FM Global Annual Report **2011**

Annual Report **2011**

prepare. **protect.** restore.

FM Global®

Report Contents

Industry Ratings

Rating Agency	*Financial Strength*	*Rating Outlook*
A.M. Best	A+ (Superior)	Stable
Fitch	AA (Very Strong)	Stable

For additional ratings information, view "Industry Ratings" at www.fmglobal.com.

FM Global is a leading commercial property insurance company that forms long-term partnerships with its clients to support risk management objectives through a unique combination of engineering, underwriting and claims services. We work to ensure our clients' business continuity by safeguarding their properties with seamless, worldwide coverage and property loss prevention engineering solutions.

Executive Message

stability.

The unprecedented catastrophic events of 2011 have reinforced the strength of our promise to policyholders: to be a stable market, provide unique services and respond quickly when they have a loss.

The unprecedented number of natural disasters that occurred throughout the world in 2011 had a significant impact on our industry, our company and our clients. Virtually every natural disaster occurred in urban areas, and our clients had locations in every one of them. On an aggregate basis, 2011 losses incurred from these disasters were the largest in our history, exceeding our 2001 loss experience resulting from the World Trade Center attacks and other disasters, and our losses in 2005 from Hurricanes Katrina, Rita and Wilma.

These events have reinforced the strength of our promise to policyholders: to be a stable market, provide unique services and respond quickly when they have a loss, with a focus on helping them to resume business operations as swiftly as possible. Despite a very challenging year, we kept our promise, thanks to our dedicated claims and engineering colleagues who responded to these events worldwide. Amidst our worst loss year on record, we also had the highest client retention rate in more than a decade, a solid indicator of the strength of our business approach to our policyholder owners.

Driven by the natural disasters, our 2011 combined ratio reached 121 percent. Surplus declined by 5.5 percent to US$6.9 billion. Pretax investment portfolio returns of 3.1 percent helped offset the financial impact of underwriting losses on surplus.

Review of 2011

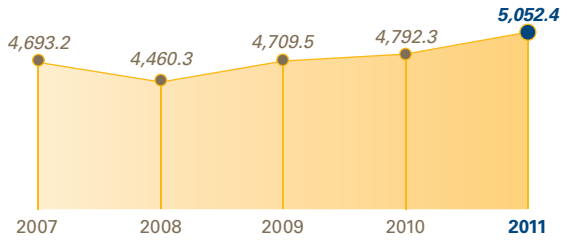
Our plans for 2011 assumed the continuation of a very competitive market with reduced rates and abundant underwriting capacity. Given that environment, our activities were focused on improving our products and services, becoming more efficient, expanding our global capabilities, and working with our clients to achieve significant risk improvement at their properties.

Our 2011 FM Global Advantage® policy included new coverage and enhancements. The new form provides greater clarity, with additional wording confirming our underwriting position and longstanding loss-adjustment practices—all to improve contract certainty. These changes have been well received by our policyholders.

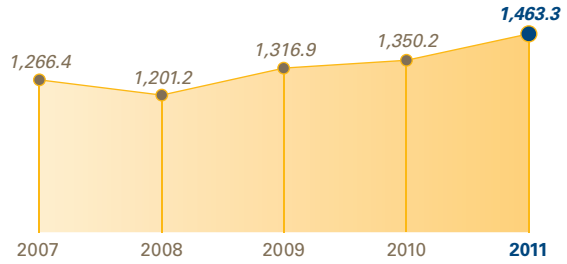
Already considered a leader in timely policy delivery, we progressed even further in 2011 by issuing 70 percent of national policies prior to their effective dates. We continued to streamline the collection of insured values, a very challenging process, because our clients are multinational with locations worldwide and sophisticated interdependencies among facilities.

Risk improvement is a cornerstone of our value proposition. Working cooperatively with our clients, we helped improve the risk profile of their facilities by implementing human element recommendations and achieving physical improvements at large locations. This marked a significant accomplishment in a very difficult environment and demonstrated our clients' ongoing commitment to securing their businesses.

Total Gross Premium in force
in US$ millions



Non-North America Gross Premium in force
in US$ millions



Based on our historical experience, we have developed catastrophe response plans that enable us to manage multiple disasters across various continents at any given time. In 2011, our clients were exposed to 20 large insured natural disasters. Our claims and engineering staff responded with pre-established catastrophe teams and resources in each of the areas affected to support our clients and help mitigate their losses as quickly as possible.

These natural disasters illustrated the need to develop supply chain resiliency by avoiding or minimizing potential exposures within a client's supply chain. In addition, these events reaffirmed both the strength of our engineering services to help manage supply chain risks, and the value of the broad coverage provided by our insurance product—specifically via the contingent time element cover for both direct and indirect customers and suppliers.

We continued in 2011 to receive highly favorable third-party recognition. We were named the "Best for Service" in *Business Insurance* magazine's Buyers Choice awards; we were rated first choice for commercial property, business interruption and terrorism insurance in *National Underwriter*'s Risk Manager Choice Awards; and lastly, Greenwich Associates again named us best in claims processing and customer service, and ranked us number one for underwriting expertise. All of these surveys were statistically significant, with participation from large groups of risk managers, treasurers and chief financial officers.

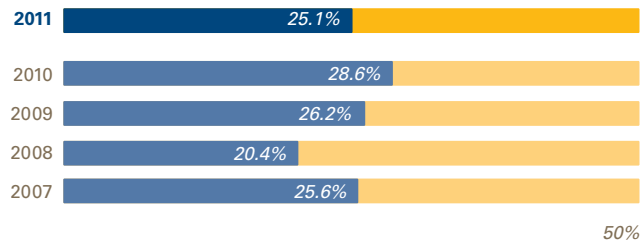
2011 Premium Trends

Entering 2011, we expected price levels to continue to fall for the fourth year with ample underwriting capacity available in the marketplace. That situation continued through the first half of the year; it was not until the third and fourth quarters that we could conclude that the trend had reversed itself in the United States and Australia, with Europe, Canada and South America showing signs of firming.

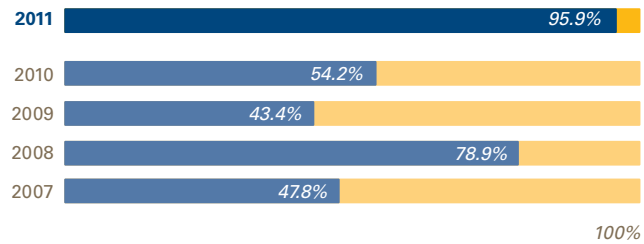
Overall, our gross premium in force, excluding new business, remained flat—an excellent result, given that it includes lost business and changes to existing arrangements. Despite more challenging market conditions in Europe compared with North America, both FM lines and Affiliated FM did well in Europe when compared with performance in 2010. We attribute this favorable response to increased brand awareness and the strength of our product and client relationships.

