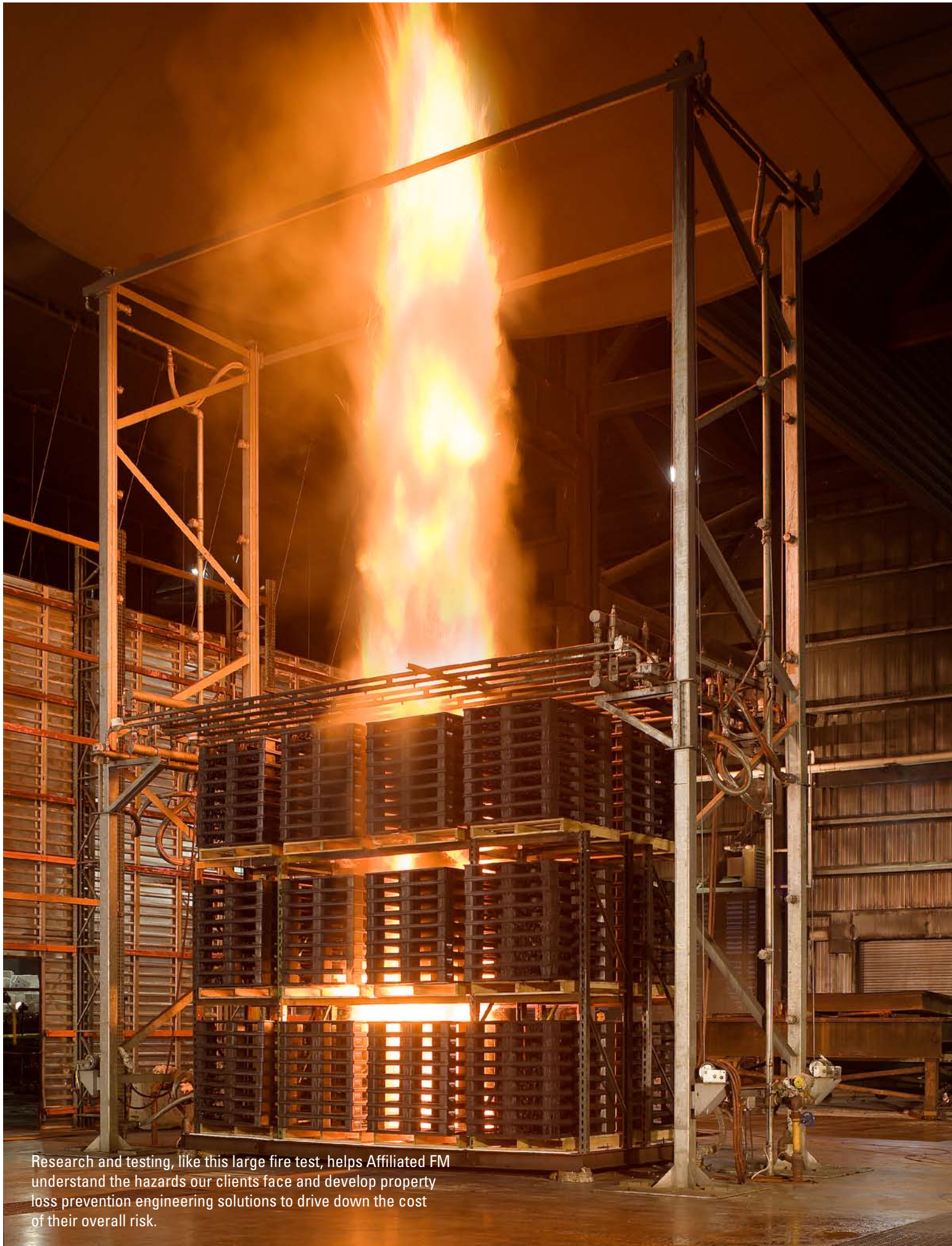


Driving Down the Cost of Risk | Year in Review 2007





Research and testing, like this large fire test, helps Affiliated FM understand the hazards our clients face and develop property loss prevention engineering solutions to drive down the cost of their overall risk.



