

FAST FACTS

THE HARTFORD: Your solution for
Wholesalers.



Size of Opportunity

U.S. Wholesaler-Distributors	200,000 businesses*
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Combined premium for workers' compensation, business liability, property and commercial auto.	\$800 million*
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Appetite

We define "small" as having up to \$7.5 million in property values per location, sales up to \$15 million per account, payroll up to \$2 million for monoline workers' compensation and up to 25 power units for monoline auto. Larger workers' compensation and auto policies may be written in conjunction with a Spectrum® policy.

SIC	Type of Business
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5063	Electrical Apparatus and Equipment Wiring Supplies
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- Distribution of telephones, pagers and beepers
- Distribution of lamps, lighting fixtures and ceiling fans
- Sale of electrical sockets, plugs, wires, switches, fuses, etc.
- Distribution of generators, wiring supplies, light fixtures and bulbs

5087	Service Establishment Equipment and Supplies
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- Barber & Beauty Supplies
- Distribution of cleaning chemicals, floor and carpet machines, mops, mats, soaps, degreasers, trash bags, etc.
- Supplies for restaurants, bars, hotels, stores

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5199	Nondurable Goods NEC
	<ul style="list-style-type: none"> • Gifts Distributor • Brass, Copper and Pewter Specialty Items Distributor • Artists Supplies, Picture Frame Distributor • Pet Supplies Distributor • Religious Supplies, Church Supplies Distributor • Records & Sheet Music Distributor • Sunglass Distributor
5044	Office Equipment Distributor
5131	Piece Goods, Notions, and other Dry Goods
	<ul style="list-style-type: none"> • Fabric, yarn, thread, embroideries and needle distributor
5039	Construction Materials NEC
	<ul style="list-style-type: none"> • Distribution of window glass, plate glass and mirrors
5045	Computers and Computer Peripheral Equipment and Software
5043	Photographic Equipment and Supplies
5047	Medical, Dental and Hospital Equipment and Supplies
5047	Hearing Aid Distributors

Industry Outlook

Because wholesaler-distributors are middlemen, developments in both manufacturing and end-product consumption affect them. The slowing economy has resulted in recent sales declines for both durable and non-durable goods. Cost pressures from higher energy prices, expanded emissions regulations for diesel powered trucks and a tight labor market have squeezed profits to razor thin margins. Although wholesaler-distributors have invested heavily in technology to drive efficiency gains, only modest improvements in profit margins have been realized.

Why Wholesaler-Distributors Choose The Hartford

Spectrum® Business Owners Policy

On average, three-quarters of wholesaler-distributor assets are tied up in inventory and receivables. Distributors generally have large receivables and inventories. Because customers need credit accounts, receivables may “age” at 60 days or more.

Spectrum has a \$25,000 limit built into the form for both on premises and off premises Accounts Receivables with options to a total of \$2 million. Additional limits are provided by the blanket limit included in our Super Stretch endorsements. Accounts Receivable coverage responds to losses caused by the inability to collect outstanding balances as a result of lost or damaged records.

The industry is a leader in the use of sophisticated computer equipment and software to boost productivity and efficiency. The wholesale-distribution industry has contributed 25% of the total productivity gains in the U.S. economy during the past 15 years. Many of these productivity gains have come from the use of sophisticated inventory management systems and software to take customer orders, direct order fulfillment and restock inventory from suppliers. This technology allows wholesaler-distributors to walk the fine line between stock-outs and over-stocked inventory.

Spectrum includes Computers and Media as covered business personal property and protects our insured’s investment in computer technology by reimbursing them for physical loss or damage to computer hardware. Coverage is extended to loss of or damage to computer software on a more limited basis.

The optional Computers and Media coverage form provides built-in coverage for virus damage to computer equipment, software and data. Limits are available up to \$2 million.

Internet ordering serves existing customers more efficiently by providing access to catalogs and product specs online. In addition the Internet gives wholesaler-distributors the opportunity to expand their reach further downstream in the supply chain. Connection to the Internet, however, causes a vulnerability to virus attacks, particularly via e-mail.

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Our optional Cyberflex safeguards a wholesaler-distributor against loss of income or extra expense due to:

- Denial of Service Attack in which a Web site is maliciously flooded with junk mail either causing the site/system to crash or making it so slow that it is unusable to legitimate users.
- Web Site Vandalism to protect against unauthorized, malicious alteration, a.k.a. hackers.
- Off Premises Web Site & Internet Service Interruption because some businesses' Web sites are hosted off premises, either by an Internet service provider or other Web host. We provide Web site and Internet service interruption coverage due to a covered loss to the property our insured depends on to provide Web site or Internet services. The Web site host or Internet service provider may be located anywhere in the world.
- Good Faith Advertising to cover the expenses incurred to restore faith after a cyber induced Business Income loss.

