensure that the EvalWorks engine generates accurate values based on regional factors.

Some of these steps include the announcement in January 2008 to increase the frequency of cost data updates, from quarterly to monthly. This new update schedule will allow us to keep pace with the rapid rate of reconstruction cost increases. Another PowerSoft initiative to ensure accurate EvalWorks values is the automatic update service, SyncWorks, which automatically installs the monthly EvalWorks updates. This eliminates the burden of downloading and installing updates and guarantees that broker evaluations are always current, utilizing the most up to date data.

When it comes to contractors' O&P, a major feature that separates us from our competition is the use of postal codes to generate local factors for O&P, as well as debris removal, labour and material costs. Other replacement cost software providers have stated that they do not have this ability because they utilize a national average for O&P, instead of local, postal code driven factors.

By utilizing local, region-specific factors for each and every evaluation, not only is the contractors O&P accurately calculated for your evaluations, but other local factors, such as debris removal percentages are factored according to local conditions. EvalWorks

debris removal fluctuates between 4% and 16% unless overridden by the broker. By having a fluctuating debris removal factor, additional costs like environmental clean-up, municipal reconstruction bylaws and other local factors are considered and included in the debris removal calculation.

To summarize our position in providing accurate replacement cost evaluations, PowerSoft has been proactive and taken on a leadership role in regards to the current Insurance to Value issue in a number of ways:

- EvalWorks utilizes localized cost factors, not a single national average
- PowerSoft has implemented a monthly cost data update schedule to keep pace with rising reconstruction costs
- PowerSoft has developed an automatic update service that guarantees brokers are current and up to date with the latest cost data
- PowerSoft has implemented a batch re-evaluation feature in all of its evaluations products (PowerQuote, PowerHouse and PowerHouse Web Edition) allowing brokers to re-evaluate their complete book of residential evaluations quickly and easily. This information can then be forwarded to the insurance company prior to renewal.
- PowerSoft is the only vendor to offer a Component-Based Log Home evaluation product, ensuring that all log homes are evaluated using accurate and up to date evaluation methods and cost data
- PowerSoft will continue to provide both desktop and web-based evaluation products so that brokers all across Canada will have access to evaluation products based on their technology needs

By utilizing a combination of location factors, right down to postal code, EvalWorks accurately calculates replacement costs in ALL regions of Canada. There are no national averages, as EvalWorks considers localized, regional data to calculate material costs, labour costs, debris removal AND contractors overhead and profit.

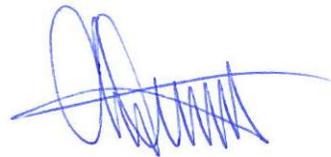
If you have any questions about EvalWorks or any PowerSoft replacement cost program, please do not hesitate to contact PowerSoft at 1.888.833.7697 or visit our website at www.power-soft.com

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