

Industrials

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The Industrials industry, a \$10 trillion industry globally, spans manufacturers and service providers. It consists of broad segments such as aerospace and defense, building products, construction and engineering, electrical equipment, industrial conglomerates, machinery,

trading companies, commercial services, airfreight and logistics, airlines, marine transportation, road and rail, and transportation infrastructure.

Major SIC Codes

3480s; 3720s Aerospace & Defense	4300s; 4700s Air Freight & Logistics	4500s Airlines
3080s; 3400s Building Products	1500-1799 Construction & Engineering	3700s Construction & Farm Machinery & Heavy Trucks
0700s; 7300s Diversified Commercial Services	3600s Electrical Equipment	7360s; 8330s Employment Services
4950s; 7340s Environmental Services	3900s; 9990s Industrial Conglomerates	3500s Industrial Machinery
4400s Marine	9900-9999 NEC	2520s; 2530s Office Services & Supplies
4010s; 4100s Road & Rail	5050s; 5190s Trading Companies & Distributors	4500s Transportation Infrastructure

Summary of Survey Results

At \$16.42, Industrials had the highest Total Cost of Risk per \$1,000 of revenue (TCOR) of any industry in the survey. The largest components of average TCOR were liability and workers compensation costs, while property costs represented a much smaller portion of average TCOR than was typical of other industries. Workers compensation costs as a percentage of payroll were among the highest of any industry.

Highlights

- Average TCOR was \$16.42 per \$1,000 of revenue, the highest of any industry.
- For companies with revenue less than \$1 billion, average liability cost per \$1,000 of revenue was \$8.24, as compared to \$4.60 for All Companies.
- At 1.85%, workers compensation costs as a percentage of payroll was the second highest of all industries.

Respondent Demographics

2006 Demographics of Respondents				
	First Quartile	Median	Third Quartile	Average
Revenue Size (\$ in millions) <=B	\$74	\$242	\$491	\$317
Revenue Size (\$ in millions) >B	\$1,816	\$2,465	\$5,210	\$4,471
Revenue Size (\$ in millions) Total	\$205	\$661	\$2,073	\$2,008
Total Assets (\$ in millions) <=B	\$75	\$420	\$884	\$891
Total Assets (\$ in millions) >B	\$1,351	\$2,090	\$7,840	\$6,184
Total Assets (\$ in millions) Total	\$311	\$937	\$3,208	\$3,377
Payroll Size (\$ in millions) <=B	\$35	\$70	\$114	\$84
Payroll Size (\$ in millions) >B	\$144	\$313	\$803	\$504
Payroll Size (\$ in millions) Total	\$50	\$99	\$241	\$244

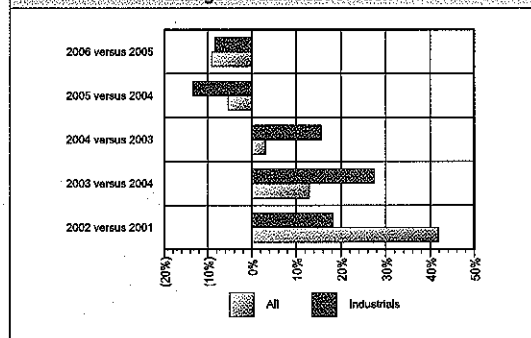
2006 Demographics of Respondents

	First Quartile	Median	Third Quartile	Average
Insured Property Values (\$ in millions) <=B	\$42	\$248	\$794	\$606
Insured Property Values (\$ in millions) >B	\$954	\$1,417	\$3,558	\$3,274
Insured Property Values (\$ in millions) Total	\$147	\$723	\$1,408	\$1,584
Number of Employees <=B	350	1,073	2,282	1,676
Number of Employees >B	4,500	12,372	24,500	18,756
Number of Employees Total	731	2,276	10,000	8,469
Number of Vehicles <=B	42	184	581	355
Number of Vehicles >B	217	634	2,126	1,862
Number of Vehicles Total	57	222	700	684

Cost of Risk

Average TCOR fell 8.47% for the Industrials industry compared to a decrease of 9.2% for All Companies. The drop in TCOR was largely attributable to sharply lower average liability and workers compensation costs. Property costs were substantially unchanged since 2005. Marine and aviation costs contributed more to average TCOR than was the case with virtually any other industry.

