Best's Rating Report

Member of the FM Global Group

AFFILIATED FM INSURANCE COMPANY

Johnston, Rhode Island

Financial Strength
A.M. BEST
A+ Superior

A+

EFFECTIVE: October 8, 2015

Ultimate Parent: Factory Mutual Insurance Company

AFFILIATED FM INSURANCE COMPANY
270 Central Avenue, Johnston, RI 02919-4949
Mailing Address: P.O. Box 7500, Johnston, RI 02919-0750
Web: www.affiliatedfm.com

Tel: 401-275-3000	**Fax: 401-275-3029**
AMB#: 000103	**NAIC#: 10014**
Ultimate Parent#: 004067	**FEIN#: 05-0254496**

BEST'S CREDIT RATING

Best's Financial Strength Rating: A+ **Outlook**: Stable
Best's Financial Size Category: XV

RATING RATIONALE

Rating Rationale: The ratings of Factory Mutual Insurance Company (FMIC) have been assigned to Affiliated FM Insurance Company, reflecting its strategic role and importance to FMIC, common ownership and management, and the explicit support provided through an intercompany reinsurance pooling arrangement led by FMIC whereby the company retains 12% of the pool's premiums, losses and expenses.

The following text is derived from A.M. Best's Credit Report on FM Global Group (AMB# 018502).

The ratings reflect the superior level of risk-adjusted capitalization and historically excellent underwriting and operating performance of Factory Mutual Insurance Company and its subsidiaries (collectively, FM Global or the group), as well as the benefits gained from the group's innovative loss prevention process and approach to property conservation, and its market leadership position in the commercial property market. These factors are somewhat offset by the group's significant exposure and susceptibility to natural and man-made catastrophes. Furthermore, the group maintains elevated common stock leverage, which, while manageable, adds some volatility to the group's overall earnings and balance sheet. The outlooks reflect A.M. Best's view that the group's capitalization will remain more than supportive of the current ratings driven by strong earnings and its leadership position in providing property coverages worldwide.

While FM Global remains susceptible to catastrophe losses, the group has taken a number of steps to limit the magnitude of such losses via intensive engineering review, higher deductibles and attachment points as well as a strong reinsurance program. The group's underwriting criteria place a significant emphasis on loss prevention, and the group maintains close relationships with its insureds to foster awareness and adoption of the research undertaken by FM Global's large research and engineering staff.

The group's operating results were impacted in 2011 and, to a much lesser extent, in 2012 by increased natural hazard losses that occurred on both its domestic and international book as a result of the unusual frequency and severity of global natural catastrophes. Management expects to occasionally experience years with above-average losses due to the nature of its property coverages and has worked to build up a sizable capital base over the past ten years to absorb these occasional "shock" years without significant deterioration of risk-adjusted capital.

While FM Global maintains relatively high common stock leverage, this is offset by the group's conservative underwriting leverage, solid earnings and strong cash flows. As a result, the elevated common stock leverage does not have a material impact on FM Global's risk-adjusted capital level.

FM Global is a market leader among providers of commercial property insurance in the U.S., serving a significant number of Fortune 1000 companies worldwide, many of which have been with FM Global for more than 25 years. The group's ability to consistently retain more than 90% of its policyholders is a result of its stable capacity, unmatched engineering, global reach, loss prevention technology, shared commitment (with its policyholders) to property preservation and the strategic use of membership (premium) credits.

While the ratings for the members of FM Global are stable, future positive rating actions may result from the group's continued strong underwriting and operating performance for an extended period. However, negative rating actions could result if underwriting and operating performance falls markedly short of A.M. Best's expectation along with weakening the group's overall risk-adjusted capitalization.

FIVE-YEAR RATING HISTORY

Date	Best's FSR	Date	Best's FSR
10/08/15	A+	09/20/12	A+
09/25/14	A+	09/23/11	A+
09/20/13	A+		

KEY FINANCIAL INDICATORS ($000)

	Statutory Data					
Period Ending	Direct Premiums Written	Net Premiums Written	Pre-tax Operating Income	Net Income	Total Admitted Assets	Policy-holders' Surplus
2011	773,665	389,213	-18,354	-23,689	1,874,643	905,580
2012	843,318	444,225	113,430	85,992	2,302,163	1,034,098
2013	830,407	387,588	135,602	124,415	2,327,144	1,262,071
2014	809,196	386,632	136,269	119,139	2,528,718	1,397,650
2015	804,529	420,544	109,088	121,553	2,589,257	1,479,589

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pre-tax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev.	Overall Liq. (%)	Oper. Cash flow (%)
2011	118.6	3.4	-5.2	58.0	0.4	1.5	195.5	108.3
2012	82.0	3.1	28.6	66.8	0.4	1.6	183.0	110.9
2013	78.6	2.7	35.0	71.1	0.3	1.1	220.5	157.1
2014	78.8	2.5	35.3	62.3	0.3	1.1	225.2	150.2
2015	85.5	2.3	26.6	64.6	0.3	1.0	234.4	115.2
5-Yr	88.0	2.8	24.6	...	...	...	...	...

(*) Within several financial tables of this report, this company is compared against the Commercial Property Composite.

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement.

BUSINESS PROFILE

The following text is derived from A.M. Best's Credit Report on FM Global Group (AMB# 018502).

