Best's Rating Report

FM Global Group

Domicile: 270 Central Avenue, Johnston, Rhode Island, United States 02919-4949
Mailing Address: P.O. Box 7500, Johnston, Rhode Island, United States 02919-0750

AMB #: 018502 | NAIC #: N/A | FEIN #: N/A
Phone: 401-275-3000 | Fax: 401-275-3029 | Website: www.fmglobal.com

Factory Mutual Insurance Company — A+

Domicile: 270 Central Avenue, Johnston, Rhode Island, United States 02919-4949
Mailing Address: P.O. Box 7500, Johnston, Rhode Island, United States 02919-0750

AMB #: 004067 | NAIC #: 21482 | FEIN#: 05-0316605
Phone: 401-275-3000 | Fax: 401-275-3029 | Website: www.fmglobal.com

Affiliated FM Insurance Company — A+

Domicile: 270 Central Avenue, Johnston, Rhode Island, United States 02919-4949
Mailing Address: P.O. Box 7500, Johnston, Rhode Island, United States 02919-0750

AMB #: 000103 | NAIC #: 10014 | FEIN#: 05-0254496
Phone: 401-275-3000 | Fax: | Website: www.affiliatedfm.com

Appalachian Insurance Company — A+

Domicile: 270 Central Avenue, Johnston, Rhode Island, United States 02919-4949
Mailing Address: P.O. Box 7500, Johnston, Rhode Island, United States 02919-0750

AMB #: 002345 | NAIC #: 10316 | FEIN#: 05-0284861
Phone: 401-275-3000 | Fax: 401-275-3029 | Website: www.fmglobal.com

FM Insurance Company Limited — A+

1 Windsor Dials, Arthur Road, Windsor, Berkshire SL4 1RS, United Kingdom

AMB #: | NAIC #: N/A | AIIN#: AA-1120610
Phone: 44 (0) 1753 750 000 | Fax: 44 (0) 1753 868 700 | Website: www.fmglobal.com

FM Insurance Europe S.A. — A+

Luxembourg

AMB #: 095193 | NAIC #: N/A | FEIN #: N/A
Phone: | Fax: | Website: N/A

Financial Strength Rating
A.M. BEST
A+ Superior

FM Global Group

Report Release Date:
March 19, 2018

Group Members Rating Effective Date:
February 23, 2018

Disclosure Information: Refer to rating unit members for each company's Rating Disclosure Form

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Associated Ultimate Parent: 004067 - Factory Mutual Insurance Company

A.M. Best Rating Unit: 018502 - FM Global Group

Best's Credit Ratings for Group Members:

Rating Effective Date: February 23, 2018

			Best's Financial Strength Ratings			Best's Issuer Credit Ratings		
AMB#	Company		Rating	Outlook	Action	Rating	Outlook	Action
018502	***FM Global Group***	***Rating Unit***						
004067	Factory Mutual Insurance Co		A+	Stable	Affirmed	aa	Stable	Affirmed
000103	Affiliated FM Insurance Co		A+	Stable	Affirmed	aa	Stable	Affirmed
002345	Appalachian Insurance Co		A+	Stable	Affirmed	aa	Stable	Affirmed
086513	FM Insurance Company Limited		A+	Stable	Affirmed	aa	Stable	Affirmed
095193	FM Insurance Europe S.A.		A+	Stable	Assigned	aa	Stable	Assigned

Rating Rationale:

Balance Sheet Strength: Strongest

- FM Global's risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), is considered to be at the strongest category at the 99.6% confidence level. FM Global's balance sheet has been time-tested, as a leading global property insurer and its ability to withstand catastrophes year over year.
- Substantial reinsurance capacity plays an integral role in preserving capital.
- The group's ability to generate capital is impressive when measured on a compound average growth rate (CAGR) over the last 10 years.
- Total Insured Value (TIV) to surplus has continued to decline over the past five years.

Operating Performance: Strong

- Historical operating performance is strong and consistent. Trends are neutral/slightly positive and prospective operating performance is expected to be strong. Volatility is moderate to high.
- Above average underwriting performance -- a direct byproduct of FM Global's extensive risk management, loss prevention services and engineering expertise. Also reflects FM Global's leadership position in insuring highly protected risks (HPR), which are facilities that meet the highest protection standards.
- Strong results are net of significant membership premium credits afforded to policyholders based on FM Global's financial results due to favorable loss experience and implementation of the Company's loss control and loss prevention recommendations.
- Accident year (AY) loss reserve development has been favorable in each of the past 10 years on lower original loss ratio picks than those of the industry composite. Legacy asbestos and environmental reserves have been benign of late.

