

FAST FACTS

THE HARTFORD: Your solution for the
Metal Manufacturing industry.



Robust Appetite

The Hartford's appetite for small manufacturers encompasses more than 240,000 businesses with approximately \$670 million* in combined workers' compensation, business liability, property and commercial auto premium.

We define "small" as manufacturers having up to \$7,500,000 in property values per location, sales up to \$7,500,000 per account and payroll up to \$2,000,000 per account for monoline workers' compensation. We will write monoline auto fleets up to 25 power units. Larger auto and workers' compensation policies may be written in conjunction with Spectrum®.

SIC Type of Business**

3452	Metal Goods - Bolts, Nuts, Rivets
3469	Metal Goods - Cold Stamping - Component Parts
3545	Metal Goods - Cutting, Machine or Measuring Tools
3544	Metal Goods - Dies, Jigs & Fixtures
3498	Metal Goods - Fabricated Pipe
3496	Metal Goods - Fabricated Wire Products
3965	Metal Goods - Fasteners, Buttons, Needles, Pins
2514	Metal Goods - Furniture
3423	Metal Goods - Gardening or Hand Tools
3931	Metal Goods - Musical Instruments
3494	Metal Goods - Plumbing Fittings
3993	Metal Goods - Signs
3432	Metal Goods - Plumbing Fixtures
3543	Metal Goods - Industrial Patterns
3545	Metal Goods - Machine Tool Accessories
3451	Metal Goods - Screw Machine Products

* MarketStance Commercial Lines Database, 2009

** Partial list. See Appetite Guide for detailed list of SIC codes

Industry Outlook

Efficiency is a key priority in the metal manufacturing sector. Securing a contract often depends on having the design, engineering and manufacturing capabilities to deliver a product to specification and on time.

The price of raw materials can change drastically depending on the market. Steel prices, for instance, can fluctuate as much as 30% in a given year. Price increases can not always be passed on to the customer. Consequently, many metal manufacturers have moved to just-in-time processing to minimize investment in materials inventory. The coordination of raw material deliveries from suppliers and finished product delivery to customers must be carefully coordinated. Supply chain management systems allow suppliers, manufacturers and customers to share scheduling information, reduce inventory costs and deliver orders in a timely manner. The customer base consists mainly of other manufacturers or wholesalers.

Why Metal Manufacturers Choose The Hartford

Spectrum

- **Equipment used by metal manufacturers is varied and costly:** Equipment Breakdown coverage, included in the Spectrum Special Property Coverage Form, provides valuable protection for a metal manufacturer's equipment exposure. Coverage includes electrical arcing or artificial electric current as well as mechanical breakdown.
 - **Equipment has become highly specialized; shops may have difficulty replacing highly specialized machinery should it be damaged.** If highly specialized machinery is damaged and a replacement is not easily available, production may be shut down for months. When production is resumed, it often takes additional time to bring business back to the pre-loss level. Business Income coverage is critical at times like this to reimburse a business owner for loss of earnings and operating expenses that occur even though business activities are temporarily stalled. Spectrum also offers extended Business Income coverage for 12 months - which totals up to one additional year of Business Interruption coverage after operations have resumed.
 - **At times it may be impossible to replace damaged machinery with identical equipment:** The cost of different equipment capable of performing the same function may differ from the actual cash value of the damaged machinery but fall short of replacement cost. The Hartford has a solution. Our Functional Valuation endorsement fills this gap by providing coverage for the cost to replace the damaged machinery with different machinery capable of performing the same functions.
- **Manufacturers walk a thin line when trying to balance inventory cost and production efficiency:** Some use just-in-time processing as a method of controlling costs requiring careful coordination of deliveries from suppliers. Others maintain large inventories of both raw materials and finished goods so that production will be uninterrupted and customers can be assured of receiving goods in a timely manner.
 - ◇ Just-in-time processes require careful coordination between a manufacturer, its suppliers and customers. Spectrum may be endorsed to provide Business Interruption Coverage from Dependent Properties. This endorsement can provide Business Income coverage for a covered loss at the premises of a major supplier(s) or a key customer(s).
 - ◇ Large inventories of finished goods present an other issue. The value of finished goods includes the value of the raw materials plus labor and profit the manufacturer would be entitled to when the finished goods are sold. The Manufacturer's Stretch endorsements all include Valuation Changes that allow for finished goods, when damaged by a covered loss, to be valued at their selling price, minus discounts and expenses that would normally have occurred, but have not due to the loss or damage.
 - **The manufacturing industry has become highly automated:** U.S. manufacturers spend over \$8 billion annually for computer equipment. Production lines make extensive use of robotic hardware. Some manufacturers have upgraded to wireless technology to take advantage of the increasing use of radio frequency (RFID) tags. Automation software is used to track inventory and control processes among multiple machines.
 - ◇ 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 \$500,000. Manufacturer's Stretch endorsements each also contain additional limits.

- **A number of factors can compromise the quality of metal goods:** Poorly designed parts, manufacturing process defects, accidental introduction or omission of substances can all lead to the need to recall and replace goods produced.

Optional Product Recall and Replacement coverage is available for expenses to recall products due to the accidental introduction or omission of substances, errors in design and manufacture of products, or contamination that could occur during the manufacturing process. In addition, coverage for replacement of the product, not including profit, is provided. Limits are available up to \$50,000 per occurrence and \$100,000 annual aggregate.

Workers' Compensation

- **Hazards inherent in this industry create safety issues for workers:** The injury rate in the fabricated metal parts sector is about 75% higher than the national average. Employees are exposed to heavy machinery, and hazardous substances.

The Hartford understands the connection between timely, appropriate medical care and favorable outcomes for both employers and employees. That's why we provide 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.

We also provide help in managing claim expenses by reviewing medical bills and prescription treatments for accuracy.

- **Cash flow is important to the metal manufacturing industry:** The Hartford can offer a convenient way to manage cash flow with XactPAY® our patent pending payroll billing solution for Hartford workers' compensation customers. Benefits to small business owners include:
 - ◇ No large down-payment
 - ◇ Pay-as-you go premium charges based on actual payroll
 - ◇ Mitigation of audit surprises at the end of the policy period

Commercial Auto

- **Many metal manufacturers pick up raw materials from suppliers and deliver finished goods to customers:** The Hartford offers broad auto insurance enhancements beyond most standard policies. Our recently expanded appetite for heavy and extra heavy trucks as part of a vehicle fleet and our competitive rating structure make it easy for you to place the entire account with The Hartford.

For additional information about metal manufacturers, go to iMarket where you will find a detailed White Paper for this industry.

Don't forget to visit our small commercial site at: sb.thehartford.com

The information provided in this material is intended to be general and advisory in nature and should not be considered legal advice. Certain coverages, features and credits vary by state and may not be available to all insureds. All coverages are individually underwritten.

This document outlines in general terms the coverages that may be afforded under a Hartford policy. All policies must be examined carefully to determine suitability for your needs and to identify any exclusions, limitations or any other terms and conditions that may specifically affect coverage. In the event of a conflict, the terms and conditions of the policy prevail. All Hartford coverages described in this document may be offered by one or more of the property and casualty insurance company subsidiaries of The Hartford Financial Services Group, Inc. All information herein is as of April 2010.