FM Global is one of the largest underwriters of highly protected risk (HPR) within the commercial property market and is widely recognized throughout the industry for its extensive loss control, risk management and engineering capabilities. FM Global is afforded a distinct competitive advantage over most insurers by virtue of its professional property engineering expertise, inspection and loss prevention services, training and research. These bundled professional services assist FM Global's policyholders in the identification, assessment and management of property risks. In addition to providing global insurance products and value-added services, FM Global is also known for its captive-like orientation and its focus on long-term business partnerships which, in some cases, span more than 100 years. Many of the group's largest policyholder organizations are also members of FM Global's board of directors, advisory boards and risk management executive councils, which reinforces its understanding of the needs of its clients. A majority of FM Global's policyholders maintain worldwide operating facilities and are typically large industrial companies operating in varied manufacturing and servicing industries. Business is produced on a direct basis and through brokers.

Insurance coverage provided includes all-risk policies and policies providing fire and extended coverage, boiler and machinery, difference in conditions, ocean cargo or any combination of these lines of coverage. Business interruption insurance is also offered as a supplement to these lines of coverage. With the implementation of the U.S. government reinsurance of terrorism exposures in November 2002, FM Global was required to offer terrorism coverage to all its insureds with full limits. The group's deductible under the Terrorism Risk Insurance Program Reauthorization Act (TRIPRA) is $586 million in 2015, with the group also financially responsible for 20% of losses above its deductible. If TRIPRA lapses, insureds will be subject to a significantly lower terrorism coverage sublimit.

Insurance activities are conducted in the U.S., Canada, and Asia-Pacific through Factory Mutual Insurance Company (FMIC), the lead U.S. carrier and ultimate parent. Additional insurance activities are conducted in the U.S. and Canada through two U.S. operating companies and two Canadian branch offices. FMIC is the lead carrier in the FM Global Group. Affiliated FM specializes in underwriting small- and mid-sized highly protected risks as well as better quality non-HPR accounts of all sizes. In addition, Affiliated FM writes associated coverage, including boiler and machinery and ocean cargo. Appalachian writes coverage on a surplus lines basis.

FM Global's U.K.-based subsidiary, FM Insurance Company Limited ("FM Insurance"), serves clients outside North America from its U.K.-based headquarters, utilizing branch offices in France, Belgium, Italy, Germany, Spain, Sweden, Switzerland, Australia, and New Zealand. Effective January 1, 2009, FM Insurance retains roughly 40% of its premium volume, net of third-party facultative reinsurance, with the remainder ceded to FMIC. In addition, FMIC also provides FM Insurance with stop-loss reinsurance above a combined ratio of 125%. Nearly half of FM Insurance's coverage is related to the foreign operations of its U.S. insureds. Beginning in 2013, FM Global's Asia-Pacific business began transitioning to FMIC paper from that of FM Insurance. All of the aforementioned business has been transferred.

Risk Engineering Insurance Company Limited (REICL) is incorporated in Bermuda and its ultimate parent is Factory Mutual Insurance Company. REICL is registered in Bermuda as a Class 3A insurer under the Bermuda Insurance Act 1978, as amended (the "Insurance Act"). REICL provides facultative reinsurance to its parent and affiliates.

In the U.S., members of the FM Global Group operate under an intercompany pooling arrangement, effective January 1, 1999. Under this agreement, each company agrees to pool net premiums earned, net loss and loss adjustment expenses incurred, and other underwriting expenses incurred. Effective January 1, 2005, the participation percentages are FMIC, 86%; Affiliated FM, 12%; and Appalachian, 2%.

TOTAL PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW		Reinsurance Prem Assumed		Reinsurance Prem Ceded	
Ending	($000)	(% Chg)	($000)	(% Chg)	($000)	(% Chg)
2011	773,665	12.1	4,238	26.8	388,690	12.3
2012	843,318	9.0	4,941	16.6	404,034	3.9
2013	830,407	-1.5	5,250	6.3	448,069	10.9
2014	809,196	-2.6	7,833	49.2	430,398	-3.9
2015	804,529	-0.6	23,884	204.9	407,869	-5.2
5-Yr CAGR	...	3.1	...	48.2	...	3.3

Period	NPW		NPE	
Ending	($000)	(% Chg)	($000)	(% Chg)
2011	389,213	11.9	352,995	5.2
2012	444,225	14.1	397,100	12.5
2013	387,588	-12.7	387,503	-2.4
2014	386,632	-0.2	385,919	-0.4
2015	420,544	8.8	410,048	6.3
5-Yr CAGR	...	3.9	...	4.1

Territory: The company is licensed in the District of Columbia, Guam, Northern Mariana Islands, Puerto Rico, U.S. Virgin Islands and all states. It is also licensed in all Canadian provinces and territories.

2015 BY-LINE BUSINESS ($000)

	DPW		Reinsurance Prem Assumed		Reinsurance Prem Ceded	
Product Line	($000)	(%)	($000)	(%)	($000)	(%)
Fire	268,257	33.3	4,248	17.8	37,508	9.2
Inland Marine	224,361	27.9	10,448	43.7	46,081	11.3
Allied Lines	154,225	19.2	5,702	23.9	26,612	6.5
Com'l MultiPeril	80,592	10.0	27	0.1	11,342	2.8
Boiler & Mach	54,084	6.7	2,376	9.9	507	0.1
Ocean Marine	21,062	2.6	1,083	4.5	2,316	0.6
Reins-Property	...	...	...	...	283,463	69.5
All Other	1,949	0.2	0	0.0	41	0.0
Total	804,529	100.0	23,884	100.0	407,869	100.0