Affiliated FM is a middle market commercial property insurer that provides innovative products and services designed to protect assets, improve operating reliability, reduce the overall cost of risk 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, expertise and products
- Customized property loss prevention engineering programs
- Responsive and efficient services in a highly automated environment
- Prompt, professional, flexible 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 from Fitch

The Benefits of Loss Prevention

According to our survey of the middle market, insurance buyers look to their broker for advice and guidance on the selection of an insurer that will address their needs and provide added value beyond the simple transactional level of most insurers.

Our extensive scientific research, loss prevention engineering expertise and detailed property loss experience tell us, unequivocally, that even a small investment in property protection helps prevent loss and drives down the overall cost of risk.

By partnering with our brokers and clients in 2007, we demonstrated that Affiliated FM’s systematic approach not only helps clients prevent loss, but also cost-effectively prioritizes risk reduction, while providing insurance programs that cover the hazards they face. Our significant, competitively priced capacity, products and services allow our broker partners to provide a unique insurance and loss prevention solution to their clients.

Throughout the year, we worked with our broker partners and clients to demonstrate Affiliated FM’s engineering value and to show how proactive property loss prevention helps reduce a clients’ cost of risk now and in the long-term. The partnerships in prevention we formed and strengthened in 2007 helped to further elevate loss prevention and risk management from a middle-market challenge to a key decision-making factor.

Innovative Coverage

In 2007, we introduced the proVision (3100) enhanced all-risk policy, which can be tailored to meet the diverse needs of all types of businesses. Designed for optimum flexibility, the enhanced proVision all-risk policy features a combined business interruption (BI)/extra expense form and embedded boiler and machinery coverage. The proVision form also offers many special features, including a broad range of coverage extensions and enhancements while maintaining a streamlined format that is easy to read and navigate.



In the coming year, Affiliated FM will continue to enhance our specialty coverage options and expand our segmented offerings by introducing new education and health care coverage forms and associated BI coverage. These new forms, modeled after our other specialty coverage for manufacturing, real estate and condominium clients, will provide tailored coverage for clients in the education and health care industries.

With traditional BI coverage, clients are required to make a choice at policy inception that defines whether the BI portion of their loss will be adjusted based on production or sales. With BI Select, Affiliated FM clients no longer have to predict the future, and are able to make that decision at the time of settlement, once all loss details are known.

BI Select policy workshops were introduced in tandem to offer our broker partners a comprehensive overview of the product and highlight the form's groundbreaking characteristics. Affiliated FM will continue to offer our BI Select policy workshops throughout the coming year.

“Clients value the partnership they have with broker partners and with Affiliated FM, resulting in a high degree of client loyalty and retention.”

2007 Affiliated FM Middle Market Survey

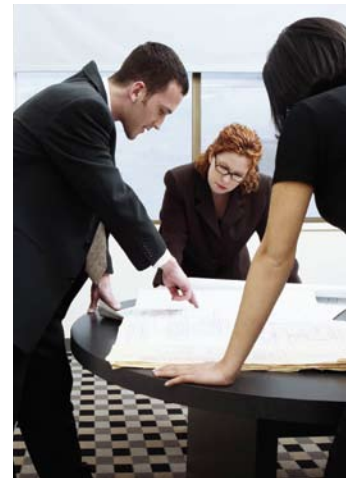
BI Select™

At the beginning of the year, Affiliated FM introduced BI Select, a unique product that maximizes a client's BI recovery after a loss. BI Select is particularly beneficial for companies challenged by projecting the exact nature of a BI loss, such as those whose production or sales cycles fluctuate, or for companies with multiple locations.

Contract Certainty

In an industry not known for its punctuality, Affiliated FM's client service approach and automated systems allow us to deliver accurate policies and documentation quickly to our clients and broker partners. In 2007, Affiliated FM delivered more than 90 percent of its policies within 10 days of inception—outstanding results that far exceed industry performance.

In the coming year, Affiliated FM will continue to streamline and enhance our processes to provide accuracy and contract certainty for clients and brokers.