Business Profile: Favorable

- The company is a well-recognized, global market leader in the commercial and industrial property space.
- A broker market "go to" for large commercial highly protected property risks.
- Strong defensible competitive advantages through its global reach, extensive engineering expertise and risk mitigation / loss prevention services.
- Diversified operations in key markets that have high to moderate barriers to entry with low competition.
- Strong management team coupled with highly effective research-based engineering and a strong reinsurance program.

Enterprise Risk Management: Appropriate

- The insurer's ERM framework is well developed and/or appropriate given the size and complexity of its operations. Risk management capabilities are very good and are well aligned with the risk profile of the company.
- The company is a well-run organization that has been a consistent property and casualty insurer with a strong and experienced management team that has plenty of depth.
- FM Global has an embedded all-encompassing framework and plan instilled in its corporate culture to effectively identify, measure, monitor, report and control or mitigate both its internal and external sources of risk.
- The ERM strategy is embedded into multiple levels of internal controls that ensure adherence and compliance in transacting the group's business model.

Outlook

The stable outlooks reflect A.M. Best's expectation that FM Global Group's risk-based capitalization and operating performance will continue its generally excellent trends through the near to medium term.

Rating Drivers

Positive rating action could result if the group continues to produce strong underwriting and operating performance over an extended period of time.

Negative rating action could result if operating performance or risk-adjusted capitalization falls markedly short of A.M. Best's expectation.

Financial Data Notes:

Time Period: Annual - 2016 **Status:** A.M. Best Quality Cross Checked **Data as of:** 12/14/2017

Key Financial Indicators:

Key Financial Indicators (000)

	Year End - December 31				
	2016	2015	2014	2013	2012
Premiums Written					
Direct	3,508,681	3,422,594	3,441,729	3,577,815	3,535,702
Net	3,284,984	3,267,817	3,288,769	3,276,644	3,365,663
Pre-tax Operating Income ($000)	837,320	730,625	1,002,214	953,705	751,222
Net Income	695,841	680,696	803,774	799,753	712,258
Total Admitted Assets	18,243,619	16,910,776	16,291,711	14,968,378	13,571,874
Policyholders' Surplus	11,519,356	10,546,654	10,141,846	9,153,455	7,525,122

Source: Bestlink - Best's Statement File - P/C, US

Key Financial Indicators - A.M. Best Ratios (%)

	Year End - December 31				
	2016	2015	2014	2013	2012
Profitability					
Combined Ratio	83.6	86.5	76.2	78.2	84.2
Investment Yield	1.8	2.0	2.0	2.1	2.2
Pre-Tax Return on Revenue	25.3	22.4	31.5	29.6	22.7
Leverage					
Non-Affiliated Investment Leverage	73.0	72.6	74.5	76.2	72.5
Net Premiums Written to Policyholders' Surplus	0.3	0.3	0.3	0.4	0.4
Net Leverage	0.9	0.9	0.9	1.0	1.2
Liquidity					
Overall Liquidity	275.6	269.8	267.6	259.6	225.6
Operating Cash-Flow	123.0	120.0	128.4	120.2	110.2

Source: Bestlink - Best's Statement File - P/C, US

(*) 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 through the A.M. Best Consolidation of statutory filings.

Best's Capital Adequacy Ratio Summary - AMB Rating Unit (%)

Confidence Level	95.0	99.0	99.5	99.6
BCAR Score	68.9	57.2	52.1	51.0

Source: Best's Capital Adequacy Ratio Model - P/C, US

Credit Analysis:

Balance Sheet Strength: Strongest

Capitalization:

Notwithstanding the elevated level of extraordinary losses that occurred in 2017, FM Global's balance sheet once again showed its resilience as the group continued to grow capital and surplus at a growth rate that outperforms the industry average. Risk-adjusted capitalization through 2017 more than adequately supports FM Global's risks at the highest confidence intervals, as measured by 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 and comparatively high level of high risk (schedule BA) assets. Although the group maintains exposure to natural and man-made catastrophes, these risks are mitigated through an extensive risk management program and reinsurance which mitigates FM Global's net exposures to levels in line with the group's capital level.