	NPW		Business Retention
Product Line	($000)	(%)	(%)
Fire	234,997	55.9	87.5
Inland Marine	188,728	44.9	82.6
Allied Lines	133,315	31.7	85.2
Com'l MultiPeril	69,277	16.5	86.0
Boiler & Mach	55,953	13.3	99.1
Ocean Marine	19,829	4.7	89.5
Reins-Property	-283,463	-67.4	...
All Other	1,907	0.5	97.9
Total	420,544	100.0	52.2

BY-LINE RESERVES ($000)

Product Line	2015	2014	2013	2012	2011
Fire	61,970	117,707	66,875	92,694	57,672
Inland Marine	85,492	67,001	114,843	225,573	103,703
Allied Lines	63,925	59,743	50,852	74,048	44,459
Com'l MultiPeril	11,618	44,052	30,585	47,723	37,848
Boiler & Mach	24,265	15,569	15,507	19,696	23,067
Ocean Marine	18,981	32,644	18,901	33,693	26,935
All Other	141,940	110,675	119,718	117,883	131,038
Total	408,191	447,390	417,282	611,310	424,721

GEOGRAPHIC BREAKDOWN BY DIRECT PREMIUM WRITINGS ($000)

	2015	2014	2013	2012	2011
Canada	102,805	99,936	109,980	114,145	105,423
California	102,178	105,198	109,076	117,549	117,033
New York	69,530	80,491	79,598	83,165	73,041
Texas	60,028	57,616	54,500	53,132	48,292
Washington	45,490	44,230	45,162	51,501	52,257
Illinois	32,661	32,435	32,316	30,046	26,891
Massachusetts	31,671	33,998	34,950	32,746	27,926
Florida	23,279	26,116	30,255	32,202	27,602
Ohio	20,926	18,740	24,036	19,369	18,602
New Jersey	18,749	19,168	21,547	21,376	22,054
All Other	297,213	291,268	288,987	288,088	254,544
Total	804,529	809,196	830,407	843,318	773,665

RISK MANAGEMENT

The following text is derived from A.M. Best's Credit Report on FM Global Group (AMB# 018502).

FM Global's board, working in conjunction with senior management, has established risk tolerances that limit the group's exposure to loss from a variety of factors. The senior officer responsible for enterprise risk management (ERM) reports annually to the board on the group's risk tolerance and risk management framework. Risks have been identified in four broad categories: exposure; investment; regulatory/reputation; and operational. Meetings are held every six months to review risk metrics and risk management activities within the management staff of the company.

An important part of the group's ERM strategy is embedded in multiple levels of internal controls designed to ensure adherence and compliance in implementing the group's business model. These controls are integral to FM Global's day-to-day activities, and are monitored and managed by a cross-functional, corporate management team. Processes and procedures are established and audited regularly in all areas of operation based on a variety of factors, including geography, specialty operations, discipline areas and staff functions. In addition to traditional top-down reviews, regular operations reviews have been instituted to provide an assessment of activities. Additionally, the group's internal audit department evaluates and tests the system of internal controls.

Business continuity plans have been developed for all major sites, and incident command team leaders have been appointed for each of these sites. As part of the group recovery/action planning efforts, the group has documented the response to three broad scenarios: 1) lack of access to the IT infrastructure; 2) lack of access to the building; and 3) lack of employees to staff a facility, and periodically tests the planned responses to ensure continuity of availability and responsiveness to customer needs.

Catastrophe Exposure and Management: Aggregate per-risk and catastrophe reinsurance programs are utilized by FM Global to limit its exposure to severe losses, including catastrophes. Due to the complexity of its exposures, FM Global focuses extensively on risk management and maintains gross and net catastrophe exposures that are moderate, as measured by the group's estimated maximum foreseeable loss (MFL) analysis.

The group's net retention of approximately 75% reflects FM Global's ability to retain a higher level of risk than its peers given the group's strong capital position and low underwriting leverage. Although the group has a block of reinsurance recoverables from unrated captive reinsurers, such recoveries are backed by letters of credit or other forms of collateral. Further, its remaining reinsurance recoveries are from highly rated reinsurers, and total recoverables represent a reasonable 15% of surplus.

OPERATING PERFORMANCE

The following text is derived from A.M. Best's Credit Report on FM Global Group (AMB# 018502).

Operating Results: Historically, FM Global has produced strong operating returns, driven by solid underwriting earnings along with sound and steady investment income. The group's underwriting earnings have resulted from the group's persistent loss control procedures, low expense ratio and (particularly in prior years) favorable market conditions. As market conditions have softened, operating profits have remained strong due to the group's adherence to conservative risk management and pricing strategies. The group generated significant underwriting profits in four of the past five years, with favorable (albeit diminished) operating results in those years. An increased number of large natural hazard losses in 2011 drove the increased loss ratio in that year, bringing underwriting and operating results to a ten-year low. In 2012, the group produced strong operating earnings despite being impacted by Superstorm Sandy, its single largest aggregated net loss. With the exception of 2011, the group has produced strong operating results annually since 2002, primarily due to its strong market position, highly protected risk expertise, and strong risk management capabilities.

While the group's income benefits from its consistent generation of investment income, investment yields slightly lag the average of its peer group. This is primarily the result of FM Global's above-average investment allocation to common equities, which have a lower dividend yield than the average yield on the bonds that comprise a larger percentage of the portfolios of its industry peers. While FM Global's elevated investment leverage adds to earnings volatility with generally below average total return on invested assets, it has generally boosted overall long-term return measures. As a result, the group's total returns on revenue and surplus, which include capital gains and losses, strongly and consistently outperform its peer composite.