Overall, including new business, our gross premium in force grew by 5.4 percent to US$5.1 billion, a significant milestone for a specialized carrier like FM Global. Affiliated FM, with US$890 million, grew by 11 percent, while FM lines grew by 4.1 percent, even with the difficult marketplace in Europe. These increases are good results, given our relative market share, and they validate the strength of our business model and the demand for value-added products in a commodity market. FM lines and Affiliated FM represent about 97 percent of our revenue, with Mutual Boiler Re and FM Global Cargo representing the balance.

Expense Ratio



Loss Ratio*



* includes additional reserves for discontinued lines of business

Net earned premium grew by 5 percent to US$3.2 billion. This included US$208 million in membership credit, which was in effect through June 2011. Since 2001, we have reduced the premium charged to eligible policyholders by approximately US$1.7 billion through membership credit.

Loss Trends

Our loss ratio for 2011 was 95.9 percent, the highest in more than a decade. Comparable loss ratios for 2010 and 2009 were 54.2 and 43.4 percent, respectively.

Natural disasters and aggregations were the principal contributors to the sharp increase, with a loss ratio of 52.3 percent—more than one-and-a-half times greater than the average expected losses. In 2005, the year of Hurricanes Katrina, Rita and Wilma, the comparable loss ratio from disasters was 22.2 percent. Of the 20 natural disasters and aggregations in 2011, losses from 11 of the disasters were greater than US$20 million, and six of the events generated losses greater than US$100 million. The six largest losses were from the floods in Thailand, and Brisbane, Australia; tornadoes in Joplin, Missouri, USA, and Tuscaloosa, Alabama, USA; and the earthquakes in Honshu, Japan, and Christchurch, New Zealand. Of these large losses, four occurred outside of the Americas and Europe. Our net losses incurred from disasters in 2011 exceeded losses incurred in 2010 by more than US$1 billion.

Although the frequency and severity of the natural disaster losses are our highest on record, we didn't find it necessary to modify our risk assessment and risk improvement practices at the policy level, or suggest a redesign of our reinsurance practices.

Risk losses, or losses not attributed to natural disasters or aggregations, generated a loss ratio of 39.6 percent vs. 28.9 percent in 2010. The principal driver of the risk loss ratio is losses at non-sprinklered locations, which tend to be outside North America. Economic losses from fires at non-sprinklered locations are often five times costlier than a loss at a sprinklered location. Working cooperatively with our clients to accelerate risk improvement continues to be very important.

Expense Ratio

Our expense ratio dropped to 25.1 percent from 28.6 percent, due in part to our companywide focus on efficiency and process improvement. To continue this positive trend, we established a formal process-improvement team. This group is equipped with a range of tools to examine our key business processes to make them more efficient without altering our fundamental business model. Preliminary results of their efforts are very encouraging.

Employee Trends

Our worldwide headcount continues to be flat, with a shift in staffing from North America to Asia and South America reflecting our clients' expansion into these emerging markets.

The key to our ongoing success is based on employees who are committed to seeing our clients and our business succeed; they have established long-term careers at FM Global because they value our rewards systems, work environment and training programs. Employee turnover worldwide was 6 percent vs. 5.4 percent last year—low by most standards. Average tenure is approximately 14 years.

We continue to enhance the strength of our workforce as we encourage and require employees to complete specific training programs. Our employees completed 9,000 days of classroom training at an average direct cost of US$1,200 per employee. In addition, they completed 17,000 hours of online training.

In July, we unveiled the newest addition to our Center for Property Risk Solutions: a 12,000 square-foot (1,115 square-meter) laboratory called the "Sim*Zone*." This major training advancement allows both our newly hired and experienced engineers to gain hands-on experience with the loss prevention and control systems they will encounter at our client facilities. The Sim*Zone* environment accelerates their learning and makes them more effective. The laboratory also enables us to develop specifically targeted, video-based training programs for online use by our clients. The "Know More Risk" video series is already generating client interest and is available via *My*Risk®, our secure client interface.

Investments and Surplus

Invested assets fell by two-tenths of 1 percent, even though cash flow from operations was positive. The drop was driven by lower equity valuations. Overall, we had a pretax total return of 3.1 percent, reflecting our 45-percent asset allocation to equity securities and balance in debt securities and cash. Compared with our benchmarks, our debt security assets outperformed, while our equity securities did not.

Overall, asset allocation was stable, with a higher emphasis on cash and short-term securities. Both A.M. Best and Fitch reaffirmed our ratings at A+ and AA, respectively.

Governance

As a mutual company owned by its policyholders, we value the governance of our directors, eight advisory boards and five risk management executive councils. We are very thankful for their loyal support.

Ruud Bosman, vice chairman, retired after 40 years of service with FM Global. He successfully led our international operations and planning initiatives. We will miss his wisdom and guidance.

Mary Howell, retired executive vice president, Textron, retired from our board in April 2011. Mary was one of our original directors when FM Global was formed in 1999; we are grateful to her for her counsel and insight.

We welcomed Frank Connor, executive vice president and chief financial officer from Textron, to our board, and look forward to his participation.

commitment.

2011 was a very difficult year. Our employees did a remarkable job of supporting our policyholders, especially those who were affected by the disasters. We are deeply grateful for their commitment.

Looking Ahead

A significant part of our premium growth comes from our existing policyholders. For the most part, our policyholders are multinational companies and they are growing outside of North America and Western Europe. In order to successfully continue to provide cost-effective, value-added products and services, we must focus on two sets of challenges. First, our clients' growth is in areas where local risk management practices, codes and standards result in less resilient properties, leading to a significantly higher risk profile. Second, although local, legal and regulatory requirements are different and complicated in all new territories, we are committed to full compliance. Our goal has been to overcome these challenges and deliver all of our products and services via a single, cost-effective and seamless global platform. We have been working on these issues over the last several years, and they will remain our focus into the future.

2011 was a very difficult year. Our employees did a remarkable job of supporting our policyholders, especially those who were affected by the disasters. We are deeply grateful for their commitment and the support provided by our board of directors to ensure that we continue to deliver a market-leading product that resonates with our clients and meets their ever-evolving needs on a worldwide basis.

Shivan S. Subramaniam
Chairman and Chief Executive Officer

Prepare. Protect. Restore.

Some saw catastrophe. We saw opportunity in managing the risk. These three action verbs—prepare, protect, restore—describe the value of the relationship between FM Global and its mutual clients in a year of unprecedented catastrophe losses caused by natural hazards. 2011 is already being recognized as the costliest year yet for natural disaster losses, entailing a total global economic cost (including uninsured losses) of more than US$380 billion.

Year after year, FM Global urges its clients to think ahead, look at the catastrophe risk, and decide what can be done about it. This was the year when those efforts proved critical.

Around the globe, our clients performed a multitude of improvements to reduce their risk: fastening roof covers to withstand severe wind, activating flood emergency response plans to help keep the water out, and installing seismic gas shutoff valves and fortified bracing in facilities where the risk of earthquake is prominent. We worked with them to take those measures because we believe in the value of loss prevention.