The group has achieved solid surplus growth through operating earnings. However, future surplus growth may be constrained from sudden swings in the equities markets, like the one's demonstrated in the first quarter of 2018. The majority of the group's surplus growth is the result of strong underwriting earnings along with steady investment income. The group's surplus increased in each of the last five years, driven by strong operating earnings augmented by 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.

Reinsurance:

FM Global is considered to be among the market leaders in terms of global property insurance. Due to the sheer size and complexity of its risks, FM Global is a significant purchaser of per risk reinsurance on an excess-of-loss basis and facultative, depending on risk appetite. Catastrophe treaty reinsurance is also utilized to reduce its gross accumulation exposure to $550 million for significant loss events up to $1.9 billion. 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. Per risk excess of loss attaches at $300 million up to $1.48 billion of insured losses.

Capital Generation Analysis

	Year End - December 31				
	2016	2015	2014	2013	2012
Pre-tax Operating Income ($000)	837,320	730,625	1,002,214	953,705	751,222
Realized Capital Gains ($000)	136,152	175,551	163,584	185,787	145,650
Income Taxes ($000)	277,631	225,480	362,025	339,739	184,614
Unrealized Capital Gains ($000)	283,176	-169,818	252,798	804,381	406,297
Net Contributed Capital ($000)	-333	-333	-333	-333	-333
Other Changes ($000)	-5,982	-105,737	-67,849	24,531	-24,711
Change in Policyholders' Surplus ($000)	972,702	404,808	988,390	1,628,333	1,093,511
Change in Policyholders' Surplus (%)	9.2	4.0	10.8	21.6	17.0

Source: Bestlink - Best's Statement File - P/C, US

Liquidity Analysis (%)

	Company					Industry Composite				
	Year End - December 31					Year End - December 31				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Quick Liquidity	108.5	103.1	102.3	96.5	72.6	59.8	57.8	58.1	52.3	53.1
Current Liquidity	209.5	202.6	200.3	197.0	159.9	116.9	118.9	115.6	113.6	107.9
Overall Liquidity	275.6	269.8	267.6	259.6	225.6	188.1	191.4	180.2	172.9	167.1

Source: Bestlink - Best's Statement File - P/C, US
Industry Composite: Commercial Property Composite - Bestlink - Best's Statement File - P/C, US

Asset Liability Management – Investments:

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.

Bond Portfolio - 2016 Bonds Distribution by Maturity (%)

	Years					Years Average
	0-1	1-5	5-10	10-20	20+	Maturity
Government	0.2	8.7	8.0	0.2	5.0	9.7
Government Agencies and Municipal Bonds	0.5	11.7	18.4	3.8	10.3	10.9
Industrial and Misc.	1.0	15.5	13.7	0.5	2.5	6.6
Total	1.8	35.8	40.1	4.5	17.8	9.2

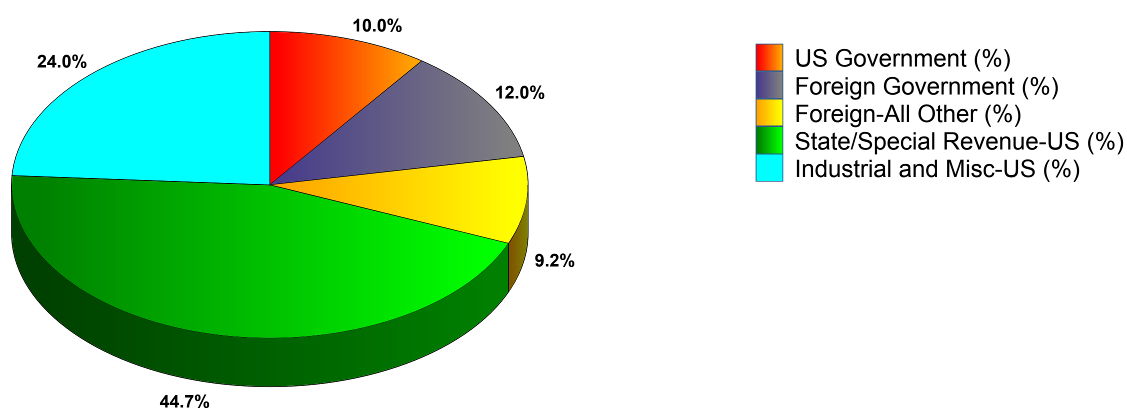
Source: Bestlink - Best's Statement File - P/C, US