PROFITABILITY ANALYSIS ($000)

Period Ending	Company: Pre-tax Operating Income	After-tax Operating Income	Net Income	Total Return
2011	-18,354	-19,247	-23,689	-33,024
2012	113,430	73,966	85,992	126,614
2013	135,602	97,454	124,415	239,923
2014	136,269	92,144	119,139	142,687
2015	109,088	81,169	121,553	108,027
5-Yr Total	476,036	325,486	427,410	584,228

	Company			Industry Composite		
Period Ending	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)	Pre-tax ROR (%)	Return on PHS (%)	Operating Ratio (%)
2011	-5.2	-3.6	102.8	3.0	1.6	95.9
2012	28.6	13.1	68.8	7.3	4.4	93.8
2013	35.0	20.9	65.0	10.8	11.1	89.6
2014	35.3	10.7	64.7	13.8	7.6	86.4
2015	26.6	7.5	72.4	14.0	4.1	86.9
5-Yr Avg	24.6	10.1	74.1	9.7	5.7	90.6

Underwriting Results: FM Global has typically produced strong underwriting results, reflecting strong risk management capabilities, adequate rates and careful management of terms and conditions. Solid underwriting results in recent years have led the company to periodically provide membership credits, which allow its policyholders to benefit from these favorable results and which encourage the long-term and stable relationship between the group and its customers. Most recently, the group announced approximately $465 million in membership credits for renewals between June 30, 2016, and June 29, 2017. The group also issued $465 million in membership credits between June 30, 2015, and June 29, 2016. The recent announcement of credits for the 2016 – 2017 policy year marks a fourth consecutive year of membership credit issuance.

In 2011, underwriting results declined significantly as the group posted a number of large natural hazard losses which added nearly 53 points to its combined ratio. In 2012, the group's underwriting performance was strong despite the impact of Superstorm Sandy, which added nearly 13.5 points to the group's combined ratio and is the group's largest aggregated loss from a single event. The improved results were driven by a decrease in loss frequency and severity, even considering the Sandy-related losses. Excluding 2011, strong underwriting results have largely been due to a reduced number of weather-related losses. A.M. Best expects FM Global's historically strong underwriting results to continue over the near term despite soft market conditions and the potential variability in operating results that comes with writing a large property-exposed book of business. This assumption is based on the group's historically strong risk management culture.

The group's underwriting performance remains exposed to future acts of terrorism. Under the TRIPRA extension, FM Global's retention (deductible) is $586 million for 2015, plus 20% of all certified losses in excess of this deductible. Nearly 60% of FM Global's policyholders have accepted the terrorism coverage offered by the group under TRIPRA. However, a vast majority of these exposures are represented by horizontal or campus-like risks that are generally not exposed to a total loss. The group purchases no additional terrorism reinsurance outside of TRIPRA. However, should TRIPRA expire, management has devised a plan to minimize the potential impact from a terrorist event.

UNDERWRITING EXPERIENCE

		Loss Ratios			Expense Ratios					
Period Ending	Net Undrw Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm.	Other Exp.	Total Exp.	Div. Pol.	Comb. Ratio	Ind Comb. Ratio
2011	-74,199	91.8	3.4	95.2	2.9	20.4	23.3	0.1	118.6	102.8
2012	60,959	56.7	3.0	59.7	8.9	13.3	22.2	0.1	82.0	100.9
2013	82,893	47.5	3.0	50.6	6.6	21.4	27.9	0.1	78.6	96.0
2014	81,545	48.9	3.6	52.5	7.1	19.1	26.2	0.1	78.8	93.0
2015	56,714	55.3	3.5	58.8	1.3	25.3	26.6	0.1	85.5	94.0
5-Yr Total/Avg	207,913	59.4	3.3	62.7	5.4	19.8	25.2	0.1	88.0	97.4

BY-LINE LOSS RATIO

Product Line	2015	2014	2013	2012	2011	5-Yr Avg
Fire	36.3	55.3	29.6	44.8	18.4	37.3
Inland Marine	57.2	36.0	43.3	189.7	74.7	78.7
Allied Lines	61.5	67.1	82.0	76.9	41.7	66.5
Com'l MultiPeril	6.1	62.4	46.6	59.1	82.8	50.4
Boiler & Mach	52.7	46.8	36.5	48.0	999.9	57.2
Ocean Marine	35.3	156.0	105.5	161.7	133.9	118.1
Reins-Property	42.1	63.0	50.8	154.7	-14.7	62.1
All Other	999.9	28.8	522.5	91.7	73.8	545.2
Total	55.3	48.9	47.5	56.7	91.8	59.4

DIRECT LOSS RATIO BY STATE

	2015	2014	2013	2012	2011	5-Yr Avg
Canada	38.8	78.1	93.9	101.3	36.5	70.8
California	28.8	33.5	29.7	12.7	18.8	24.5
New York	61.6	70.3	110.5	467.2	69.7	157.5
Texas	73.7	45.2	8.8	141.3	142.2	79.2
Washington	14.0	33.7	16.6	22.6	8.1	18.8
Illinois	181.0	-63.0	111.1	126.9	26.6	77.3
Massachusetts	61.0	72.1	44.1	36.0	71.7	56.8
Florida	18.9	-1.7	-1.6	29.3	2.3	9.4
Ohio	-24.5	155.9	69.4	74.4	31.5	61.0
New Jersey	175.3	132.8	204.4	324.8	98.6	189.5
All Other	39.1	43.1	39.3	83.1	75.7	55.0
Total	48.5	49.2	55.8	116.0	55.4	65.1

Investment Results: FM Global's investment yields have declined slightly over the current five-year period and are somewhat below industry composite results, reflecting the group's elevated level of common equity holdings. Total investment returns (including capital gains) also lag the group's peer composite with volatility caused by capital gains and losses on the group's substantial equity portfolio, rising and falling with shifts in the equity market.

