



Overhead and Profit

What Is and Isn't Included in Verisk Property Estimating Solutions Pricing

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Introduction: overhead vs. profit

For individual trades, overhead is any additional expense not charged (or attributed) directly to the work being performed. It's typically classified as an indirect cost.

Profit is what remains after subtracting the costs of goods or services (including overhead) from their selling price. It's typically added to the cost of a construction-related job to allow the entity performing the work to grow their company through reinvestment.

While the ultimate amount of overhead and profit, as well as how and where it's accounted for within the estimate, is left to the discretion of the estimator based on the conditions of the job and the service provider performing the work, the information listed below should provide general insight into how Verisk's published pricing is created and intended to be used.

When the Verisk team performs market research on unit prices, those surveyed are specifically asked to not include expenses that would be included in general overhead (see below) or profit markup percentages.

Overhead categories

Verisk's Property Estimating Solutions team, which has led the industry in providing estimating software, services, and building cost data since 1986, has recognized three categories of overhead.

General overhead

Expenses incurred by a general contractor that can't be attributed to individual projects, including expenses necessary for business operation, are classified as general overhead. Examples include general and administrative (G&A) expenses, office rent, utilities, office supplies, salaries for office personnel, depreciation on office equipment, licenses, and advertising.

Including general overhead expenses in an Xactimate® estimate: General overhead expenses aren't included in Verisk's unit pricing but are typically added to the estimate as a percentage of the total bid along with the appropriate profit margin. These two costs constitute what's normally referred to in the insurance restoration industry as general contractor's O&P, or just O&P. General overhead and profit percentages can be added in the Estimate Parameters window within an Xactimate estimate.

Job-related overhead

Expenses that can be attributed to a project but not a specific task, including expenses necessary to complete the project (other than direct materials and labor) are considered job-related overhead. Examples include project managers, onsite portable offices and restroom facilities, temporary power and fencing, security if needed, etc.

Including job-related overhead expenses in an Xactimate estimate: Job-related overhead expenses should be added as separate line items. This is done within the Line Item Entry window of an Xactimate estimate by selecting the proper price list items, or creating your own miscellaneous items.

Job-personnel overhead

The non-wage-related expenses associated with having a general contractor's own employees perform the work, or the total G&A expenses incurred by a subcontractor when using their services, are known as job-personnel overhead. Examples include vehicle costs, uniforms, mobile phones, depreciation on hand-tools owned by the company, etc.

Job-personnel overhead also includes the portion of G&A expenses and profit that correlate to employees performing billable tasks that aren't included in the general contractor O&P markup. These expenses will be incurred by the general contractor's employees or by a subcontractor, depending on who's performing the work. If the work is subcontracted, these expenses are commonly called subcontractor O&P.

Including job personnel overhead/subcontractor O&P in an Xactimate estimate: Job personnel overhead (or subcontractor O&P) expenses are included in the labor overhead portion of each unit price in the Verisk price list. Labor overhead plus expenses for labor burden and worker wage (wage paid to the individual) make up the retail labor rate. For more information on retail labor rates, see the white paper in Verisk's [eService Center](#).

You can update the labor overhead portion of the retail labor rate from the component list of an Xactimate estimate. Within the component list, select the View Retail Labor Rate Components option. This allows you to view and modify all retail labor rates used within the estimate. Price changes to a retail labor rate here will affect prices in all items in the estimate that use this retail labor rate.

Verisk's Property Estimating Solutions team publishes and makes unit price data available to all customers each month, based on market surveys. Every effort has been made to ensure that Xactimate users can access, view, and modify all detail within the published unit prices.

The building cost data published by Verisk is not designed to be inclusive of sales tax, general O&P, or job-related O&P within the unit prices. These can be specified and added at print time after all line items have been listed.

However, Verisk has designed flexibility into the system. The Xactimate system is designed to provide robust details on costs that are incurred, so users have the option to add these costs to their line items as they choose.

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