

Delivering Our Best
> Year in Review **2006**

The logo for Affiliated FM, featuring a white swoosh above the text "Affiliated FM" in a white serif font, all set against a dark teal background.
Affiliated FM[®]





“ Attending the engineering forum confirmed what I already thought to be true: Affiliated FM is way ahead of its competition in providing loss prevention and risk management services to its clients. ”

– 2006 Broker Engineering Forum attendee

About Affiliated FM

Affiliated FM is a commercial property insurer that provides innovative products and services designed to protect assets, improve operating reliability and maintain the profits and market share of our clients. We are committed to developing strong relationships with our brokers and clients through:

- Superior property underwriting knowledge and expertise
- Customized property loss prevention engineering programs
- Responsive and efficient services in a highly automated environment
- Prompt, professional and fair claims service

As a member of the FM Global group:

Affiliated FM maintains an A+ (“superior”) and “stable” rating from A.M. Best. Affiliated FM maintains an AA (“stable”) rating outlook from Fitch.

“ The engineering forum gave me a better understanding that most loss is preventable through engineering. ”

– 2006 Broker Engineering Forum attendee

Delivering Our Best

At Affiliated FM, our goal is to deliver superior products and services, as well as a world-class customer experience. This is accomplished by listening to and staying focused on the needs of our brokers and their clients, and through frequent, focused interaction with them. We partner with our brokers to meet those needs by embracing a culture of continuous improvement and innovation, and work together to take a proactive approach to delivering market-leading property insurance and loss prevention programs. Some examples of how we do this, and highlights from 2006 follow.

Pioneering Products

Affiliated FM's ongoing commitment to providing groundbreaking products that stay ahead of the market, keep pace with today's business climate and respond to the changing needs of our clients led to our creation of two enhanced policy forms in 2006. These specialized forms, aimed at North America condominium associations and real estate owners, provide clients with the benefits of an all-risk policy written specifically to meet their unique property coverage needs,

paired with the flexible coverage limits, automated processing and easy-to-read format of our popular proVisionSM policy.

Adding to our menu of pioneering products, we created a unique new endorsement for business interruption (BI) exposures. **BI Select**[™], launched on Jan. 1, 2007, is a unique product offering that allows clients to maximize their business interruption recovery after a loss has occurred. Previously, clients were required to make a choice at policy inception that defined whether the business interruption part of the loss would be based on production or sales. BI Select is particularly beneficial for companies challenged by projecting the exact nature of a business interruption loss—such as businesses whose production or sales cycles fluctuate, or those with multiple locations—because it provides a choice at the time of settlement, once all loss details are known.

Responding to Evolving Needs

These new policy forms and endorsements also reflect our larger commitment to meet our clients' changing needs. To that end, we increased capacity this year, adding greater

earthquake capacity and continuing to offer our stable wind capacity despite an exceptionally challenged and restrictive market.

We also continued to offer terrorism coverage during a time of increased market uncertainty regarding this difficult exposure.

New Office in Washington, D.C.

To more effectively deliver on our value commitment through local contacts, Affiliated FM opened a new office in Washington, D.C., in July. The new office serves broker partners who have producer agreements with Affiliated FM in Delaware, Maryland, Virginia and Washington, D.C.

Expansive Training Services

Affiliated FM continues to offer a variety of property loss prevention seminars, customized training programs and other learning opportunities, available exclusively to our clients and broker partners. In addition to instructor-led seminars, in 2006 we introduced a series of online training courses designed to help clients address human factor hazards. These courses take less than one hour to complete, and can be accessed 24 hours a day, seven days a week from any computer connected to the Internet—no downloads required.

We also work with clients to design customized property loss prevention workshops. These customized seminars accommodate each client's availability and needs, and are delivered worldwide by our expert personnel.

For our broker partners, we continue to host policy workshops that offer a comprehensive overview of the property insurance contract and the inherent flexibility of our proVision form, while also including interactive sessions that focus on understanding business interruption coverage. As an added benefit to our brokers, many of these workshops now qualify for continuing education credits.

Partnering with Brokers

In 2006, we kept our broker partners up-to-date on initiatives at Affiliated FM by publishing four issues of our electronic newsletter *enVision*. This publication provides our brokers with news and information on a wide variety of timely topics, such as coverage enhancements, engineering success stories, industry trends and more, to help them communicate the added value of Affiliated FM's products and services to their clients.

Our annual Broker Engineering Forum, which includes a tour of the FM Global Research Campus, had an excellent turnout again this year. Forty of our broker partners spent two days with us, taking a first-hand look at the science and facts of property loss prevention technology both in the traditional area of fire and explosion as well as in the natural hazards laboratory. Brokers repeatedly tell us this program is a powerful demonstration of the unique value Affiliated FM brings to its clients.



Attendees at Affiliated FM's 2006 Broker Engineering Forum had the opportunity to witness several tests for property loss prevention, including (from top) a large-scale fire test, a demonstration of a dust explosion and a welding blanket fire-resistance test.



Forum attendees gained an increased understanding of the many property hazards their clients face, as well as the practical, scientifically sound solutions that are available to help address those challenges. Armed with this information, many brokers found they are better able to articulate the benefits of property loss prevention to their clients.

Enhancing the Client Experience

As part of our commitment to providing exceptional service, we routinely invite clients who have had a claim to provide feedback on their experience. We use the feedback from these claims surveys—both positive and negative—to help us continually improve our service.

Nearly all respondents reported they were “satisfied” or “extremely satisfied” with the various aspects of the claim process, from the ease of submitting the initial claim to the responsiveness of the Affiliated FM claims staff to the outcome of the settlement.

Increasing Our Local Presence

In 2006, we broadened our local presence in several key ways, including the release of an Affiliated FM Web site in German. We also expanded our presence in Europe in 2006 by participating

in Les Journées du Courtage in Paris, along with continued participation at the British Insurance Brokers’ Association (BIBA) trade show, among the largest in Europe. In addition, we exhibited at the National Insurance Brokers Association of Australia (NIBA) convention in Queensland, Australia.

The company also extended the availability of our client “Welcome Package,” which highlights our unique products and services and provides pertinent information and resources for our new clients. The package includes localized content for clients in Australia, Canada and the United States.

Looking Ahead

As a respected industry leader, Affiliated FM provides superior customer-focused products and services—evident in the unparalleled all-risk property insurance, claims-handling and property loss prevention engineering services we consistently delivered in 2006. Looking to the future, Affiliated FM is committed to delivering our best for our broker partners and clients by actively listening and proactively offering innovative products and services to meet their evolving needs.

“ Everything worked perfectly from the time we filed the claim until the check was issued. ”

—Affiliated FM client, Dallas, Texas, USA

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BROKER ADVISORY COUNCIL

Affiliated FM's Broker Advisory Council (BAC) membership is drawn from senior management of our broker partners representing global, regional and wholesale brokerage firms. Meeting twice per year in North America, the BAC is an effective forum for Affiliated FM to inform our brokers of significant developments regarding the operation of the company and provides an avenue for communication with Affiliated FM's senior management. Feedback generated at these meetings is crucial to ensure we continue providing products and services that keep stride—and often set the pace—within the industry.

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