Over the five-year period, the group's net investment income has increased, primarily driven by growth in the invested asset base as a result of favorable operating income and positive cash flows offset by modest dividend income on the group's increasing equity holdings and declines in interest yields on the group's long-term bonds. As such, despite the increase in invested assets, the group's overall yield declined on its bond portfolio while a greater percentage of its investment holdings produced minimal income on the year.

INVESTMENT GAINS ($000)

	Company		
Year	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2011	55,938	-4,442	-9,335
2012	52,661	12,026	40,622
2013	52,744	26,961	115,509
2014	54,321	26,995	23,548
2015	53,804	40,384	-13,526
5-Yr Total	269,469	101,924	156,818

	Company				Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Return on Inv Assets (%)	Pre-tax Invest Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2011	-1.3	3.4	3.1	2.1	-44.6	2.3
2012	-5.9	3.1	3.8	7.7	8.3	2.5
2013	0.2	2.7	4.1	13.8	-11.7	2.2
2014	3.0	2.5	3.8	6.1	-0.2	2.2
2015	-1.0	2.3	4.1	4.1	2.2	2.1
5-Yr Avg	-1.0	2.8	3.8	6.7	-14.3	2.3

BALANCE SHEET STRENGTH

The following text is derived from A.M. Best's Credit Report on FM Global Group (AMB# 018502).

Capitalization: FM Global continues to maintain a superior level of risk-adjusted capitalization as calculated using Best's Capital Adequacy Ratio (BCAR). This favorable capital position is reflective of the group's conservative underwriting leverage, slightly offset by FM Global's elevated common stock leverage. Although the group maintains exposure to natural and man-made catastrophe losses, these risks are mitigated through an extensive risk management program and reinsurance utilization which reduce net exposures to levels in line with the group's capital level.

The group has achieved solid surplus growth through operating earnings. However, the group's surplus growth may continue to be constrained from time to time due to the large exposure to equities. The majority of the group's surplus growth is the result of strong underwriting earnings along with steady investment income. In 2011 the group's policyholders' surplus declined by nearly 8% primarily driven by the group's large underwriting loss and unrealized capital losses. The group's surplus subsequently increased in each of the last four years, driven by strong operating earnings coupled with capital gains. Based on the group's history, the expectation is that underwriting profits will continue to favorably impact surplus over the medium term with results dipping in select years under heightened loss experience. Barring any unusual events, risk-adjusted capitalization is expected to remain strong over the near term. This assumes a normalized level of natural catastrophes, absence of a major terrorist event and stabilization of equity markets.

Current BCAR: 347.4

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth			
Year	Pre-tax Operating Income	Realized Capital Gains	Income Taxes	Unrealized Capital Gains
2011	-18,354	-4,442	894	-9,335
2012	113,430	12,026	39,465	40,622
2013	135,602	26,961	38,148	115,509
2014	136,269	26,995	44,125	23,548
2015	109,088	40,384	27,919	-13,526
5-Yr Total	476,036	101,924	150,550	156,818

	Source of Surplus Growth			
Year	Net Contrib. Capital	Other Changes	Change in PHS	% Chg in PHS
2011	-353	5,594	-27,782	-3.0
2012	-459	2,363	128,518	14.2
2013	-3,236	-8,714	227,973	22.0
2014	-508	-6,601	135,579	10.7
2015	-508	-25,580	81,940	5.9
5-Yr Total	-5,063	-32,938	546,227	9.7

QUALITY OF SURPLUS ($000)

Year	Surplus Notes	Other Debt	Contributed Capital	Unassigned Surplus
2011	...	7,250	276,891	621,439
2012	...	7,250	276,939	749,909
2013	...	7,250	274,211	980,611
2014	...	7,250	274,211	1,116,189
2015	...	7,250	274,211	1,198,129

Year	Year-End PHS	Conditional Reserves	Adjusted PHS
2011	905,580	9,983	915,563
2012	1,034,098	9,721	1,043,819
2013	1,262,071	9,523	1,271,594
2014	1,397,650	8,409	1,406,059
2015	1,479,589	5,245	1,484,835

LEVERAGE ANALYSIS

	Company				Industry Composite			
Period Ending	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.	NPW to PHS	Res. to PHS	Net Lev.	Gross Lev.
2011	0.4	0.5	1.5	2.0	0.6	0.4	1.8	2.7
2012	0.4	0.6	1.6	2.4	0.6	0.5	1.9	3.0
2013	0.3	0.3	1.1	1.6	0.6	0.4	1.8	2.6
2014	0.3	0.3	1.1	1.4	0.5	0.4	1.6	2.5
2015	0.3	0.3	1.0	1.3	0.4	0.3	1.4	2.3

CEDED REINSURANCE ANALYSIS ($000)

	Company				Industry Composite		
Period Ending	Ceded Reins. Total	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)	Bus. Ret. (%)	Reins. Recov. to PHS (%)	Ceded Reins. to PHS (%)
2011	462,147	50.3	34.1	51.0	49.4	51.0	96.5
2012	743,533	52.7	55.2	71.9	51.4	61.7	107.2
2013	622,005	46.6	36.6	49.3	50.7	44.1	85.5
2014	491,236	47.8	25.2	35.1	50.1	44.1	84.6
2015	429,206	52.2	20.6	29.0	44.5	40.9	82.8