Change in Total Cost of Risk



Industrials (continued)

2006 Cost of Risk per \$1,000 of Revenues

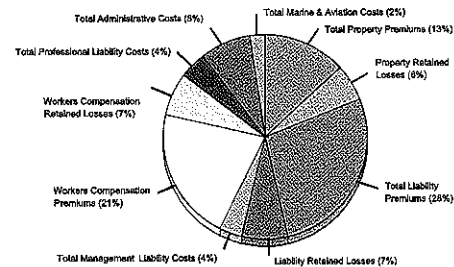
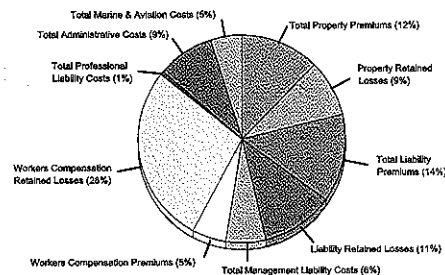
Less than or equal to \$1B	First Quartile	Median	Third Quartile	Average	Market Basket
Domestic Property Premiums	0.37	1.17	3.05	2.82	2.87
Foreign Property Premiums	0.02	0.03	0.09	0.06	0.00
Total Property Premiums	0.49	1.26	3.73	3.04	3.24
Property Retained Losses	0.00	0.13	0.49	1.19	1.43
Total Property Costs	0.83	1.70	5.15	4.23	4.67
General & Products Liability Premiums	0.30	0.68	1.76	1.80	1.34
Automobile Liability Premiums	0.21	0.35	1.32	1.15	0.60
International/Foreign Liability	0.02	0.06	0.46	0.23	0.11
Pollution/Environmental Liability Premiums	0.03	0.12	0.19	0.17	0.06
Umbrella/Excess Premiums	0.53	1.43	3.69	4.90	4.18
Total Liability Premiums	0.94	2.68	6.05	5.65	6.76
Liability Retained Losses	0.00	0.09	1.41	2.59	1.80
Total Liability Costs	1.20	4.03	7.33	8.24	8.56
Directors & Officers Liability Premiums	0.40	0.49	1.21	1.19	0.61
Employment Practices Liability Premiums	0.16	0.27	0.43	0.36	0.09
Fiduciary Liability Premiums	0.03	0.06	0.15	0.12	0.08
Total Management Liability Costs	0.36	0.58	1.27	1.16	0.87
Excess Workers Compensation Premiums	0.31	0.95	1.58	1.84	0.28
Primary Workers Compensation Premiums	0.78	1.63	5.32	6.32	4.89
Total Workers Compensation Premiums	0.74	1.40	5.02	5.57	5.21
Workers Compensation Retained Losses	0.00	0.53	2.04	1.87	1.68
Total Workers Compensation Costs	1.23	3.07	7.95	7.45	6.90
Total Professional Liability Costs	0.21	0.43	0.76	2.01	1.04
Crime Premiums	0.04	0.07	0.11	0.17	0.08
Total Fidelity, Surety & Crime Costs	0.03	0.07	0.11	0.16	0.08
Ocean Marine - Cargo	0.02	0.05	0.11	0.23	0.06
Total Marine & Aviation Costs	0.04	0.12	0.26	1.97	0.58
Total Financial & Political Risk Costs	0.01	0.03	0.03	0.03	0.01
Total Premiums + Retained Losses	9.09	15.57	25.63	22.94	22.94
Costs for Outside Services	0.23	0.70	0.92	0.68	0.93
Risk Management Departmental Costs	0.45	0.71	1.53	1.16	1.04
Total Administrative Costs	0.57	1.35	1.75	1.45	1.97
Total Cost of Risk	10.21	16.37	27.05	24.91	24.91