Salespeople are no longer tied to the wholesaler-distributor's office location. This means that many carry samples of their wares in their car, store them at home and are often showcasing them at trade shows. Samples can be damaged or stolen.

Our Stretch endorsements all offer some coverage for Salesperson's Samples. The amount of coverage varies by Stretch endorsement.

Complex, mechanized equipment is needed to quickly move inventory through a warehouse. Wholesaler-distributors rely on specialized materials-handling equipment to move merchandise around the warehouse quickly.

Equipment Breakdown coverage, included in the Spectrum Specialty Property Coverage Form, provides valuable protection for a wholesaler-distributor's equipment exposure. Coverage includes electrical arcing or artificial electrical current as well as mechanical breakdown.

Many wholesaler-distributors depend on a small number of suppliers or customers. If one of these "links" in the supply chain suffered a loss and was shut down for a period of time, The Hartford can respond to our customer's loss of income. And it doesn't matter where in the world that "link" is located because we offer Worldwide Dependent Property Business Income coverage.

Spectrum may be endorsed to provide Business Income from Dependent Properties. This endorsement can provide Business Income coverage for a covered loss at the premises of a major supplier or key customer.

Inventory is not always located at the named premises. Off-premises exposures are created when rapid movement of stock leads to the need for additional temporary storage or when products are installed at a customer's location and the wholesaler-distributor is responsible for that product until the installation is complete.

Some coverage for property "off premises" is afforded in each of our Stretch endorsements. The amount of coverage varies by Stretch endorsement.

Stolen merchandise can be easily sold. Employees may work with outsiders to pilfer the insured's stock.

The optional Employee Dishonesty endorsement can be purchased. Limits from \$10,000 to \$250,000 are available. Additional limits are provided under our Stretch endorsements.

Many wholesalers distribute products that come in sets – lawn furniture, bed linens, business suits, etc. A fire or other cause of loss could damage one piece of a set. The value of the undamaged pieces may be reduced because they are no longer part of a complete set.

We offer Pairs & Sets coverage that can help make a wholesaler-distributor "whole" after suffering a covered loss to a pair or set. Pairs & Sets coverage is included in the Business Personal Property limit.

Seasonal fluctuations in the amount of stock on hand are common for many types of wholesaler-distributors. Some wholesaler-distributors, such as toy, clothing and flower distributors experience wide fluctuations in the amount of inventory they have on hand at different times of year.

The Spectrum Special Property Coverage form provides for a 25% seasonal increase. This coverage can be applied when the wholesaler-distributor has covered their business personal property at the scheduled premises to at least 100% of the average monthly values. Additional Seasonal Increase options are available up to 50%.

Commercial Auto

The wholesale-distribution business is auto intensive. Commercial auto coverage is critical to wholesaler-distributors that deliver their own goods. Delivery trucks may be either leased or owned.

Our Broad Form endorsement is automatically added to most policies at no additional cost to the insured. Among its provisions we include:

Hired auto physical damage – covers physical damage to vehicles a company leases, rents, hires or borrows up to a limit of \$100,000. Physical damage and hired auto liability coverage from The Hartford are required.

Lease Gap coverage – if there's a total loss to one of a customer's long-term leased or owned covered autos and the lessor is named as a Loss Payee in the policy, we'll automatically include coverage to pay the outstanding balance of the lease, if it exceeds the actual cash value.

Loan Gap Coverage – In the event of a total loss to a covered auto for which the insureds outstanding loan balance is greater than the actual cash value of the vehicle, we will pay the difference between the outstanding loan balance and the actual cash value.

Salespeople driving either their own or non-owned vehicles present a significant over-the-road exposure. Hired and non-owned auto coverage is critical.

Employees as additional insureds – extends liability coverage to employees who use their own autos in the customer's business affairs.

Workers' Compensation

Employee workplace injuries can be caused by a number of things. The most frequent claims are for back strain from lifting, slips, trips and falls.