2015 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	4,503	...	...	...	4,503
Foreign Affiliates	3,583	...	6,692	...	10,275
US Insurers	45,618	85,126	26,076	...	156,820
Pools/Associations	9,750	2,327	...	...	12,077
Other Non-US	29,898	78,172	17,558	...	125,628
Total (ex US Affils)	88,849	165,625	50,326	...	304,800
Grand Total	93,352	165,625	50,326	...	309,303

* Includes Commissions less Funds Withheld

Loss Reserves: The group has reported favorable loss reserve development across most accident years driven by the recognition of redundancies in property lines of business, with some adverse development occasionally recorded for asbestos & environmental (A&E) losses. Strengthening of A&E reserves were seen in 2007, 2009, 2013, and in 2015. There was also some strengthening in 2015, albeit very minor, on the 2008 - 2011 accident years.

According to A.M. Best's estimates, FM Global ranks among the top 30 largest carriers in the United States in terms of its potential exposure to asbestos and environmental claims, with an historical market share (based on net premiums) of 0.2%. FM Global reported approximately $735 million in net A&E reserves at year-end 2015, with 83% of this amount pertaining to asbestos liabilities. The group's net A&E reserves represent approximately 30% of its overall loss reserve base and roughly 7% of consolidated surplus. A considerable portion of the group's potential A&E liability stems from its discontinued assumed reinsurance business, which poses more uncertainty than primary business due to its reliance on ceding companies for claims information. Also, claim payments tend to develop more slowly than for primary insurers. The group maintains a centralized claims unit that continues to evaluate, monitor and process claims.

LOSS & ALAE RESERVE DEVELOP.: CALENDAR YEAR ($000)

Calendar Year	Orig. Loss Reserves	Developed Reserves Thru '15	Develop. to Orig. (%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @12/15	Unpaid Res. to Develop. (%)
2010	389,750	379,302	-2.7	-1.1	113.1	135,434	35.7
2011	395,529	449,455	13.6	6.0	127.3	136,107	30.3
2012	582,386	568,914	-2.3	-1.3	143.3	152,092	26.7
2013	390,541	368,074	-5.8	-1.8	95.0	164,410	44.7
2014	419,790	441,028	5.1	1.5	114.3	219,931	49.9
2015	380,550	380,550	...	...	92.8	380,550	100.0

LOSS & ALAE RESERVE DEVELOP.: ACCIDENT YEAR ($000)

Accident Year	Orig. Loss Reserves	Developed Reserves Thru '15	Develop. to Orig. (%)	Unpaid Reserves @12/15	Acc. Yr Loss Ratio	Acc. Yr Comb. Ratio
2010	215,652	154,911	-28.2	75	47.5	74.4
2011	217,058	211,126	-2.7	673	113.9	137.3
2012	389,051	341,012	-12.3	15,985	45.2	67.5
2013	185,624	165,687	-10.7	12,318	46.7	74.7
2014	253,608	247,003	-2.6	55,521	63.9	90.3
2015	160,619	160,619	...	160,619	54.5	81.2

ASBESTOS & ENVIRONMENTAL (A&E) RESERVE ANALYSIS

	Company						Industry Composite		
Year	Net A&E Reserve ($000)	Reserve Reten-tion (%)	Net IBNR Mix (%)	Survival Ratio (3 yr)	Comb. Ratio Impact (1 yr)	Comb. Ratio Impact (3 yr)	Survival Ratio (3 yr)	Comb. Ratio Impact (1 yr)	Comb. Ratio Impact (3 yr)
2011	106,553	47.4	76.1	XX	-0.5	XX	XX	-0.1	XX
2012	93,170	47.1	77.6	XX	0.0	XX	XX	0.1	XX
2013	93,358	45.9	84.7	8.8	2.5	0.7	16.6	1.5	0.5
2014	84,776	44.8	86.0	8.2	-0.1	0.8	16.7	0.2	0.6
2015	130,577	46.5	88.7	16.1	12.8	5.2	19.8	0.9	0.9

The following text is derived from A.M. Best's Credit Report on FM Global Group (AMB# 018502).

Liquidity: FM Global's balance sheet is sound, with invested assets exceeding liabilities by comfortable margins. Current and quick liquidity measures compare favorably to industry composite norms and are enhanced by strong underwriting and operating cash flows. With the implementation of higher deductibles and attachment points, as well as ongoing rate adequacy, and engineering and loss control initiatives, cash flows from underwriting and operations have remained strong since 2002. Given the group's historically strong cash flows and solid risk-based level of capitalization, FM Global is largely protected against the need to liquidate any investments at a loss in order to meet its cash needs. A.M. Best expects cash flows from operations to remain strong in the medium term.

Best's Rating Report

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Period Ending	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)	Quick Liq. (%)	Current Liq. (%)	Overall Liq. (%)	Gross Agents Bal. to PHS (%)
2011	47.1	163.9	195.5	13.4	49.3	114.4	182.5	21.4
2012	48.8	139.3	183.0	12.3	53.2	112.2	173.3	23.9
2013	87.3	194.7	220.5	9.2	55.0	123.0	180.4	22.6
2014	80.3	197.0	225.2	8.0	61.1	125.0	189.1	19.2
2015	92.7	212.4	234.4	8.1	59.3	125.3	198.8	17.6

CASH FLOW ANALYSIS ($000)

	Company					Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow (%)	Oper Cash Flow (%)	Underw Cash Flow (%)	Oper Cash Flow (%)
2011	27,082	33,905	-78,817	107.6	108.3	101.2	105.5
2012	-9,158	50,588	12,617	98.0	110.9	100.2	104.6
2013	163,975	174,727	47,526	162.9	157.1	99.1	102.4
2014	128,502	146,119	-29,171	151.3	150.2	120.4	123.0
2015	63,148	61,902	53,888	118.7	115.2	105.9	106.7
5-Yr Total	373,548	467,240	6,043	...	...	...	...

