



How to Calculate Labor Minimums in Xactimate®

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Introduction

As a follow-up to the Verisk white paper announcing the transition to the labor minimums estimating method, this document outlines different ways in which minimum charges can be used in estimates.

How minimums work

Labor is the largest variable on any job. Small jobs and repairs, by their nature, are typically inefficient from a labor perspective. The most common method to account for these inefficiencies in labor consistently is to apply a minimum labor charge. While minimum charges have always been available as line items in Xactimate®, beginning with Xactimate 28 the application of minimum labor charges can be automated if desired.

How minimums can be used



Using labor minimums, customers can add standard line items containing materials as needed (DRY1/2, PNTSP, etc.). Xactimate will then ensure that the labor portion of each trade is increased to meet the pre-defined minimum charge. This is accomplished, when needed, by making a post-estimate adjustment to labor.

In the example, the estimator has added DRY1/2 with a quantity of 4 square feet. This results in the addition (by default) of a minimum adjustment for drywall labor of \$162.22 (as shown). The total labor minimum for drywall is \$166.18, less the \$3.96 of drywall labor that exists in the 4 square feet of DRY1/2.

| # | Cat | Sel | Act | Notes | Description | Coverage | Calc | Quantity | Unit | Unit Price | Sales Tax | RCV | Depreciation | ACV |
|---|-----|-----|-----|-------|------------------------------------------------------|----------|------|----------|------|------------|-----------|---------|--------------|---------|
| 1 | DRY | 1/2 | & | | 1/2" drywall - hung, taped, floated, ready for paint | Dwelling | 4 | 4 | SF | \$1.38 | \$0.10 | \$5.62 | (\$0.00) | \$5.62 |
| 3 | PNT | SP | + | | Seal/prime then paint the surface area (2 coats) | Dwelling | 92 | 92 | SF | \$0.58 | \$0.90 | \$54.26 | (\$0.00) | \$54.26 |

| Project | Claim Info | Sketch | Estimate Items | XactContents | Complete | | | | |
|-------------------------------------------------------------------------|------------|------------------------|----------------|--------------|-----------------|-----------|--------|----------|-------------------------------------|
| Items Components Supporting Events Labor Minimums Labor Summary | | | | | | | | | |
| Cat | Sel | Description | Coverage | Base Amount | Adjusted Amount | Sales Tax | O&P | RCV | Apply? |
| DRY | MN-A | Drywall labor minimum | Dwelling | \$166.18 | \$162.22 | \$0.00 | \$0.00 | \$162.22 | <input checked="" type="checkbox"/> |
| PNT | MN-A | Painting labor minimum | Dwelling | \$122.34 | \$85.54 | \$0.00 | \$0.00 | \$85.54 | <input checked="" type="checkbox"/> |

Of course, users can still apply minimum charges as line items by adding either the minimum charge (MN) or minimum repair (MNRP) line items (DRYMN, DRYMNRP, PNTMN, PNTMNRP, etc.). The MN line items include only the minimum amount of labor, while the MNRP line items include the minimum amount of labor and a minimum amount of material. Using either of these line items will automatically meet the labor minimum of the trade so no post-estimate adjustment will be added, as shown in the example.

| # | Cat | Sel | Act | Notes | Description | Coverage | Calc | Quantity | Unit | Unit Price | Sales Tax | RCV | Depreciation | ACV |
|---|-----|-----|-----|-----------------------------------------------------------------------------------|--------------------------|----------|------|----------|------|------------|-----------|----------|--------------|----------|
| 1 | DRY | MN | + |  | Drywall - Labor Minimum | Dwelling | 1 | 1 | EA | \$166.18 | \$0.00 | \$166.18 | (\$0.00) | \$166.18 |
| 3 | PNT | MN | + |  | Painting - Labor Minimum | Dwelling | 1 | 1 | EA | \$122.34 | \$0.00 | \$122.34 | (\$0.00) | \$122.34 |

| Project | | | | | | | | | | Claim Info | | Sketch | | Estimate Items | | XactContents | | Complete | |
|---------|------|------------------------|--|--|----------|-------------|-----------------|-----------|--------|------------|-------------------------------------|-------------------|--|----------------|--|---------------|--|----------|--|
| Items | | | | | | | | | | Components | | Supporting Events | | Labor Minimums | | Labor Summary | | | |
| Cat | Sel | Description | | | Coverage | Base Amount | Adjusted Amount | Sales Tax | O&P | RCV | Apply? | | | | | | | | |
| DRY | MN-A | Drywall labor minimum | | | Dwelling | \$166.18 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | <input checked="" type="checkbox"/> | | | | | | | | |
| PNT | MN-A | Painting labor minimum | | | Dwelling | \$122.34 | \$0.00 | \$0.00 | \$0.00 | \$0.00 | <input checked="" type="checkbox"/> | | | | | | | | |

Whether using the automated minimum adjustments or the MN and MNRP line items, users can adjust the labor minimums in an estimate to match the specific needs of the company or the specific job. It's the responsibility of every user to understand how labor minimums are being applied in their estimates and adjust them if needed.