Bond Distribution by Issuer Type

	Year End - December 31				
	2016	2015	2014	2013	2012
Bonds ($000)	5,795,694	5,377,000	5,012,895	4,820,940	4,486,648
US Government (%)	10.0	9.5	9.6	8.6	6.6
Foreign Government (%)	12.0	9.7	11.1	10.6	10.3
Foreign-All Other (%)	9.2	9.5	6.2	6.8	4.4
State/Special Revenue-US (%)	44.7	45.0	45.5	46.6	50.2
Industrial and Misc-US (%)	24.0	26.3	27.6	27.4	28.6

Source: Bestlink - Best's Statement File - P/C, US

2016 Bond Distribution By Issuer Type



Source: Bestlink - Best's Statement File - P/C, US

Reserve Adequacy:

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.

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 $698 million in net A&E reserves at year-end 2016, with 84% of this amount pertaining to asbestos liabilities. The group's net A&E reserves represent approximately 28% of its overall loss reserve base and roughly 6% 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.

Reserves at the end of 2017 will likely be significantly higher, at least for the near term, due to significant loss activity in the second half of the year from natural catastrophe losses caused by Hurricanes Harvey, Irma, and Maria, and the Mexico City earthquake.

Loss and Allocated Loss Adjustment Expense Reserve Development

	Year End - December 31				
Calendar Year:	**2016**	**2015**	**2014**	**2013**	**2012**
Original Loss Reserves ($000)	2,479,851	2,439,314	2,233,650	2,275,582	2,569,692
Developed Reserves Thru Latest Year End ($000)	2,479,851	2,222,292	2,294,836	2,182,954	2,735,982
Development to Original (%)	...	-8.9	2.7	-4.1	6.5
Development to Policyholder Surplus (%)	...	-2.1	0.6	-1.0	2.2
Developed Reserves to Net Premiums Earned (%)	75.0	68.2	72.1	67.7	82.7
Unpaid Reserves @ Latest Year End ($000)	2,479,851	1,223,673	940,896	856,758	830,402
Unpaid Reserves to Developed Reserves (%)	100.0	55.1	41.0	39.2	30.4

	Year End - December 31				
Accident Year:	**2016**	**2015**	**2014**	**2013**	**2012**
Original Loss Reserves ($000)	1,256,178	1,214,507	1,082,789	917,425	1,289,314
Developed Reserves Thru Latest Year End ($000)	1,256,178	1,011,934	1,038,891	844,718	1,192,046
Development to Original (%)	...	-16.7	-4.1	-7.9	-7.5
Unpaid Reserves @ Latest Year End ($000)	1,256,178	282,777	84,138	26,356	37,450
Accident Year Loss Ratio (%)	62.4	49.4	55.0	42.8	59.5
Accident Year Combined Ratio (%)	91.1	77.9	80.7	70.4	83.9

Source: Bestlink - Schedule P (Loss Reserves) - P/C, US

Operating Performance: Strong

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. Aside from the group's higher than average catastrophe loss year in 2017, the group generated significant underwriting profits in four of the past five years. Above average results are primarily due to its strong market position, highly protected risk expertise, and strong risk management capabilities. Before experiencing several large loss events in 2017 (Hurricanes Harvey, Irma & Maria), 2015 and 2016 results were reflective of more normalized loss years versus 2013 and 2014 which were relatively benign catastrophe years.

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.

Operating results for the first half of 2017 reflect weaker underwriting profits due primarily to a single outsized loss in the first quarter of 2017. Net earned premium increased approximately 11.2% through June 2017 compared to the same period last year, offsetting the loss event to generate a small underwriting profit for the first half, but weaker than that of the first half of 2016. AM Best expects a manageable increase in claims and losses in the second half of 2017 related to the natural cat impacts on FM Global exposures in Texas, Florida, Puerto Rico, and Mexico City, respectively.

Underwriting:

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. Through June 29, 2017, the group is in its fourth consecutive year of membership credits (ninth overall). The company has paid approximately $3.8 billion since 2001, including the 2014/2015 membership credit of $439 million and the 2015/2016 membership credit of approximately $424 million.