As one of the largest and most experienced workers' compensation carriers in the country, we offer:

- **Access to a countrywide network of over 400,000 healthcare providers skilled in handling workplace injuries and helping injured employees get back to work.** These network resources, combined with contracted network discounts, help The Hartford get the most out of every healthcare dollar.
- **Assistance in getting injured workers back on the job as soon as medically appropriate** through our Team-Work® return-to-work program and nurse case managers for complex cases.

- **Help in managing claim expenses** by reviewing medical bills and prescription treatments for accuracy.
- **A convenient way to manage cash flow with Xact-PAY®**, our patent pending payroll billing solution for Hartford workers' compensation policyholders. Benefits to small business owners include:
 - ◇ No large down-payment
 - ◇ Pay-as-you-go premium charges based on actual payroll
 - ◇ Lessening of audit surprises at the end of the policy period
- Broad coverage for your insureds including our **Broad Form Endorsement** at no additional premium charge. This endorsement provides many useful coverages including **Reimbursement for Reasonable Expenses** incurred on the insureds behalf in connection with a suit or claim proceeding we defend. This coverage extends to loss of earnings.

International Transit Coverage

During the past decade, more customers have moved overseas. The shifting of manufacturing overseas has changed the way wholesaler-distributors operate. Today, instead of shipping goods only within the boundaries of the lower 48 states, many ship globally.

Wholesaler-distributors can utilize the Hartford's Ocean Cargo ChoiceSM policy whether they are shipping by air or by sea, as well as by connecting conveyances, such as truck or train. Our Marine department can offer the comprehensive coverage wholesaler-distributors need. Our policy provides:

Broad Definition of Goods Insured – Businesses may have a financial interest in and ship just a single type of item or a variety of goods. With Ocean Cargo Choice, they'll have coverage for all lawful property shipped other than items such as money, jewelry, precious stones and live animals.

Valuation Clauses – Businesses can choose the one that's right for them:

- Selling price
- Consignee invoice amount if selling price isn't selected
- Written instructions for values agreed on with another party prior to a loss and arrival at a port
- Functional replacement, book value, or actual cash value for specific types of property such as used goods and machinery

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Domestic Transit – When a limit for domestic transit is scheduled on the client’s policy, they’re automatically covered for shipments that are hauled by truck or train in the U.S. or Canada.

Concealed Damage – Damages may occur during shipment even though the packaging shows no signs of damage. Ocean Cargo Choice may cover these concealed damages when they can be reasonably attributed to the transit – with no time limit or requirement to inspect the goods immediately upon arrival.

Consolidation & Deconsolidation – After goods are shipped, opportunities for loss still exist. We provide continuous coverage as cargo is loaded onto trucks, repacked by exporters or unpacked for distribution to the final destination.

Customs Detainment – The Hartford provides coverage for direct physical damage caused by U.S. or Canadian Customs Services while performing their inspection duties. Also, we’ll pay up to \$10,000 to cover the cost of bonds to release cargo held during law enforcement activities.

Expediting Expense – Sometimes simply replacing damaged goods is not feasible. With the prevalence of “just in time” inventory and delivery logistics, it’s important to be able to make immediate repairs or quickly replace damaged goods to complete sales. This important coverage is designed to provide for the extra costs such as express freight charges, overtime labor, shipping documents, and accommodation of repair personnel to repair or replace property faster than normally possible to properly maintain your customer’s business.

Fraudulent Documentation – The risk of loss due to acceptance of fraudulent shipping documents is often unrecognized and can lead to significant costs that many carriers will not cover. We protect our clients and their shipments when, unknowingly, they are misled by false documentation from individuals unscrupulously representing themselves as proper carriers and a covered loss results. The Hartford provides this distinctive coverage automatically.

Quality Service

With over 200 years of experience, The Hartford can provide customers with responsive service including:

- 24/7 claims reporting by phone or online
- Policyholder Services available from 7 a.m. to 7 p.m. Central Time.

Information Resource

With The Hartford Behind You, Achieve What’s Ahead of You.

Don’t forget to visit our small commercial sites at: **sb.thehartford.com** and **WorkersCompStartHere.com**

This flyer contains only a general description of coverages that may be provided and does not include all of the features, exclusions and conditions of the policies it describes. Certain coverages, features and credits vary by state and may not be available to all insureds. You should consult the actual policy language and speak with the appropriate Hartford representative if you have questions. In the event of a loss, the terms of the policy issued will determine the coverage provided. Coverages are underwritten by Hartford Fire Insurance Company and its property and casualty affiliates, Hartford Plaza, Hartford CT 06155, CA lic.# 5152.