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Period Ending	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affil. Inv. Lev.	Affil. Inv.	Class 3-6 Bonds	Common Stocks
2011	0.6	...	8.1	49.3	58.0	...	1.6	27.7
2012	0.2	...	5.7	60.9	66.8	...	1.9	34.5
2013	0.1	...	2.2	68.8	71.1	...	1.9	40.7
2014	0.2	...	1.4	60.7	62.3	...	2.0	42.0
2015	0.1	...	3.1	61.4	64.6	...	2.0	37.9

INVESTMENTS - SECURITIES

Current Year Distribution of Bonds By Maturity

	Years					Yrs-Avg
	0-1	1-5	5-10	10-20	20+	Maturity
Government	0.4	7.0	11.1	0.3	3.1	9
Gov't Agencies & Muni	1.0	4.6	6.0	2.5	8.2	14
Industrial & Misc	4.3	24.8	20.6	1.0	5.2	7
Total	5.7	36.4	37.6	3.8	16.6	9

	2015	2014	2013	2012	2011
Bonds (000)	1,306,332	1,286,837	1,088,356	1,063,570	1,084,707
US Government	14.8	15.0	13.8	12.0	11.6
Foreign Government	7.6	10.5	10.6	10.0	7.2
Foreign - All Other	10.0	5.9	7.8	4.5	3.1
State/Special Revenue - US	22.9	25.0	22.0	21.2	24.8
Industrial & Misc - US	44.6	43.6	45.7	52.3	53.3
Private Issues	2.7	2.9	3.8	4.7	4.3
Public Issues	97.3	97.1	96.2	95.3	95.7

Bond Quality (%)	2015	2014	2013	2012	2011
Class 1	86.9	88.8	87.6	87.2	86.7
Class 2	13.0	11.0	12.3	12.6	12.8
Class 3	0.1	0.2	0.1	0.2	0.4
Class 5	...	...	...	...	0.1

INVESTMENTS - EQUITIES

	2015	2014	2013	2012	2011
Stocks (000)	908,614	847,689	868,035	629,507	446,687
Unaffiliated Common	100.0	100.0	100.0	100.0	100.0

INVESTMENTS - OTHER INVESTED ASSETS

	2015	2014	2013	2012	2011
Other Inv Assets (000)	176,361	101,570	134,209	120,873	119,089
Cash	51.7	24.8	56.3	23.7	21.9
Short-Term	22.3	50.6	22.5	24.5	16.4
All Other	26.0	24.6	21.2	51.8	61.7

HISTORY

The company was incorporated on May 6, 1949, under the laws of Rhode Island and began active operations on June 1, 1950. Paid-in capital of $11,250,000 consists of 72,500 preferred shares at $100 par value each and 80,000 shares of common stock at $50 par value each. The company has 200,000 preferred and 100,000 common shares authorized. Administrative offices were moved from Providence to Johnston, Rhode Island, in mid-1973.

MANAGEMENT

Affiliated FM Insurance Company is a wholly owned subsidiary of FMIC Holdings, Inc., which is a wholly owned subsidiary of Factory Mutual Insurance Company, Johnston, Rhode Island. Factory Mutual Insurance Company is the surviving entity after a merger between Allendale Mutual, Arkwright Mutual and Protection Mutual, effective July 2, 1999. Prior to the merger, these three companies collectively formed the Factory Mutual System.

Administration of the group's day-to-day affairs and strategic and operational direction is led by Thomas A. Lawson, president and chief executive officer. Mr. Lawson joined the mutual insurance company in 1979 and in 2009 was appointed executive vice president before being named to his current role in 2014. Shivan S. Subramaniam, former chairman and CEO, continues to chair FM Global's board of directors. In addition, Jonathan W. Hall, who joined FM Global in 1980, serves as chief operating officer and oversees FM Global's insurance operations and insurance staff functions.

Officers: President and Chief Executive Officer, Thomas A. Lawson; Chief Operating Officer, Jonathan W. Hall; Executive Vice President, Bret N. Ahnell; Executive Vice President, Chris Johnson; Executive Vice President, Michael R. Turner; Senior Vice President, Gerardo L. Alonso (Claims and Enterprise Learning); Senior Vice President, Kevin L. Bradshaw (Western Division); Senior Vice President, Jeffrey A. Burchill (Finance); Senior Vice President, Roberta H. Butler (Marketing); Senior Vice President, Brion E. Callori (Engineering and Research); Senior Vice President, Rodney C. Fisher (Underwriting and Reinsurance); Senior Vice President, James R. Galloway (Sales); Senior Vice President, Kevin S. Ingram (Corporate Services); Senior Vice President, Paul E. LaFleche (Investments); Senior Vice President, Kenneth V. Lavigne (Canada Division); Senior Vice President, Michael C. Lebovitz (Affiliated FM); Senior Vice President, Jeanne R. Lieb (Information Services); Senior Vice President, William M. Lonchar (Central Division); Senior Vice President, Jonathan I. Mishara (Law and Governmental Affairs); Senior Vice President, Enzo Rebula (Human Resources); Senior Vice President, Vincent A. Reyda (EMEA Division); Senior Vice President, Malcolm C. Roberts (Eastern Division); Senior Vice President, Ziad Alex S. Tadmoury (Client Service); Senior Vice President, Stefano Tranquillo (Asia/Pacific Division); Vice President, Joy K. Cave (Treasury).