Re-associating labor minimum charges

When it is known, or reasonably certain, that one tradesperson will be performing the work of two, a removal of one minimum charge or a re-association of the line item associated with a minimum charge can be done.

For example: When replacing the vinyl flooring and underlayment of a half bath, generally the commode, sink, and vanity cabinet must be detached and reset. As these tasks can be required in any number of situations, the Verisk team has set the default association to the trade with which they best fit (e.g., the plumber is associated with detaching and resetting the commode, pedestal sink, etc.). Therefore, by default, a labor minimum adjustment would be applied for the plumber.

However, if the flooring installer will perform these peripheral tasks, then the estimator can re-associate these line items with the floor covering labor minimum.

Quick Entry

Misc. Item: Attachments Salvage/Restored

OK Cancel

☒ O&P ☐ Taxable ☐ Contractor ☐ Line Item ☐ Item Image
☐ Non O&P ☐ Exempt ☐ Homeowner ☐ Credit Item ☐ Tags

Replace Price: \$98.26 Trade: PLM

Note: Minimum Group: PLMMN-A

☒ None
☐ PLMMN-A
☐ FCVMN-A

Click unit price

1 Select the item to update

3 Select which minimum group to assign to

| # | Cat | Sel | Act | Notes | Description | Coverage | Calc | Quantity | Unit | Unit Price | Sales Tax | RCV | Depreciation | ACV |
|---|-----|------|-----|-------|------------------------------------|----------|------|----------|------|------------|-----------|----------|--------------|----------|
| 1 | PLM | TLTR | + | | Toilet - Reset | Dwelling | 1 | 1 | EA | \$98.26 | \$0.26 | \$98.52 | (\$0.00) | \$98.52 |
| 3 | FLV | AV | + | | Vinyl floor covering (sheet goods) | Dwelling | 40 | 40 | SF | \$3.52 | \$5.24 | \$146.04 | (\$0.00) | \$146.04 |

Re-associating the line item with a different labor minimum ensures that the labor portion of the item matches the correct trade. This is critical because it's used within the base calculation to determine whether the minimum amount of labor has been met.

Another, less accurate method is to simply remove (zero out) the value of the minimum adjustment for, in this case, the plumbing trade.

Minimum purchasable quantities of materials

On occasion, users ask how to reconcile the minimum purchasable quantity of materials on a small job. For example, a small drywall patch may require less than 2 square feet of gypsum board, while the smallest purchasable quantity of drywall may be a pre-cut 2' x 4' piece, and even those are only available at some hardware and DIY stores.

The Verisk team assumes that, in most minimum repair situations, a contractor will either use material left over from a previous job or, if they must purchase a larger piece than needed, that the leftover will be saved for use on future small repair jobs. For example, if 2 feet of baseboard need to be replaced, a contractor will typically use any previous scrap to prevent the need to buy a new 8-foot length of baseboard. As such, in most situations, using the standard line items while allowing the labor minimum adjustment to apply will satisfy the material requirements of the estimate. The standard line items include the actual quantity of material needed to complete the repair.

In some cases, this assumption doesn't work. For example, most paint is custom mixed, so a minimum purchasable quantity must generally be bought and is then left at the job for the homeowner to use in the future. Or the insurance adjuster may simply wish to allow for a minimum purchasable quantity. In these cases, estimators can take one of two approaches:

- Modify the quantity of the standard line item to match the minimum purchasable quantity.
- Use the MNRP line item, which automatically includes the minimum purchasable quantity of material.

In the first option, a post-estimate adjustment will be made to ensure that labor meets the pre-defined minimum charge. In the second option, the line item includes both the labor and material minimums so, as stated before, no post-estimate adjustment will be made.

In summary, the key to designing and using any estimating software is to provide flexibility. Addressing small repairs that require a minimum amount of labor and material can be handled in several ways:

- Use standard line items and allow the labor minimum to make an adjustment at the end of the estimate.
- Use the MN line items, which contain the minimum amount of labor and will therefore cancel out any post-estimate adjustment.
- Use the MNRP line item, which contains both the minimum amount of labor and a minimum amount of material.

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