A Local Presence for International Clients

Throughout 2007, Affiliated FM strengthened its international capabilities and broadened our presence in the local markets and areas served by our brokers and their clients. Having a localized presence in the countries we serve allows us to provide consistent underwriting, loss prevention engineering, claims and client service.

In 2008, Affiliated FM will continue to develop our international capabilities providing clients with consistent coverage and service at international facilities within our expanded footprint.

Education and Preparation

Working with our broker partners and mutual clients to understand hazards, reduce loss and increase knowledge of Affiliated FM's products and services is at the heart of our client and broker training programs. Throughout the year, Affiliated FM delivered educational programs and workshops for brokers and clients and developed customized training programs for individual clients to assist them in implementing specific property loss prevention programs within their organizations.

Online Training Programs

In 2007, we introduced online training courses for clients. These interactive courses, offered at no charge, feature computer-based instruction delivered at a user's own pace. Courses cover subjects from hot work management and human element programs to flood and other natural hazard loss prevention. They are designed to assist clients in understanding the hazards they face and to help them implement programs and procedures to reduce their exposures. To date, more than 600 Affiliated FM clients have taken advantage of this opportunity and service. In the coming year, Affiliated FM plans to introduce additional courses, including versions in languages other than English. We also will provide online summaries of each course for our broker partners to assist them in discussing these and other loss prevention topics with their clients.

Maintaining Strong Ties

Maintaining strong ties with our broker partners, exploring emerging industry trends, and discussing issues of concern are crucial to our continued success.



Our annual Broker Engineering Forum and FM Global Research Campus tour continued its popularity in 2007. The event attracted 40 of our broker partners (pictured above), who spent two days with us exploring the science of property loss prevention and the relationship among our research, engineering and underwriting groups. This forum helps attendees increase their understanding of key property hazards faced by their clients, and learn about practical, scientifically sound solutions available through Affiliated FM to address those challenges.

Attendees repeatedly tell us this type of experience enhances their ability to articulate the benefits of property loss prevention to clients and is a powerful demonstration of the unique value Affiliated FM brings to the market.

Broker Advisory Council

Affiliated FM established our broker advisory councils (BAC) to further strengthen relationships with the broker community and ensure we continue to deliver products and services based on current market conditions and client needs.

These forums provide a unique opportunity to share knowledge and industry experience within a fellowship of senior industry peers. Feedback gathered is used to help measure Affiliated FM's performance, develop our current and future business strategies, and create products and services that best serve our mutual clients' needs.

We also held BAC meetings and focus groups in Paris and Australia to support our growing international clientele and understand the specific needs of our local markets.

The candid and direct input gathered from BAC members in 2007 allowed us to stay abreast of key industry issues and identify those that matter most to our broker partners and our mutual clients. The dialogue exchanged in these forums is exceptionally valuable to us, and we greatly appreciate the participation and input offered by all BAC members—past, present and future.

Industry Trade Shows

Last year, Affiliated FM made its debut at the Risk and Insurance Management Society's (RIMS) tradeshow, as well as the Public Risk Management Association's (PRIMA) annual event in the United States. In addition, we again participated in annual industry events including Les Journées du Courtage in France, the National Insurance Brokers Association (NIBA) of Australia and the British Insurance Brokers' Association (BIBA) tradeshows.

Committed to Excellence

As always, Affiliated FM is committed to delivering its best for our broker partners and clients by actively listening and proactively offering innovative products and services to meet their evolving needs. As a respected industry leader, Affiliated FM is dedicated to providing superior, client-focused products and services like those our broker partners and clients accessed in 2007.

We look forward to working with our broker partners and clients in the coming year to exceed their expectations and continue to deliver the superior coverage, large stable capacity, claims and loss prevention engineering services that make Affiliated FM unique in our marketplace.

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* Outside North America, Affiliated FM's products and services are offered by Affiliated FM, a division of FM Insurance Company Limited. In the United Kingdom, FM Insurance Company Limited is regulated by the Financial Services Authority.

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 a year in North America, the BAC is an effective forum for Affiliated FM to inform 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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