

FAST FACTS

THE HARTFORD: Your solution for
Mortgage Brokers.



Size of Opportunity

U.S. Mortgage Brokers	69,000+*
Combined premium for workers' compensation, business liability, property and commercial auto.	Approximately \$40* million

Appetite

We define "small" as mortgage brokers having up to \$15 million in property value per location, sales up to \$10 million per account, payroll up to \$9 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

6163 Loan Broker

This classification contemplates the marketing to and qualifying of prospective buyers for mortgages by independent brokers. Customers engaged in originating mortgage loans, selling loans to permanent investors and servicing loans should be classified as Mortgage Bankers.

Industry Outlook

Because most consumers negotiate mortgages infrequently, the process can be confusing and difficult. Mortgage brokers work as a liaison between the borrower and the lender offering a range of services aimed at simplifying the process. These services may include:

- Assessment of the borrower's circumstances (credit history, income verification)

continued

- Selection of a suitable mortgage geared to the specific needs of the borrower
- Preparation of pre-approval paperwork
- Document gathering and completion of the application
- Explanation of legal disclosures
- Submission of all pertinent material to lender

Brokers typically charge the borrower an “origination fee.” In addition, lenders may pay brokers a premium. Generally, the broker is not paid until the loan is closed.

Because the residential real estate market is highly seasonal, with most transactions occurring in summer before the start of a new school season, cash flow for this industry is highly seasonal as well.

The industry is subject to dozens of federal and state regulations and licensing boards.

Mortgage brokers are currently responsible for roughly 70% of home loans – more than any other loan source in the country. Because demand for mortgage services is driven by home sales and refinancing, the market for these services is dependent on the strength of the housing market and low interest rates. As a result, the total volume of mortgage originations can swing wildly, rising or falling more than 50% in a given year.

Why Financial Planners Choose The Hartford

Spectrum Business Owners Policy

- **Brokers do not collect their fees until after a transaction closes.** Accounts Receivables comprise a large portion of these firm’s assets.

Spectrum has a \$25,000 limit for Accounts Receivable coverage built into the form for both on and off premises exposures. This limit may be increased up to \$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.
- **Many mortgage brokers are increasing their reliance on Internet sites to attract new customers and allow them to compare mortgage options quickly and easily.** The Internet is being used for a variety of purposes. Web sites have become an important image promotion tool used to attract new customers. Mortgage brokers are also using Web

sites to provide “comparison shopping” online. Web portals allow clients to communicate with their mortgage broker through secure Web-based connections and facilitate faster turn around on origination activities by allowing clients to enter appropriate information using an interactive Web site.

Our optional Cyberflex safeguards 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 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

- **Fast, powerful computers, scanners and indexing software play a critical role in records searches, document storage and regulatory compliance.** Today, the majority of work is performed with the help of computers which have replaced manual data entry and storage operations. Sophisticated computer systems help create economies of scale and reduce costs.

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 data or 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.

- **Mortgage brokers must store and protect valuable and sensitive documents.** Mortgage brokers are responsible for keeping copies of their clients’ financial documents or other files, mortgage applications, credit reports, deeds and other documents critical to the mortgage process. State and federal requirements dictate the length of time valuable documents must be kept.

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Spectrum is designed to cover Valuable Papers up to a \$25,000 limit both on and off the premises. This limit may be increased up to \$2 million. Additional limits are provided by the blanket limit included in our Super Stretch endorsements. We provide coverage for the cost to research and recreate copies of clients' files

- **With the number of data breach occurrences on the rise, and the regulatory requirements that need to be satisfied when a breach occurs, mortgage brokers need protection from this emerging risk.** Our Data Breach options offers coverage for:

- ◇ **First Party Response** expenses including but not limited to:
 - Legal & Forensic Services
 - Notification Expenses
 - Crisis Management/Public Relations
- ◇ **Third Party Defense & Liability** (including defense costs) for:
 - Civil awards
 - Settlements
 - Judgments that an insured is legally-obligated to pay

In addition, your customers will have access to a proprietary breach preparedness Web site offering a host of pre and post-breach services and resources.

Workers' Compensation

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

- **A convenient way to manage cash flow with our payroll billing solutions 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

- **Access to a nationwide 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
- 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.

Commercial Auto

- **Employee travel to clients' homes or offices, conferences, continuing education courses etc., is somewhat common in this industry.** Employees often use their own vehicles.

Employees as Insureds - If an employee has an accident while driving their own car on company business, personal liability coverage is provided to the employee in excess of the employee's own personal auto insurance

- **Owners of the mortgage brokerage firm may lease or purchase expensive vehicles for themselves.** Vehicles depreciate quickly and in the event of a total loss the outstanding value of the lease may exceed the actual cash value of the vehicle.

Our Broad Form Endorsement offers Lease and Loan Gap Coverage:

Lease Gap Coverage - In the event of a total loss to a covered leased auto for which the lessor has been added as an additional insured, we will pay the outstanding balance of the lease if it exceeds 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.

- Like other professionals, many mortgage brokers may want their next car to be a hybrid. Many professionals are drawn to the clean energy and high mileage aspects of hybrid cars.

We offer **Hybrid Car Replacement** - If a non-hybrid auto is a total loss, and if replaced by a hybrid auto, we will pay an additional 10% of actual cash value up to a maximum of \$2,500.

Respect for the Business Owner

- Straightforward claims service minimizes interruptions and gets our customers back in business fast.
- Efficient online options like bill pay and audit let business owners handle insurance needs when it's most convenient for them.
- Clear and simple communications and easy-to-use tools help take the confusion out of insurance.

Confidence in The Hartford

- Consistently voted one of the World's Most Ethical Companies by the Ethisphere Institute
- Known for its knowledge of small business –a Fortune 100 company providing business insurance to over 1 million small business customers.

Why The Hartford

- Industry leading products tailored to the needs of small business all based on extensive industry research
- A total solution for small business with a competitive suite of products: Business Owner's Policy, Commercial Auto and Workers' Compensation
- Commitment to maintaining a stable market

With The Hartford, small business owners can be confident they have just what they need to help protect their businesses today and as they evolve.

Behind Small Business. Ahead of Their Needs.

If you would like more information, contact your Hartford Representative.

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 or 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.