Through our commitment to engineering and research, we've learned that the majority of property loss is preventable. Fortunately, years like 2011 do not come often. But when they do, they validate our approach to providing commercial property insurance—prevent losses, protect our clients and respond when needed.

prepare

Reducing Risk

Reducing Risk

Mohawk Fine Papers, Inc., the largest privately held premium paper manufacturer in North America, operates two mills, the older of which was built more than 100 years ago on the banks of the Mohawk River in Waterford, N.Y., USA. With such close proximity to the river, the threat of flood is one of Mohawk's greatest concerns. Many at the facility vividly remember 1996, when the river rose rapidly. The flooding caused devastation when water penetrated the building, ruining motors, lubrication and hydraulic systems, causing the mill to shut down for more than two weeks.

After the 1996 flood, Mohawk management insisted on reducing its flood exposure. Mohawk's two mills, in continuous operation, produce more than 175,000 tons (158,757 metric tons) of paper products every year. Productivity at the mill was too important, and relocation of the mill was not a feasible option.

For Mohawk, the best solution was to develop a comprehensive flood emergency response plan. Mohawk management worked closely with FM Global engineers to develop a plan; and once it was in place, they made it a policy to review and update the plan annually.

In August 2011, as Hurricane Irene approached and turned inland, the plan and its procedures were put to the first real test. The decision was made to shut down the paper mill operation, including the facility's two large paper-making machines. Meanwhile, staff members physically removed pumps and motors in low-lying areas and put partitions and sandbags in place.

"In Hurricane Irene, we followed our flood plan. Among other action steps, we removed more than 140 motors to make sure they didn't get damaged. And in fact, the water did hit levels in the areas where those motors would have been. By being proactive, we didn't incur repair costs. We were only down for five days in terms of lost manufacturing time. With five days of inventory in stock, we could satisfy our customers' needs.

Gordon Proskine, Vice President and Treasurer, Mohawk Fine Papers, Inc.

Fortunately, the plan was designed to defend against a flood that could be worse than the 1996 event. In the 2011 storm, river elevations rose by more than 1 foot (.3 meters) above what most of Mohawk's employees had ever seen. But, this time, disaster was avoided. No motors were lost and there were no issues with lubrication or hydraulic systems. Nor was any product damaged. Although the paper machines were shut down for several days, the rest of the mill remained up and running.

Mohawk's plan has come to be seen as a model for other companies in the forest products industry, particularly for those with older mills. "By following our plan and being proactive in our approach we were able to save a significant amount of money in terms of repairs," said Gordon Proskine, vice president and treasurer at Mohawk. "But also, we were up and running much faster than we ordinarily would have been.

"Irene was a learning experience for us," he continued. "We were only down for five days in terms of lost manufacturing time. With five days of inventory in stock, we could satisfy our customers' needs."

Ed Corlew, manager, safety, health and security, needs only to look back to the losses of 1996. "If you don't look at risk and prepare for it," he said, "the ramifications can be great. It can greatly impact your business…to the point where you may not have a business."

"At Mohawk, we think of risk management as an investment in the future and an investment in continued revenue. As long as these machines are running we are creating dollars, and it's important for us to minimize the risk that the machines could go down. If you're in risk management and you truly care about minimizing losses, then FM Global is a great partner because of the tools that they can bring to help you do that."

Gordon Proskine, Vice President and Treasurer, Mohawk Fine Papers, Inc.

Go to **fmglobal.com/annualreport** to watch a video that captures the full story.

protect

Protecting Value

Protecting Value

It would be hard for anyone in or around the city of Binghamton, N.Y., USA, to imagine life without Our Lady of Lourdes Memorial Hospital, a main provider of care in the region for close to 90 years. Yet, for a 12-day period in 2006, Lourdes, a vital community resource, was evacuated and shut down, the result of severe flooding. For the hospital's management team, that experience was the catalyst for what was to become a remarkable achievement in risk management.

prote

Prior to the flood, the hospital, part of Ascension Health, the largest Catholic and nonprofit health system in the United States, had taken precautions by building an earthen berm to protect itself against flooding that could result if and when the neighboring Susquehanna River flows over its banks. But, when the storm arrived, the river rose and water covered the paved parking lots. Protection could not keep up and water entered the hospital, rising about 18 inches (.46 meters) on the ground floor.

"The official completion of the flood wall was in June, and here we were in September, watching the river crest, confident that we would be OK. We've proven that the flood wall design works, and that we can sustain a major flood with minimal damage."

David Patak, President and CEO, Our Lady of Lourdes Memorial Hospital

ect.

The flood forced the immediate evacuation of all patients. It caused extensive damage to critical departments that were essential to keep the hospital functioning; and without that support, the emergency department had no choice but to close. Ultimately, the hospital was shut down for 12 days. For an organization dedicated to serving the community, with special attention to those who are poor and vulnerable, the inability to deliver critical services was a psychological blow—in addition to the financial implications that accompanied the physical hit.

"An essential lesson we learned is that no two floods are the same. No matter how prepared you are, you always need to be thinking ahead. More can happen, and you need to think about other opportunities to protect yourself. The community needs us. The people here have suffered physically and emotionally, and it's important for us to be here for them."

Anne Wolanski, Vice President Risk Management and Home Health Services/Corporate Responsibility Officer
Our Lady of Lourdes Memorial Hospital

Go to **fmglobal.com/annualreport** to watch a video that captures the full story.

"When you have an event like this, you quickly realize it's not just about the physical loss and the interruption to the organization," says Anne Wolanski, the hospital's vice president of risk management and home health services/corporate responsibility officer. "This takes a tremendous emotional toll, and you say to yourself, we don't want to ever have this experience again."

As services were being restored, the management team faced the realization that another flood of this magnitude was entirely possible. That's when the long process of building a flood wall began to take shape. For the next few years, the risk management staff at Ascension Health and Our Lady of Lourdes Memorial Hospital worked with the Federal Emergency Management Agency (FEMA) and FM Global to plan and build a wall that would surround and protect the facility. The wall was finished in June 2011, and not a moment too soon.

In late August, Hurricane Irene raced up the U.S. East Coast. At one point a Category 3 hurricane, Irene was still a dangerous tropical storm with heavy rain and wind when it blew into upstate New York. On its heels was Tropical Storm Lee. Indeed, the two-fisted attack caused the river to overflow. The parking lots were completely submerged and the water level rose dangerously high, at one point approaching the top of the flood wall. But the wall protected the main buildings, the storm gates held, and Our Lady of Lourdes Memorial Hospital continued to provide patient care and emergency services throughout the storm.