2006 Cost of Risk per \$1,000 of Revenues

Greater than \$1B	First Quartile	Median	Third Quartile	Average	Market Basket
Domestic Property Premiums	0.24	0.54	0.76	0.74	0.67
Foreign Property Premiums	0.02	0.03	0.31	0.14	0.02
Total Property Premiums	0.27	0.65	0.93	0.97	0.93
Property Retained Losses	0.03	0.08	0.55	0.72	0.66
Total Property Costs	0.61	1.03	1.78	1.69	1.59
General & Products Liability Premiums	0.04	0.10	0.20	0.17	0.11
Automobile Liability Premiums	0.03	0.07	0.15	0.25	0.16
International/Foreign Liability	0.01	0.02	0.09	0.10	0.03
Pollution/Environmental Liability Premiums	0.02	0.03	0.04	0.03	0.00
Umbrella/Excess Premiums	0.16	0.42	0.80	0.68	0.60
Total Liability Premiums	0.24	0.56	1.39	0.95	1.03
Liability Retained Losses	0.00	0.07	1.20	1.18	0.85
Total Liability Costs	0.30	1.03	3.19	2.13	1.88
Directors & Officers Liability Premiums	0.22	0.31	0.44	0.39	0.34
Employment Practices Liability Premiums	0.05	0.07	0.09	0.09	0.05
Fiduciary Liability Premiums	0.02	0.04	0.07	0.06	0.06
Total Management Liability Costs	0.29	0.41	0.55	0.49	0.47
Excess Workers Compensation Premiums	0.03	0.05	0.09	0.15	0.06
Primary Workers Compensation Premiums	0.15	0.36	0.57	0.46	0.32
Total Workers Compensation Premiums	0.13	0.36	0.68	0.44	0.40
Workers Compensation Retained Losses	0.06	0.59	2.25	2.79	2.09
Total Workers Compensation Costs	0.61	1.14	2.83	3.23	2.49
Total Professional Liability Costs	0.01	0.02	0.06	0.08	0.04
Crime Premiums	0.02	0.02	0.03	0.03	0.03
Total Fidelity, Surety & Crime Costs	0.02	0.02	0.03	0.03	0.03
Ocean Marine - Cargo	0.04	0.05	0.12	0.09	0.04
Total Marine & Aviation Costs	0.02	0.06	0.12	0.44	0.37
Total Financial & Political Risk Costs	0.00	0.01	0.01	0.01	0.00
Total Premiums + Retained Losses	2.77	5.48	10.51	6.88	6.88
Costs for Outside Services	0.19	0.31	0.86	0.77	0.39
Risk Management Departmental Costs	0.09	0.18	0.27	0.30	0.27
Total Administrative Costs	0.21	0.52	0.96	0.62	0.66
Total Cost of Risk	2.93	5.98	11.27	7.54	7.54

2006 Other Cost Metrics

	First Quartile	Median	Third Quartile	Average
Premiums and Retained Loss <=B	\$1,729	\$2,180	\$4,840	\$4,474
Costs Per Employee >B	\$722	\$1,328	\$2,241	\$1,993
Total	\$1,016	\$1,662	\$3,026	\$3,140
Workers Compensation <=B	\$263	\$464	\$943	\$774
Costs Per Employee >B	\$119	\$317	\$717	\$673
Total	\$171	\$368	\$921	\$725
Workers Compensation <=B	0.64%	1.44%	2.79%	2.10%
Costs as a % of Payroll >B	0.55%	0.75%	1.50%	1.37%
Total	0.62%	1.27%	2.75%	1.85%
Auto Liability Costs per <=B	\$653	\$1,324	\$2,106	\$1,621
Vehicle >B	\$642	\$1,067	\$2,420	\$1,782
Total	\$653	\$1,272	\$2,250	\$1,675
Property Costs per \$100 TIV <=B	\$0.11	\$0.17	\$0.33	\$0.52
>B	\$0.06	\$0.09	\$0.20	\$0.27
Total	\$0.09	\$0.15	\$0.26	\$0.43

How the Risk Dollar is Spent (Respondent Revenues less than \$1B)

How the Risk Dollar is Spent (Respondent Revenues greater than \$1B)