Underwriting results are underpinned by the group's very detailed knowledge of each risk. FM Global does not use actuarial methods to set prices but instead relies on its staff to establish appropriate rates based on exposure and risk mitigation initiatives of individual insureds. As of August, 2017, the group has more than 1,800 engineers employed which is more than the next ten competitors combined. Additionally, the group has a state-of-the-art industrial testing facility that tests both the causes of loss (largely fire focused) and mitigation / minimization of losses.

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. 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 $578 million for 2017, 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, the vast majority of these exposures are represented by horizontal or campus-like risks that are generally not exposed to a total loss. The group does purchase additional terrorism reinsurance outside of TRIPRA. Should TRIPRA expire, management has devised a plan to minimize the potential impact from a terrorist event.

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) slightly exceed those of the group's peer composite but have 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 generally 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.

Through year end 2016, net investment income tracked only slightly below 2015 despite a surge in invested assets while the unrealized capital gain position has swung positively by over $450 million. The portfolio has experienced continuing strong positive results through the first half of 2017.

Financial Performance Summary (000)

	Year End - December 31				
	2016	2015	2014	2013	2012
Pre-tax Operating Income	837,320	730,625	1,002,214	953,705	751,222
Net Income	695,841	680,696	803,774	799,753	712,258

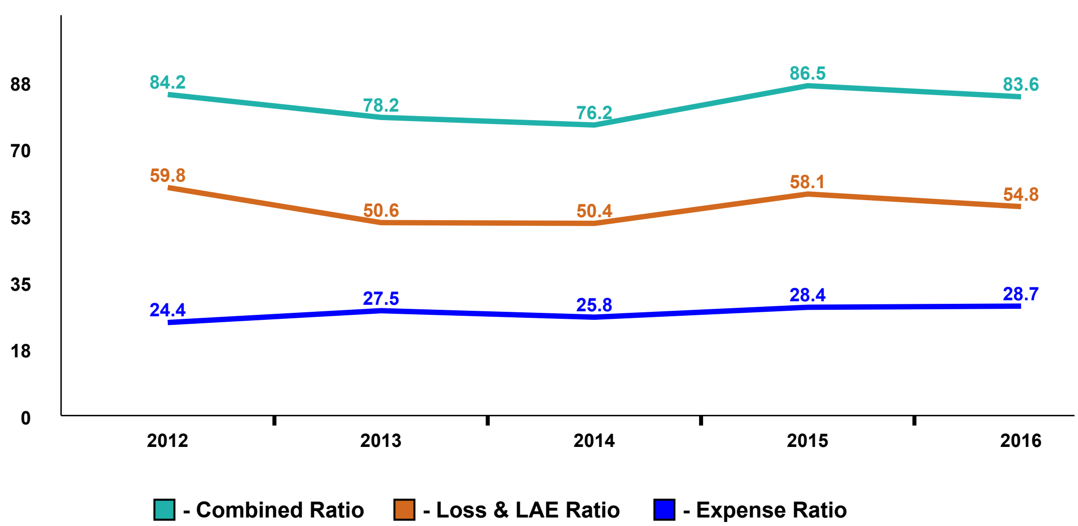
Source: Bestlink - Best's Statement File - P/C, US

A.M. Best Ratios (%)