Thoughtful planning and an innovative design, combined with engineering experience and open collaboration, helped Our Lady of Lourdes Memorial Hospital protect its facility and carry out its primary mission—to deliver quality health care to the community. Defending against Irene and Lee proved that the flood wall design works, that the hospital can sustain a major flood with minimal damage on its campus, and that the hospital will be there to serve the community.

Restoring Productivity

Restoring Productivity

Iron Mountain, a company whose name is synonymous with world-class records storage and information management, is a global leader in its industry and holds a major share of the market in Chile, one of 35 countries where Iron Mountain has operations. On Feb. 27, 2010, a massive earthquake occurred off the Chilean coast, causing several billions of dollars in property damages. Iron Mountain's facilities in Santiago were not spared.

Several company buildings, along with racking systems, were damaged; but, to local management's relief, the information Iron Mountain stored for its customers remained unharmed. Access to many of those records, however, would be difficult.

Iron Mountain needed to minimize the impact of the quake and act quickly to restore operations. Fortunately, the company had a detailed disaster-response plan. On the morning after the earthquake, the extent of damage was assessed. Shortly after, a team of recovery specialists from Iron Mountain was assembled to begin the recovery effort, working alongside the FM Global catastrophe adjustment team dispatched to the area.

The combined team moved quickly to meet two primary recovery goals. "The first target was logical: to avoid any new damage," says Gonzalo Hevia, general manager of the Iron Mountain facility in Chile. "The second, of equal importance, was to rebuild the service. Customers rely on us because of the service, and to re-establish it was a very big priority."

ore.

"The dialogue that took place well before any loss was anticipated included a word-for-word review of the policy. That, in itself, gave us a clear understanding of how the policy would respond—which ended up saving us a tremendous amount of time and expense. After the quake, the response from FM Global and from our own team was so fantastic that, quite frankly, we ended up adding new customers."

Geof Smith, Vice President, Risk Management, Iron Mountain

"The first target was logical: to avoid any new damage. The second, of equal importance, was to rebuild the service. Customers rely on us because of the service, and to re-establish it was a very big priority. Remember, our clients had warehouses that had collapsed, and they wanted to bring the records to us for safe storage. Thankfully, we got back into operation quickly."

Gonzalo Hevia, General Manager, Iron Mountain, Santiago, Chile

Go to **fmglobal.com/annualreport** to watch a video that captures the full story.

With the help of advance payments from FM Global, Iron Mountain leased outside warehouses, equipped them with proper security, established the necessary systems to operate and then began relocating thousands of boxes. Speed was of the essence because many Iron Mountain clients suffered damages, including banks and other financial institutions that were in sudden need of large storage space for their records. Iron Mountain was able to meet their needs.

When a natural catastrophe strikes, it creates a moment of truth between a company and its insurance carrier—particularly when that disaster strikes far from the company's home soil. The interruption of business operations places a company's profits, market share, reputation and shareholder value at risk.

In this case, Iron Mountain's ability to react swiftly enhanced its already strong reputation in the market. "We actually ended up adding customers by virtue of the fact that we were back up in operation faster than our competitors," said Geof Smith, vice president of risk management at Iron Mountain. "Many of our customers, and many of our competitors' customers, looked at us and said, 'Wow, Iron Mountain responded and recovered faster. That's the kind of company we want to do business with.'"

The rapid response was the result of pre-loss planning that had taken place soon after Iron Mountain became an FM Global client in 2007. At one-on-one meetings and policyholders' workshops, Iron Mountain gained a clear understanding of the coverage provided, leading to greater contract certainty; and FM Global learned more about Iron Mountain's business priorities.

This pre-loss activity helped to foster a solid working relationship that proved to be critical in the days following the earthquake. "The key was that they were here together with us," Hevia says of Iron Mountain's earthquake experience with FM Global. "It was like they were from our company. This is the kind of partnership we built."

About our Featured Clients

Mohawk Fine Papers Inc., an FM Global client for 37 years, is the largest premium paper manufacturer in North America. Its product line includes some of the best-known brands in the industry—among them Strathmore, Beckett and Mohawk Superfine. A privately owned company founded in 1931 near Albany, N.Y., USA, Mohawk distributes its paper products in more than 50 countries worldwide.

Recognized for its technical innovation and environmental focus, Mohawk offers a product line of writing, text, cover and digital papers that are used for corporate reports, corporate identity systems, brochures, packaging, on-demand photo books, personalized direct mail, custom packaging, and everyday communication for businesses of all types and sizes.

Mohawk works with 400 distributors in 40 countries to provide customers with plenty of inventory and prompt delivery through wholesale, retail and e-commerce services throughout the world.

Ascension Health, an FM Global client since 1986, is the largest Catholic and nonprofit health system in the United States. The organization's mission-focused health ministries employ more than 121,000 associates serving in more than 1,400 locations in 21 states and the District of Columbia.

Ascension Health, whose System Office is in St. Louis, Mo., USA, includes 70 general acute care hospitals along with a dozen long-term care, acute care, rehabilitation, and psychiatric hospitals (combined, more than 17,500 beds); plus nursing homes, community clinics, and other health care services.

Our Lady of Lourdes Memorial Hospital, located in Binghamton, N.Y., USA, is a member of Ascension Health. The hospital opened as a 25-bed facility in 1925. Today, with a new ambulatory care center, a regional cancer center, and a thriving family birthing center, the hospital employs nearly 2,500 people and is a leading health care services provider to Binghamton and surrounding communities.

Iron Mountain is a world leader in information management services, assisting more than 140,000 organizations in 35 countries with storing, protecting and managing information. Iron Mountain, based in Boston, Mass., USA, and an FM Global client since 2007, stores paper and digital data, such as computer backup media, microfilm and microfiche, audio and video files, film and X-rays. It provides such services as records management, offsite data protection and secure shredding.

Publicly traded on the New York Stock Exchange, Iron Mountain is an S&P 500 company and a member of the Fortune 1000. Organizations in every major industry and of all sizes—including more than 97 percent of the Fortune 1000—rely on Iron Mountain as their information management partner.

Iron Mountain employs nearly 20,000 professionals and boasts an infrastructure that includes more than 1,000 facilities, 10 data centers and 3,500 vehicles.

The FM Global Group

In addition to the large-risk property business, the FM Global Group includes a number of other key business operations. Several of those are described in this section.

Affiliated FM is a wholly owned stock subsidiary of Factory Mutual Insurance Company and is focused on commercial middle-market property clients. The company's value proposition is to provide innovative products and services designed to protect clients' assets, help improve their operating reliability, reduce their overall cost of risk and maintain their profit and market share. The company markets its products and services worldwide through a select network of agents and brokers, providing underwriting expertise and property loss control engineering tailored to meet specific client needs.

