

GOOD NEWS IN THE PROPERTY MARKET

*Affiliated FM makes significant
inroads in the middle market*

By Dennis H. Pillsbury

For years, FM Global has been considered the quintessential provider of property risk management services to the large account marketplace. Its mix of comprehensive coverage and strong engineering services has earned it a reputation as

one of the preeminent underwriters of highly protected risks (HPR) in the commercial property market. As A.M. Best notes in its write-up in Best's Insurance Reports on FM Global Group, it "is afforded a distinct competitive advantage over most insurers by virtue of its professional engineering expertise, inspection and loss control services, training and research."

The good news for brokers and their clients is that FM Global makes these services available to the middle market through its subsidiary, Affiliated FM. Clearly, this move has been greeted favorably since Affiliated FM reached \$500 million in premium at the end of last year, more than quintupling its earned premium in fewer than five years.



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*—Michael Lebovitz
Vice President and Manager of Operations*

Carol G. Barton, senior vice president-commercial lines, says that, Affiliated FM’s “primary customer is the broker. Our target market is mid-sized businesses with \$50,000 to \$250,000 in property insurance premium. We write this business exclusively through select brokers who want to add value to the transaction.”

Barton says the advantages offered by Affiliated FM are fourfold.

1. “We are commercial property experts. We write property business only, which means that we have to be easy to work with so that our clients (brokers) want to bring that part of their business to us.”

2. “We have invested in technology so policy deliverance is quick and there are no surprises. The proposal is designed so that the policy matches it. Policy turnaround is two weeks or less.”



Shingles are tested under high wind conditions at the testing facility.

3. “Our products are broad and competitive. We have used our expertise to design policies that are broader than the competition because we are confident of our underwriting. We have property packages that are geared to specific industries that have significant property exposure, including real estate, retail, condominiums, and manufacturing.”

4. “We understand property hazards and work with brokers’ customers to help them prevent losses. We have more than one hundred years of engineering expertise and scientific research into property exposures and loss prevention. We believe that most losses are preventable and work with our brokers and their customers to strive for a no-loss environment.”

She continues: “If a loss does occur, we provide fair and equitable claims payment. We view a loss as a learning experience and get on site quickly so we can determine how that loss could have been prevented and avoid such a loss from occurring in the future.”

The people at Affiliated FM “are very knowledgeable underwriters,” says Rodger Jones, syndicator with Aon Risk Services of Texas, Inc., Dallas. “The company offers a good product and a form that is competitive in the marketplace and, most important, I enjoy doing business with them. I have a good working relationship with them. All their people are top-notch, all the way up to Carol.

“They also have the capacity to do most of the deals that I work on,” Jones continues. “I do a lot of middle market and several larger Fortune 1000 companies. The engineering services Affiliated FM provides to clients are very important to some, especially in the manufacturing area.

“The bottom line,” he concludes, “is that Affiliated FM makes it pretty easy to do business with them and has an excellent reputation in the marketplace.”

Wendy Miller, executive vice president with the Hays Companies, an independent brokerage based in Minneapolis, agrees that Affiliated FM has “good people who are easy to work with. The company offers an extremely broad form that covers all types of property. It’s much broader than most other forms in the marketplace.

“Most important,” she adds, “is that the people at Affiliated FM do what they say they’re going to do. The people are well trained and provide good engineering services and good claims service. They have a high caliber of people who provide excellent service to our clients.”

Michael Lebovitz, vice president and manager of operations at Affiliated FM, says the company “has put together a form that is the broadest possible. It includes property, time element, inland marine, and boiler and machinery. It also is an easy-to-read policy with 90% of the coverages built in. Other coverages can be added.”

He continues, “As a specialty property insurer, we are committed to this field. And we’re able to bring a unique blend of coverage, engineering, and loss control services that we have built up over many years. Our research facilities are the largest in the world and provide the basis for scientifically sound and state-of-the-art loss control services.”

“We also work with our brokers and their clients to come up with property values through an annual valuation,” Lebovitz adds. “We can help them with determining values for various items as well as help with appraisals.”

This willingness to work with and listen to brokers also extends to product development. “Our manufacturing policy was developed from our meetings with our broker advisory council,” Carol Barton notes. “Our brokers are our customers and we listen to them very carefully. They asked for easy-to-read policies and for international coverage. We responded to both of these requests in our manufacturing offering.”

Wendy Miller, who serves on one of Affiliated FM’s broker advisory councils, says the council and the people at Affiliated FM are “a really nice group to work with. There’s a nice give and take and the company really does listen to us and respond to our needs.”

Barton notes that the hurricanes that struck Florida last summer provided an excellent “live” demonstration of the efficacy of Affiliated FM’s modeling and loss mitigation services. “One of our insureds was in the process of addressing some of their buildings’ vulnerabilities, according to our engineering recommendations. Two of the three buildings were attended to and sustained no damage.” She adds that “most of our solutions are not that expensive. A few strategically placed screws, for example, can better prevent a roof from blowing off in a hurricane and causing a lot of damage to the building and its contents.

“Our losses from last year’s hurricanes were under \$100 million,” she continues. “When compared with the rest of the industry, that was less than half what other insurance companies with similar exposure experienced.”

Lebovitz concludes: “Affiliated FM plans to really stretch the property marketplace, especially for the middle market.”

That’s good news for brokers who are looking for a market with some flexibility. (Pun intended.) ■