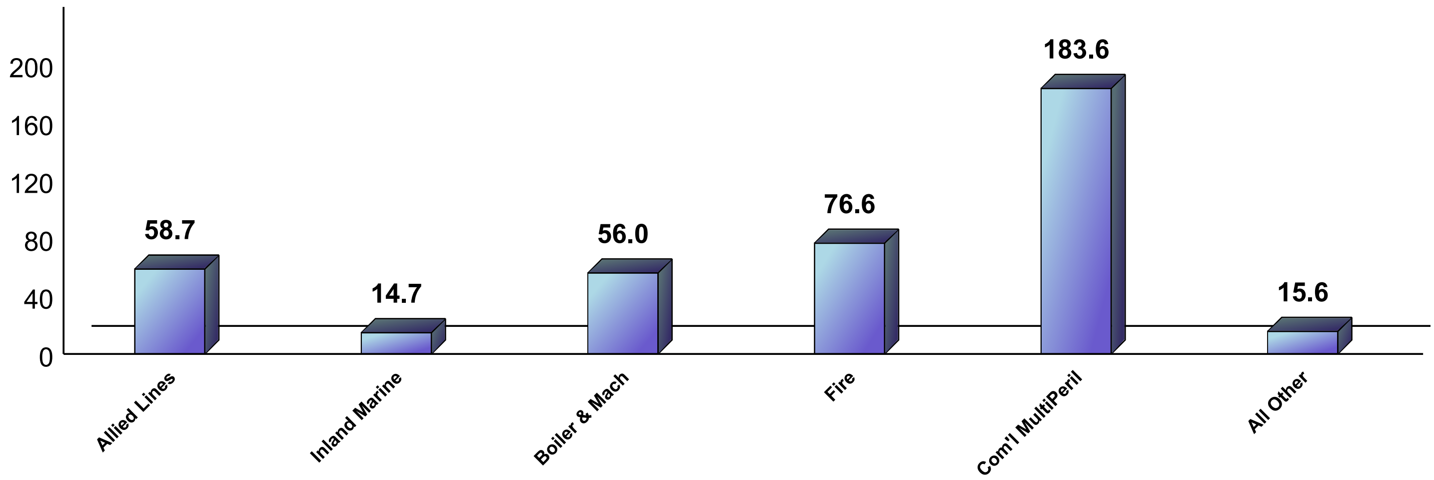
	Company					Industry Composite				
	Year End - December 31					Year End - December 31				
	2016	2015	2014	2013	2012	2016	2015	2014	2013	2012
Operating Ratio	74.4	77.0	67.1	69.9	76.7	85.6	86.7	87.7	90.3	94.9
Realized Return on Invested Assets	2.7	3.2	3.2	3.6	3.5	2.8	2.8	3.3	3.3	3.2
Pre-Tax Return on Revenue	25.3	22.4	31.5	29.6	22.7	12.8	14.7	12.5	10.7	6.0
Return on Surplus	8.9	4.9	11.0	19.2	16.0	7.8	4.8	7.4	11.4	3.8
Loss & LAE Ratio	54.8	58.1	50.4	50.6	59.8	57.7	60.8	62.8	64.6	71.9
Expense Ratio	28.7	28.4	25.8	27.5	24.4	33.7	31.5	30.1	30.7	29.4
Combined Ratio	83.6	86.5	76.2	78.2	84.2	92.4	93.3	93.8	96.2	101.4
Net Investment Yield	1.8	2.0	2.0	2.1	2.2	2.0	2.0	2.0	2.1	2.4

Source: Bestlink - Best's Statement File - P/C, US
Industry Composite: Commercial Property Composite - Bestlink - Best's Statement File - P/C, US

Combined Ratio (%)



2016 Pure Loss Ratio by Product Line (%)



Source: Bestlink - Best's Statement File - P/C, US

Business Profile: Favorable

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. The 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 $578 million in 2017, 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.

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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. Insurance activities are also conducted in Mexico through FM Global de Mexico S.A. de C.V. 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, and Switzerland. 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.

FM Insurance had been used to sell policies across the Economic Union (EU) from one EU country, using so-called passporting rights. Since insurers and other financial service firms no longer expect to be able to retain those rights after the U.K. exits the EU, FM Global established FM Insurance Europe SA (FMIE SA) in Luxembourg in 2016 as its European Economic Area (EEA) hub since it is a multinational business-friendly financial center with regulatory expertise that permits EU pass-porting. FMIE SA will have seven European branches. It and FMI Ltd will enjoy nearly identical reinsurance and performance guarantee support from FMIC. It was capitalized in 2017 and began writing business in 2018.

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%.