Affiliated FM is committed to developing strong relationships with its brokers and clients through:

- Superior commercial 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

The Affiliated FM product line includes the all-risk proVision℠ policy, as well as market-specific policies for commercial real estate accounts, condominium associations, educational institutions, health care facilities, manufacturing risks and retail operations. The company also offers a number of unique endorsements to provide market-leading coverage for our brokers and clients. Some examples:

- BI Select™—scenario-based flexible business interruption coverage that helps clients maximize business interruption recovery
- Green Coverage Endorsement—added coverage for clients wishing to enact or maintain sustainable, environmentally friendly business and building practices
- Risk Improvement Endorsement—coverage after a loss for physical improvements to a client's location in accordance with FM Global's Property Loss Prevention Data Sheets

Recognizing that middle-market clients are increasingly expanding operations, Affiliated FM continues to focus on providing a market-leading international product offering through the proVision 360 global master policy program. This offering provides seamless coverage for the international exposures of clients by using the master policy concept in conjunction with legally admitted underlying coverage from either the company's international licenses or by utilizing the FM Global World*Reach*® partner network.

Affiliated FM provides international expertise with a local presence. The organization has office locations in Australia, Canada, France, Germany, the Netherlands, the United Kingdom and throughout the United States, and offers coverage in 56 countries. Leveraging streamlined processing systems and a global network, Affiliated FM provides consistent worldwide delivery of coverage, underwriting and engineering products and services, and claims management.

Mutual Boiler Re®

Member of the FM Global Group

Mutual Boiler Re has provided boiler and machinery insurance in North America for 135 years, specializing in mechanical, electrical and pressure systems breakdown treaty reinsurance and support services to the commercial property insurance marketplace. Today, it works with nearly 200 insurance companies, providing broader and more competitive coverage to policyholders. To meet the growing demand for sustainable solutions, Mutual Boiler Re introduced the industry's first green equipment breakdown endorsement.

Mutual Boiler Re fosters long-term treaty relationships that help partner companies develop new business opportunities and retain their clients, from "Main Street" business and commercial property owners to farm owners and homeowners. The company provides tailor-made coverage, rate development, filing, underwriting and claims support, and customized management reports. Integral to the treaty agreement is the provision of boiler and pressure vessel jurisdictional certification, which is carried out by commissioned inspectors from FM Global. Through the creation of customized training programs, Mutual Boiler Re helps broaden its partner companies' knowledge of risk exposures. By fostering a value proposition that promotes customer advocacy, flexibility and competitiveness, Mutual Boiler Re has a leadership position in the specialty market it serves.

FM Approvals®

Member of the FM Global Group

FM Approvals is a leader in third-party certification of property loss prevention products and services. Industrial and commercial companies around the world know that products bearing the FM APPROVED certification mark, backed by more than 100 years of scientific research and leading-edge product testing, conform to high standards. The company's globally recognized expertise spans more than 500 categories of products and services, including roofing and building material, cleanroom material, and electrical and fire protection equipment. FM Approvals offers complimentary online resources dedicated to property loss prevention.

FM Global® Cargo

FM Global Cargo provides innovative, comprehensive and flexible cargo insurance coverage, automated certificate management, and risk engineering services tailored to the international trade and transportation needs of global businesses. The all-risk cargo policy protects the full value of cargo throughout a client's product distribution network. Focused risk engineering services help clients understand the hazards that threaten their supply chain or major project shipments and determine cost-effective loss prevention solutions.

Corporate Insurance Services℠

Member of the FM Global Group

Corporate Insurance Services (CIS) is FM Global's wholly owned brokerage operation, maintaining relationships with a variety of U.S. domestic insurers, Lloyd's of London, excess and surplus lines insurers and specialty companies. CIS provides access to markets for perils, coverage and/or capacity not readily available through FM Global or Affiliated FM. (CIS coverage is tailored to meet FM Global policyholders' insurance requirements.) CIS policy options include all-risk, earthquake, flood, wind, MFL capacity, inland marine, ocean marine and other lines.

FM Global Around the World

FM Global products and services are available around the world.
The countries listed below represent those where we regularly serve our clients:

North America

Bahamas
Canada
Costa Rica
Dominican Republic
El Salvador
Guatemala
Honduras
Jamaica
Mexico
Nicaragua
Panama
Trinidad and Tobago
United States

South America

Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador
Paraguay
Peru
Uruguay
Venezuela

Europe, Middle East and Africa

Algeria
Armenia
Austria
Azerbaijan
Bahrain
Belgium
Bosnia
Botswana
Bulgaria
Burkina Faso
Cameroon
Croatia
Czech Republic
Denmark
Egypt
Estonia
Finland
France
Germany
Ghana
Greece
Hungary
Iceland
Israel
Italy
Jordan
Kazakhstan
Kenya
Kuwait
Kyrgyzstan
Latvia
Lebanon
Liechtenstein
Lithuania
Luxembourg
Macedonia
Madagascar
Morocco
Mozambique
Nambia
Netherlands
Norway
Oman
Poland
Portugal
Qatar
Republic of Ireland
Romania
Russia
Saudi Arabia
Senegal
Serbia
Slovakia
Slovenia
South Africa
Spain
Sweden
Switzerland
Tanzania
Tunisia
Turkey
Ukraine
United Arab Emirates
United Kingdom

Asia Pacific

Australia
Bangladesh
Brunei
Cambodia
China
Hong Kong
India
Indonesia
Japan
Laos
Macau
Malaysia
New Zealand
Pakistan
Philippines
Singapore
South Korea
Sri Lanka
Taiwan
Thailand
Vietnam

Financial Information

Investment Report

Global financial markets were particularly volatile in 2011, with lower-risk asset classes outperforming more cyclical sectors. This reflected uncertain economic conditions that, most notably, focused on the sovereign debt problems in Europe. Related low confidence by businesses and consumers resulted in subpar spending growth, which restrained GDP progress on a global basis. A notable bright spot was corporate earnings and cash flow, as many of the larger companies that dominate stock indices have managed through the lackluster environment with productivity gains and global repositioning.

FM Global's investment positions and returns by asset class are shown on page 29. Return on total assets was 3.08 percent compared with the 3.75 percent benchmark. The shortfall was due to underperformance in equity securities, offset somewhat by a positive contribution from municipal bond holdings.

Focusing first on equity securities, the internally managed portfolio (which is predominantly U.S.-based equity securities) returned 0.28 percent versus the benchmark S&P 500 at 2.11 percent. Mutual fund data and other statistics indicate most active managers fell short of the S&P index for the year, primarily due to underweighting the most defensive sectors of the market, which outperformed as economic concerns increased. FM Global's return on total equity securities including outside managed international positions was -1.13 percent versus the benchmark (S&P 500 plus MSCI international stock index) at -0.05 percent. The results for both the portfolio and the total stock index were negatively impacted by overseas equity securities returns, with the MSCI ex. U.S. index down 13.71 percent for the year. Here, too, investors preferred the relative defensiveness of U.S. equities over both European and emerging country stocks.