Directors: Frank T. Connor, Colin Day, Daniel L. Knotts, Thomas A. Lawson, John A. Luke Jr., Jonathan D. Mariner, Gracia C. Martore, Christine M. McCarthy, Stuart B. Parker, Edward J. Rapp, Shivan S. Subramaniam.

REGULATORY

An examination of the financial condition was made as of December 31, 2012, by the insurance department of Rhode Island. The 2015 annual independent audit of the company was conducted by Ernst & Young, LLP. The annual statement of actuarial opinion is provided by Kathleen C. Odomirok, FCAS, MAAA, Ernst & Young, LLP.

REINSURANCE

The following text is derived from A.M. Best's Credit Report on FM Global Group (AMB# 018502).

Due to the size and complexity of its risks, FM Global utilizes facultative and excess-of-loss treaty reinsurance to reduce its exposure to significant loss events. In examining its exposure to catastrophes, all of FM Global's accounts are individually evaluated (on a location basis) based on maximum foreseeable loss (MFL) estimates.

The group utilizes facultative reinsurance when a policyholder's coverage requirements are outside FM Global's underwriting criteria. In addition to facultative reinsurance, the group maintains excess-of-loss protection of $1,230 million excess of its $250 million per-risk retention and $1,000 million excess of its $500 million per-catastrophe retention.

BALANCE SHEET

ADMITTED ASSETS ($000)

	12/31/15	12/31/14	'15%	'14%
Bonds	1,306,332	1,286,837	50.5	50.9
Common stock	908,614	847,689	35.1	33.5
Cash & short-term invest	130,448	76,560	5.0	3.0
Other non-affil inv asset	45,914	25,010	1.8	1.0
Total invested assets	2,391,307	2,236,096	92.4	88.4
Premium balances	119,696	112,454	4.6	4.4
Accrued interest	11,819	12,306	0.5	0.5
All other assets	66,435	167,862	2.6	6.6
Total assets	2,589,257	2,528,718	100.0	100.0

LIABILITIES & SURPLUS ($000)

	12/31/15	12/31/14	'15%	'14%
Loss & LAE reserves	408,191	447,390	15.8	17.7
Unearned premiums	365,981	355,485	14.1	14.1
Conditional reserve funds	5,245	8,409	0.2	0.3
All other liabilities	330,250	319,784	12.8	12.6
Total liabilities	1,109,667	1,131,068	42.9	44.7
Capital & assigned surplus	281,461	281,461	10.9	11.1
Unassigned surplus	1,198,129	1,116,189	46.3	44.1
Total policyholders' surplus	1,479,589	1,397,650	57.1	55.3
Total liabilities & surplus	2,589,257	2,528,718	100.0	100.0

SUMMARY OF 2015 OPERATIONS ($000)

Statement of Income	12/31/15	Funds Provided from Operations	12/31/15
Premiums earned............	410,048	Premiums collected.........	401,257
Losses incurred	226,883	Benefit & loss-related pmts	215,541
LAE incurred	14,241		
Undrw expenses incurred	111,775	LAE & undrw expenses paid	122,144
Div to policyholders	435	Div to policyholders	424
Net underwriting income	56,714	Undrw cash flow	63,148
Net investment income....	53,804	Investment income..........	68,559
Other income/expense ...	-1,430	Other income/expense ...	-1,430
Pre-tax oper income ...	109,088	Pre-tax cash operations	130,277
Realized capital gains......	40,384		
Income taxes incurred	27,919	Income taxes pd (recov)...	68,375
Net income................	121,553	Net oper cash flow......	61,902

Why is this *Best's®* *Rating Report* important to you?

A Best's Rating Report from the A.M. Best Company showcases the **opinion** from the leading provider of insurer ratings of a company's financial strength and ability to meet its obligations to policyholders, as well as its relative credit risk.

The A.M. Best Company is the oldest, most experienced rating agency in the world and has been reporting on the financial condition of the insurance companies since 1899.

A Best's Financial Strength Rating is an **independent opinion** of an insurer's financial strength and ability to meet its ongoing insurance policy and contract obligations.

The Financial Strength Rating **opinion** addresses the relative ability of an insurer to meet its ongoing insurance policy and contract obligations. The rating is not assigned to specific insurance policies or contracts and does not address any other risk, including, but not limited to, an insurer's claims-payment policies or procedures; the ability of the insurer to dispute or deny claims payment on grounds of misrepresentation or fraud; or any specific liability contractually borne by the policy or contract holder. The rating is **not a recommendation** to purchase, hold or terminate any insurance policy, contract or any other financial obligation issued by an insurer, nor does it address the suitability of any particular policy or contract for a specific purpose or purchaser.

In arriving at a rating decision, A.M. Best relies on third-party audited financial data and/or other information provided to it. While this information is believed to be reliable, A.M. Best does not independently verify the accuracy or reliability of the information.

The company information appearing in this pamphlet is an extract from the complete company report prepared by the A.M. Best Company or A.M. Best Europe – Rating Services Limited.

For the latest Best's Financial Strength Ratings along with their definitions and A.M. Best's Terms of Use, visit the A.M. Best website at **www.ambest.com.** You may also obtain AMB Credit Reports by visiting our site or calling our Customer Service department at +1-908-439-2200, ext. 5472. To expedite your request, please provide the company's identification number (AMB#).