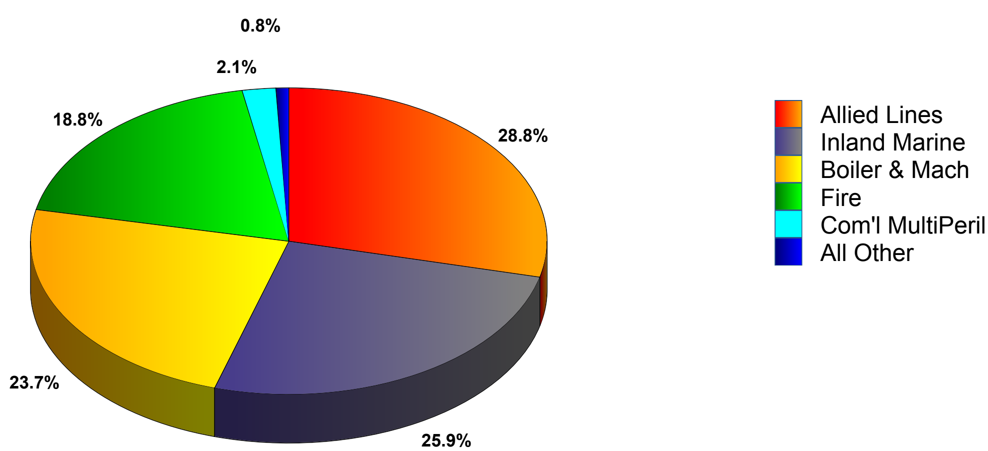
Leverage Analysis

	Company					Industry Composite				
	Year End - December 31					Year End - December 31				
A.M. Best Ratios (%)	**2016**	**2015**	**2014**	**2013**	**2012**	**2016**	**2015**	**2014**	**2013**	**2012**
Business Retention	78.2	79.2	81.2	80.3	85.6	44.2	43.2	48.0	47.5	50.5
Net Premiums Written to Policyholders' Surplus	0.3	0.3	0.3	0.4	0.4	0.5	0.5	0.5	0.6	0.6

Source: Bestlink - Best's Statement File - P/C, US

Industry Composite: Commercial Property Composite - Bestlink - Best's Statement File - P/C, US

2016 Top Product Lines of Business (Net Premiums Written)



Source: Bestlink - Best's Statement File - P/C, US

2016 By-Line Business

Product Line	Direct Premiums Written ($000)	(%)	Reinsurance Premiums Assumed ($000)	(%)	Reinsurance Premiums Ceded ($000)	(%)	Net Premiums Written ($000)	(%)	Business Retention (%)
Allied Lines	1,111,050	31.7	152,867	22.0	318,123	34.7	945,794	28.8	74.8
Inland Marine	1,005,177	28.6	174,240	25.1	329,105	35.9	850,312	25.9	72.1
Boiler & Mach	598,069	17.0	290,151	41.8	110,890	12.1	777,330	23.7	87.5
Fire	688,311	19.6	74,906	10.8	145,282	15.8	617,935	18.8	81.0
Com'l MultiPeril	81,264	2.3	...	...	12,675	1.4	68,590	2.1	84.4
All Other	24,810	0.7	2,049	0.3	1,837	0.2	25,022	0.8	93.2
Total	3,508,681	100.0	694,213	100.0	917,911	100.0	3,284,984	100.0	78.2

Source: Bestlink - Best's Statement File - P/C, US

Geographical Breakdown By Direct Premium Writings

	2016	2015	2014	2013	2012
California	450,810	441,226	458,470	493,763	498,225
Canada	363,609	360,333	346,037	396,871	383,411
Texas	259,893	251,844	251,212	248,626	256,152
Aggregate Alien	234,053	226,836	115,435	70,777	60,578
New York	154,770	159,117	187,365	194,554	192,451
Florida	137,048	147,807	146,459	147,179	166,807
Pennsylvania	115,664	114,729	123,062	124,181	127,001
Illinois	112,406	116,791	121,001	126,589	122,279
Washington	108,080	105,026	99,701	105,301	105,440
Massachusetts	85,188	83,258	93,508	99,235	86,375
All Other	1,487,159	1,415,627	1,499,479	1,570,738	1,536,982
Total	3,508,681	3,422,594	3,441,729	3,577,815	3,535,702

Source: Bestlink - Best's Statement File - P/C, US

Enterprise Risk Management: Appropriate

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 regularly to review risk metrics and risk management activities.

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.

Emerging risks are discussed and monitored through regular meetings of senior management, local risk management committees at FM entities around the world, and regular meetings with policyholders to discuss product and service offerings.

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 & 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.

Financial Statements:

Balance Sheet:

Consolidated Balance Sheet

Admitted Assets	Year End - December 31			
	2016 ($000)	2015 ($000)	2016 (%)	2015 (%)
Bonds	5,795,694	5,377,000	31.8	31.8
Preferred Stock	...	...	...	...
Common Stock	7,173,903	6,420,627	39.3	38.0
Cash and Short-term Invest	1,032,177	1,018,360	5.7	6.0
Real estate, investment	...	...	...	...
Derivatives	...	...	...	...
Other Non-Affil Inv Asset	939,432	946,679	5.1	5.6
Investments in Affiliates	2,110,254	2,001,972	11.6	11.8
Real Estate, Offices	...	...	...	...
Total Invested Assets	17,051,460	15,764,639	93.5	93.2
Premium Balances	677,550	617,382	3.7	3.7
Accrued Interest	64,750	62,397	0.4	0.4
All Other Assets	449,860	466,358	2.5	2.8
Total Assets	18,243,619	16,910,776	100.0	100.0

Balance Sheet: (Continued...)