Turning to the debt securities portfolio, FM Global's internally managed portfolio of high-grade taxable debt securities returned 7.02 percent, very close to the 7.01 percent benchmark return. Returns benefited from the further decline in interest rates for the year, particularly in the safest sectors, including U.S. Treasury bonds. The municipal debt securities portfolio returned 11.15 percent for the year, as higher-grade municipalities showed greater financial stability than some had feared. The high-yield portfolio returned 4.24 percent, restrained by economic concerns.

Regarding real estate, in addition to providing functional support to FM Global's business operations, the real estate group manages 3.7 million square feet (344,000 square meters) of investment properties. These real property assets provide an additional element of portfolio diversification. They also provide a cost-effective approach in meeting FM Global's ongoing real estate needs, while enhancing the value of its properties. For 2011, commercial properties produced $69.5 million† in revenue and $16.1 million in cash flow.

† All financial figures in U.S. dollars.

Rates of Return – 2011	Portfolio	Benchmark
Total portfolio	3.08%	3.75%[1]
Debt securities		
Investment-grade taxable bonds	7.02%	7.01%[2]
Municipal bonds*	11.15%	10.33%[3]
High-yield bonds	4.24%	4.37%[4]
Equity securities – total	(1.13)%	(0.05)%[5]
Internal portfolio	0.28%	2.11%[6]
External portfolios**		
U.S. portfolios	(5.03)%	N/A
International portfolios	(16.44)%	(13.71)%[7]

[1] Weighted S&P 500 Plus Global Stock Index, Barclays Index, T Bill
[2] Custom Barclays Index
[3] Barclays Muni 2-12 Year
[4] Merrill Lynch U.S. High-Yield Master II Constrained Index
[5] S&P 500 Index (87%) plus MSCI All World ex. U.S. (13%)
[6] S&P 500
[7] MSCI All World ex. U.S.

* Taxable equivalent return.
** Primarily smaller sized companies.

Pretax Contribution to Surplus (in millions) †	2011	2010
Investment income	$ 292.3	$ 284.4
Realized gains/(losses)	297.1	196.1
Unrealized gains/(losses)	(258.9)	482.6
	$ 330.5	$ 963.1

As of December 31	2011		2010	
Holdings (in millions) †	Total	Percentage	Total	Percentage
Equity securities	$ 4,417	42.0%	$ 4,841	45.8%
Taxable debt securities	3,259	31.0	3,285	31.1
Municipal debt securities	1,504	14.3	1,431	13.5
Short-term funds	796	7.6	579	5.5
Partnerships and alternative investments	537	5.1	439	4.1
Total	$ 10,513	100.0%	$ 10,575	100.0%

† All financial figures in U.S. dollars.

Management's Statement on Internal Control Over Financial Reporting

The management of FM Global is responsible for establishing and maintaining adequate internal control over financial reporting and for the preparation and integrity of the accompanying financial statements and other related information in this report. The consolidated financial statements of the Company and its subsidiaries, including the footnotes, were prepared in accordance with accounting principles generally accepted in the United States of America and include judgments and estimates, which, in the opinion of management, are applied on an appropriately conservative basis. The Company maintains a system of internal and disclosure controls intended to provide reasonable assurance that assets are safeguarded from loss or material misuse, that transactions are authorized and recorded properly, and that the accounting records may be relied upon for the preparation of the financial statements. This system is tested and evaluated regularly for adherence and effectiveness by the Company's staff of internal auditors.

The audit committee of the Board of Directors, which comprises directors who are not employees of the Company, meets regularly with management and the internal auditors to review the Company's financial policies and procedures, its internal control structure, the objectivity of its financial reporting, and the independence of the Company's independent public accounting firm. The internal auditors have free and direct access to the audit committee, and they meet periodically, without management present, to discuss appropriate matters.

Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation.

These consolidated financial statements are subject to an evaluation of internal control over financial reporting conducted under the supervision and with the participation of management, including the chief executive officer and chief financial officer. Based on that evaluation, conducted under the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, management concluded that its internal control over financial reporting was effective as of December 31, 2011.

Shivan S. Subramaniam
Chairman and
Chief Executive Officer

Jeffrey A. Burchill
Senior Vice President – Finance
Chief Financial Officer

The Board of Directors and Policyholders of Factory Mutual Insurance Company and Subsidiaries

We have audited the accompanying consolidated balance sheets of Factory Mutual Insurance Company and Subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of operations, changes in policyholders' surplus, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Factory Mutual Insurance Company and Subsidiaries at December 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

Boston, Massachusetts
February 17, 2012

Consolidated Balance Sheets

(in thousands)

December 31	2011	2010
Assets		
Investments:		
Debt securities (including $261,100 and $440,900 of securities on loan under a securities lending program)	$ 5,104,500	$ 5,053,100
Equity securities:		
Common	4,416,900	4,834,600
Other securities	533,500	438,800
Real estate	376,200	348,800
Total investments	10,431,100	10,675,300
Cash and cash equivalents	611,200	357,100
Recoverable from reinsurers	2,011,400	1,209,700
Premium receivable	678,800	570,300
Prepaid reinsurance premium	325,900	243,100
Premises and equipment	344,400	354,500
Other assets	925,900	848,200
Total assets	$ 15,328,700	$ 14,258,200
Liabilities		
Unpaid losses and loss adjustment expenses	$ 5,176,500	$ 3,693,400
Reserve for unearned premium	2,263,800	2,044,700
Current and deferred income taxes	267,200	456,500
Other liabilities	738,400	782,500
Total liabilities	8,445,900	6,977,100
Policyholders' surplus		
Accumulated other comprehensive income	582,200	939,000
Retained earnings	6,300,600	6,342,100
Total policyholders' surplus	6,882,800	7,281,100
Total liabilities and policyholders' surplus	$ 15,328,700	$ 14,258,200

See accompanying notes.

Consolidated Statements of Operations

(in thousands)

Year ended December 31	2011	2010
Gross premium earned	$ 4,945,000	$ 4,686,800
Ceded premium earned	(1,503,000)	(1,434,500)
Net premium earned	3,442,000	3,252,300
Membership credit	(208,000)	(182,800)
Net premium earned after membership credit	3,234,000	3,069,500
Investment-related income	364,900	348,000
Fee-related income	48,400	44,800
Total revenue	3,647,300	3,462,300
Net losses and loss adjustment expenses	3,099,100	1,661,700
Insurance-related expenses	777,700	852,800
Investment-related expenses	135,300	119,000
Fee-related expenses	43,400	46,500
Total losses, loss adjustment and other expenses	4,055,500	2,680,000
Net (loss)/income from operations	(408,200)	782,300
Net realized investment gains	368,200	221,600
Other than temporary impairment losses	(71,100)	(25,500)
Net (loss)/income before income taxes	(111,100)	978,400
Income tax (benefit)/expense	(69,600)	291,800
Net (loss)/income	$ (41,500)	$ 686,600

See accompanying notes.