Limits and Deductibles/Retentions

2006 Limits													
Dollars in Millions		0 to 1	2 to 5	6 to 10	11 to 20	21 to 30	31 to 40	41 to 75	76 to 100	101 to 150	151 to 250	251 to 500	501 and up
Aircraft Liability	<=B	5%	15%	5%	10%	5%	0%	15%	10%	0%	0%	30%	5%
	>B	4	0	8	0	4	0	13	8	0	21	17	21
	Total	5	7	7	5	5	0	14	9	0	11	23	14
Automobile Liability	<=B	57	31	12	0	0	0	0	0	0	0	0	0
	>B	29	58	13	0	0	0	0	0	0	0	0	0
	Total	47	41	12	0	0	0	0	0	0	0	0	0
Crime	<=B	30	53	9	6	2	0	0	0	0	0	0	0
	>B	0	9	44	25	19	0	3	0	0	0	0	0
	Total	18	35	23	14	9	0	1	0	0	0	0	0
Directors & Officers Liability	<=B	11	22	20	16	11	7	11	2	0	0	0	0
	>B	0	0	12	9	9	12	30	12	9	3	0	3
	Total	6	13	17	13	10	9	19	6	4	1	0	1
Employment Practices	<=B	5	43	38	5	10	0	0	0	0	0	0	0
	>B	5	10	29	19	19	5	10	5	0	0	0	0
	Total	5	26	33	12	14	2	5	2	0	0	0	0
Fiduciary Liability	<=B	5	42	24	16	11	0	3	0	0	0	0	0
	>B	0	0	21	38	21	7	10	3	0	0	0	0
	Total	3	24	22	25	15	3	6	1	0	0	0	0
General Liability	<=B	2	86	2	5	5	0	2	0	0	0	0	0
	>B	3	64	15	10	8	0	0	0	0	0	0	0
	Total	2	78	7	7	6	0	1	0	0	0	0	0
Pollution/Environ. Liability	<=B	25	50	10	0	5	0	10	0	0	0	0	0
	Total	24	41	14	3	7	0	10	0	0	0	0	0
Products Liability	Total	20	40	0	40	0	0	0	0	0	0	0	0
Property - Domestic	<=B	2	7	7	6	4	4	17	7	6	11	19	11
	>B	0	0	0	0	0	0	6	10	6	13	35	29
	Total	1	5	5	4	2	2	13	8	6	12	25	18
Umbrella/Excess	<=B	0	8	10	10	8	13	29	14	10	0	0	0
	>B	0	0	2	0	0	2	15	24	20	10	22	5
	Total	0	5	7	6	5	9	23	18	13	4	9	2

2006 Deductible/Retention													
Dollars in Thousands		Guaranteed Cost	1 to 5	6 to 10	11 to 25	26 to 50	51 to 100	101 to 250	251 to 500	501 to 1,000	1,001 to 2,500	2,501 to 5,000	5,001 to 10,000 and up
Automobile Liability	<=B	55%	8%	3%	3%	0%	8%	8%	13%	0%	0%	0%	0%
	>B	24	0	0	0	0	0	24	22	8	11	3	8
	Total	43	5	2	2	0	5	14	16	3	4	1	3
Directors & Officers Liability	<=B	0	0	8	5	19	27	22	8	5	3	3	0
	>B	0	0	0	0	0	7	22	15	41	4	7	4
	Total	0	0	5	3	11	19	22	11	20	3	5	2
Employment Practices	<=B	0	5	0	11	11	11	47	11	5	0	0	0
	>B	0	0	0	0	0	0	29	19	10	24	14	5
	Total	0	3	0	5	5	5	38	15	8	13	8	3
Fiduciary Liability	<=B	21	9	3	26	12	6	18	6	0	0	0	0
	>B	3	3	3	3	20	27	23	7	3	7	0	0
	Total	13	6	3	16	16	16	20	6	2	3	0	0
General Liability	<=B	26	8	3	8	7	10	15	20	3	0	0	0
	>B	15	2	0	0	0	0	10	20	17	17	7	10
	Total	22	6	2	5	4	6	13	20	9	7	3	4
Pollution/Environ. Liability	<=B	6	17	22	11	17	6	11	0	11	0	0	0
	>B	27	18	0	9	9	9	0	9	18	0	0	0
	Total	14	17	14	10	14	7	7	3	14	0	0	0
Property - Domestic	<=B	0	17	10	14	12	24	16	2	2	0	3	0
	>B	0	0	3	0	6	28	22	13	19	6	3	0
	Total	0	11	8	9	10	26	18	6	8	2	3	0
Workers Compensation	<=B	40	2	0	0	0	2	19	28	6	4	0	0
	>B	18	0	0	0	0	3	15	23	28	8	3	3
	Total	30	1	0	0	0	2	17	26	15	5	1	1