Consolidated Balance Sheet (Continued...)

Liabilities & Surplus	Year End - December 31			
	2016 ($000)	2015 ($000)	2016 (%)	2015 (%)
Loss and LAE Reserves	2,616,720	2,575,326	14.3	15.2
Unearned Premiums	1,759,895	1,781,598	9.6	10.5
Derivatives	...	...	...	...
Conditional Reserve Funds	105,581	95,260	0.6	0.6
All Other Liabilities	2,242,068	1,911,938	12.3	11.3
Total Liabilities	6,724,263	6,364,122	36.9	37.6
Surplus notes	...	...	...	...
Capital and Assigned Surplus	1,250	1,250	...	...
Unassigned Surplus	11,518,106	10,545,404	63.1	62.4
Total Policyholders' Surplus	11,519,356	10,546,654	63.1	62.4
Total Liabilities and Surplus	18,243,619	16,910,776	100.0	100.0

Source: Bestlink - Best's Statement File - P/C, US

Summary of Operations and Operating Cash Flow:

Consolidated Summary Of Operations (000)

Year End - December 31

Statement of Income	2016	Net Operating Cash Flow	2016
Premiums earned	3,306,687	Premiums collected	3,255,689
Losses incurred	1,696,604	Benefit & loss-related pmts	1,646,035
LAE incurred	115,525		
Undwr expenses incurred	944,408	LAE & undwr expenses paid	982,340
Other expenses incurred	...	Other income / expense	...
Dividends to policyholders	458	Dividends to policyholders	448
Net underwriting income	549,691	Underwriting cash flow	626,866
		Net transfer	...
Net investment income	301,467	Investment income	366,698
Other income/expense	-13,838	Other income/expense	-13,838
Pre-tax operating income	837,320	Pre-tax cash operations	979,727
Realized capital gains	136,152		
Income taxes incurred	277,631	Income taxes pd (recov)	301,374
Net income	695,841	Net oper cash flow	678,353

Source: Bestlink - Best's Statement File - P/C, US

FM Global Group

Report Revision Date:
March 20, 2018

Company Attributes:

Industry:	Insurance
Business Type:	Property/Casualty
Entity Type:	Data Consolidation
Organization Type:	Mutual
Business Status:	In Business
Marketing Type:	Direct Response

Company History:

Date Incorporated: 01/01/1835 **Date Commenced:** N/A **Domicile:** United States: Rhode Island

FM Global traces its origins back to the formation of the Factory Mutual System in the 1800s. Allendale Mutual Insurance Company, a founding member of the Factory Mutual System, commenced operations in 1835 under the name Manufacturers Mutual Fire Insurance Company and was formed in Providence, Rhode Island. After several consolidations and re-namings, the name Allendale Mutual was adopted in July 1971. On July 2, 1999, the two other remaining Factory Mutual companies, Arkwright Mutual and Protection Mutual, merged into Allendale Mutual, with the latter changing its name to Factory Mutual Insurance Company. Factory Mutual owns 100% of the stock of the Appalachian Insurance Company, formed in 1941; Affiliated FM Insurance Company, formed in 1949;FM Insurance Company Limited, formed in the U.K. in 1963, and FM Insurance Europe SA formed in 2016.

Company Operations:

2017 Rank	Top 5 Lines of Business by NPW	
1	Allied Lines	28.4%
2	Inland Marine	27.5%
3	Boiler & Mach	23.5%
4	Fire	18.0%
5	Com'l MultiPeril	2.0%

Source: Bestlink - Best's Statement File - P/C, US

2017 Rank	Top 5 Geographic Distribution by DPW	
1	United States: CA	12.9%
2	:	11.0%
3	:	7.2%
4	United States: TX	7.1%
5	United States: NY	4.8%

Company Management:

Administration of the group's day-to-day affairs and strategic and operational direction is led by Thomas A. Lawson, chairman 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. In addition, Jonathan W. Hall, who joined FM Global in 1980, serves as chief operating officer and oversees FM Global's insurance operations and certain insurance staff functions

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