Consolidated Statements of Changes in Policyholders' Surplus

(in thousands)

Year ended December 31	2011	2010
Policyholders' surplus at beginning of year	$ 7,281,100	$ 6,262,100
Comprehensive (loss)/income:		
Net (loss)/income	(41,500)	686,600
Other comprehensive income:		
(Decrease)/increase in net unrealized appreciation on investments in debt and equity securities, net of income tax benefit of $87,200 for 2011 and net of income tax expense of $164,400 for 2010	(171,700)	318,200
Change in benefit plan assets and liabilities, net of income tax benefit of $92,900 for 2011 and net of income tax expense of $5,200 for 2010	(172,500)	7,000
(Decrease)/increase in foreign currency translation adjustment, net of income tax expense of $1,600 for 2011 and $3,000 for 2010	(12,600)	7,200
Total comprehensive (loss)/income	(398,300)	1,019,000
Policyholders' surplus at end of year	$ 6,882,800	$ 7,281,100

See accompanying notes.

Consolidated Statements of Cash Flows

(in thousands)

Year ended December 31	2011	2010
Operating activities		
Net (loss)/income	$ (41,500)	$ 686,600
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:		
(Increase)/decrease in premium receivable	(108,500)	107,300
Increase/(decrease) in reserves for unearned premium	219,100	(18,800)
Increase in unpaid losses and loss adjustment expenses	1,483,100	158,100
Increase in recoverable from reinsurers	(801,700)	(49,600)
Change in current and deferred income taxes	(146,200)	268,000
Net realized investment gains	(297,100)	(196,100)
(Increase)/decrease in prepaid reinsurance premium	(82,800)	58,700
Other	(152,400)	(228,100)
Net cash provided by operating activities	72,000	786,100
Investing activities		
Net sales/(purchases) of short-term investments	14,300	(38,800)
Purchases of debt and equity securities	(2,928,500)	(3,095,600)
Sales and maturities of debt and equity securities	3,202,200	2,244,500
Capital expenditures	(71,600)	(22,800)
Other	(34,300)	19,700
Net cash provided by/(used in) investing activities	182,100	(893,000)
Increase/(decrease) in cash and cash equivalents	254,100	(106,900)
Cash and cash equivalents at beginning of year	357,100	464,000
Cash and cash equivalents at end of year	$ 611,200	$ 357,100

See accompanying notes.

Note 1. Significant Accounting Policies

Basis of Presentation

The consolidated financial statements are stated in U.S. dollars and have been prepared on the basis of accounting principles generally accepted in the United States, which differ in some respects from statutory accounting practices prescribed or permitted by the State of Rhode Island and Providence Plantations, Department of Business Regulation, Insurance Division. On the basis of statutory accounting practices, consolidated policyholders' surplus was $6,431,600 and $6,961,900 at December 31, 2011 and 2010, respectively; net (loss)/income for the respective years then ended was $(32,100) and $767,300.

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States requires the use of management's estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The Company provides comprehensive lines of property coverage and supporting services for industrial and institutional properties throughout the world.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions were eliminated in consolidation.

Cash Equivalents

Cash equivalents consist of various sweep accounts with a maturity of less than 90 days at acquisition.

Investments

Management determines the appropriate classification of debt securities at the time of purchase. All common stock and debt securities are classified as available-for-sale and are stated at fair value.

The amortized cost of debt securities is adjusted for amortization of premiums and accretion of discounts to maturity, or in the case of mortgage and asset-backed securities, over the estimated life of the security adjusted for anticipated prepayments. This amortization and accretion is included in investment-related income. For mortgage and asset-backed fixed maturity securities, the Company recognizes income using a constant effective yield based on anticipated prepayments over the economic life of the security. The mortgage and asset-backed portfolio is accounted for under the retrospective method and prepayment assumptions are based on market expectations. When actual prepayments differ significantly from anticipated prepayments, the effective yield is recalculated to reflect actual payments to date and anticipated future payments, and any resulting adjustment is included in investment-related income.

Other securities consist primarily of partnerships and alternative investments, which are accounted for under the equity method. As a result of the timing of the receipt of valuation data from the investment managers, these investments are reported on up to a three-month lag. Changes in the Company's equity in the net assets of these investments are included in income as realized investment gains/(losses).

Note 1. Significant Accounting Policies *(continued)*

The cost of securities sold is based upon the specific identification method. Unrealized appreciation or depreciation of available-for-sale debt and equity securities, net of tax, is reported directly in policyholders' surplus.

Impairments in equity securities deemed to be other than temporary are reported as a component of income/(loss) before income taxes. Impairments in debt securities deemed to be other than temporary are segregated into credit risk and non-credit risk impairments. Credit risk impairments are reported as a component of net income/(loss) before income taxes. Non-credit risk impairments are recognized in other comprehensive income. Securities are reviewed for both quantitative and qualitative considerations in the calculation of impairments.

Under a securities lending program with an agent, the Company has temporarily loaned certain debt securities. Borrowers of these securities must deposit with the agent an amount of cash and/or securities equal to 102 percent of the loaned securities' fair value for U.S. currency-denominated securities or 105 percent of the loaned securities' fair value for foreign-denominated securities. The portion of collateral received in securities is held in trust by the agent. The portion of collateral received in cash is invested by the agent in high-quality, short-term investments. The Company continues to receive the interest on the loaned debt securities as a beneficial owner, and the loaned debt securities are included in the investment portfolio of the Company. The cash collateral and the obligation to return that collateral are included in other assets and other liabilities, respectively, on the Consolidated Balance Sheets.

Income Taxes

The Company files consolidated U.S. and foreign income tax returns as required by law. The income tax expense is based upon pretax income reported in the consolidated financial statements. Deferred income taxes are provided, when appropriate, for the effects of temporary differences in reporting income and expenses for tax and financial reporting purposes. Deferred income taxes are also provided for unrealized appreciation or depreciation of investments, for pension and postretirement liabilities and for foreign currency translations.

The Internal Revenue Service (IRS) has reviewed the Company's federal tax returns for the 2004 through 2007 tax years and some issues remain unsettled. Additionally, the IRS is currently reviewing the Company's federal tax returns for the 2008 and 2009 tax years. Any adjustments that might result from the IRS examination of these income tax returns are not expected to have a material impact on the financial position, liquidity or results of operations of the Company.

Deferred Costs

Premium taxes and commissions, the principal business acquisition costs, are deferred to the extent recoverable and are amortized over the period during which the related premium is earned. Deferred costs are included in other assets.

Certain pre-rental and other expenses incurred by the Company's real estate limited liability corporation subsidiaries are deferred and amortized over the lives of the various tenant leases.

Real estate and Premises and equipment

Premises and equipment are stated at cost, and depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. Upon retirement or sale, the cost of the asset disposed of and its related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in net realized investment gains. The net book value of the Company's investments in land and buildings is included in Real estate, whereas the remaining net book value of the Company's occupied land and buildings, furniture, fixtures and equipment is included in Premises and equipment.

Note 1. Significant Accounting Policies *(continued)*

Unpaid Losses and Loss Adjustment Expenses

Liabilities for unpaid losses and loss adjustment expenses are based on case estimates or reports from ceding companies. Estimates of incurred-but-not-reported (IBNR) reserves are based on historical experience and management analysis.

Although the above-described amounts are based on estimates, management believes recorded liabilities for unpaid losses and loss adjustment expenses are adequate to cover the ultimate settlement cost of losses incurred. These estimates are continually reviewed and adjustments to such estimates are reflected in current operations.

Premiums

The Company issues term premium policies. The term premium is earned on a pro-rata basis over the life of the policy.

New Guidance on Existing Accounting Standards

In 2010, the Company adopted the Financial Accounting Standards Board's (FASB's) new guidance (ASU 2010-06) on *Fair Value Measurements and Disclosures* (Topic 820) and on Compensation—Retirement Benefits (Subtopic 715-20), which provides guidance on additional disclosures for fair value measurement of assets. The additional disclosures required by this guidance are included in Note 3 and Note 10.

In October 2010, the FASB issued Accounting Standards Update No. 2010-26, *Financial Services—Insurance (Topic 944): Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts*, which prescribes how costs incurred in the acquisition of new and renewal contracts should be capitalized. The required implementation date of the Update was for fiscal years beginning after December 15, 2011. The Company early adopted the Update and determined there is no impact on its deferral policy or the financial statements.

Recent Accounting Pronouncements

In May 2011, the FASB issued Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820): *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the Board does not intend for the amendments in this Update to result in a change in the application of the requirements in Topic 820. The required implementation date of the Update for non-public entities is fiscal years beginning after December 15, 2011. The Company has determined that this update will have no impact on its financial statements.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*, which prescribes that an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous Statement of Comprehensive Income or in two separate but consecutive statements. The required implementation date of the Update for non-public entities is fiscal years ending after December 15, 2012. The adoption of this Update will change the way the Company presents comprehensive income in its financial statements, however the Company has not yet determined which of the acceptable presentation approaches it will utilize.

Note 1. Significant Accounting Policies *(continued)*

In December 2011, the FASB issued Accounting Standards Update No. 2011-12 *Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. The Update defers the requirement for entities to present reclassification adjustments, by component, on the face of the financial statements where net income and other comprehensive income are presented. The Company will monitor future updates related to this deferral.

Reinsurance

In the normal course of business, the Company seeks to reduce losses that may arise from catastrophes or other events that cause unfavorable underwriting results by reinsuring certain levels of risk with other insurance enterprises. Reinsurance premium and losses and loss adjustment expenses ceded under these arrangements are accounted for on a basis consistent with those used in accounting for the original policies issued and the terms of the reinsurance contract.

Retirement Income Plans and Postretirement Benefit Plans Other than Pensions

Noncontributory retirement income plans cover the vast majority of employees. The Company's funding policy is generally to contribute the net periodic pension cost each year, as determined pursuant to the guidance on *Compensation – Employee Benefits*. However, the contribution for any year will not be less than the minimum required contribution, nor greater than the maximum tax-deductible contribution.

The Company provides certain health care and life insurance benefits for retired employees and their dependents. The plan is contributory, with retiree contributions adjusted annually, and contains other cost-sharing features, such as deductibles and coinsurance. Current service and interest costs of postretirement health care and life insurance benefits are expensed on an accrual basis.

Investment- and Fee-Related Income

Investment-related income primarily consists of interest and dividends from the Company's investment portfolio and income from leased office space, which is earned as services are provided, or over the term of applicable leases. Fee-related income primarily consists of fees for ancillary services.

Note 2. Investments

Debt and Equity Securities

The following is a summary of securities at December 31, 2011:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities:				
U.S. Treasury securities and obligations of U.S. government agencies	$ 279,300	$ 36,600	$ —	$ 315,900
Obligations of states and political subdivisions	1,384,100	92,000	(900)	1,475,200
Mortgage and asset-backed securities				
Agency	763,500	51,900	—	815,400
Commercial	151,200	12,400	—	163,600
Residential	9,700	3,000	(200)	12,500
Other mortgage and asset-backed securities	172,400	8,700	(100)	181,000
U.S. corporate securities	1,279,700	69,900	(8,400)	1,341,200
Foreign government securities	520,900	38,600	—	559,500
Other debt securities	229,200	11,600	(600)	240,200
Total debt securities	4,790,000	324,700	(10,200)	5,104,500
Equity securities				
Information Technology	398,300	382,300	(7,400)	773,200
Consumer Staples	387,000	242,300	(4,600)	624,700
Financials	562,500	68,000	(16,000)	614,500
Energy	329,600	245,500	(5,200)	569,900
Industrials	288,200	141,300	(4,100)	425,400
Health Care	288,500	137,100	(700)	424,900
Mutual Funds (International and Emerging Markets)	325,700	92,200	(2,300)	415,600
All other sectors	358,300	221,100	(10,700)	568,700
Total equity securities	2,938,100	1,529,800	(51,000)	4,416,900
Total debt and equity securities	$ 7,728,100	$ 1,854,500	$ (61,200)	$ 9,521,400

Note 2. Investments *(continued)*

The following is a summary of securities at December 31, 2010:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities				
U.S. Treasury securities and obligations of U.S. government agencies	$ 330,100	$ 15,300	$ (1,300)	$ 344,100
Obligations of states and political subdivisions	1,377,400	37,200	(8,500)	1,406,100
Mortgage and asset-backed securities				
Agency	793,300	40,700	(3,000)	831,000
Commercial	140,600	10,000	(200)	150,400
Residential	12,000	2,000	(100)	13,900
Other mortgage and asset-backed securities	194,400	11,000	(200)	205,200
U.S. corporate securities	1,266,000	80,200	(3,400)	1,342,800
Foreign government securities	528,500	14,200	(900)	541,800
Other debt securities	207,800	11,300	(1,300)	217,800
Total debt securities	4,850,100	221,900	(18,900)	5,053,100
Equity securities				
Information Technology	376,100	418,300	(1,000)	793,400
Consumer Staples	440,600	228,600	(300)	668,900
Financials	503,000	160,300	(1,300)	662,000
Mutual Funds (International and Emerging Markets)	372,300	187,900	—	560,200
Energy	288,200	246,700	(100)	534,800
Health Care	374,100	137,200	(3,500)	507,800
Industrials	294,800	198,900	(300)	493,400
All other sectors	336,300	278,400	(600)	614,100
Total equity securities	2,985,400	1,856,300	(7,100)	4,834,600
Total debt and equity securities	$ 7,835,500	$ 2,078,200	$ (26,000)	$ 9,887,700

During the years ended December 31, 2011 and 2010, proceeds from the sale of debt and equity securities were $3,135,900 and $2,163,200, respectively. The gross realized gains and (losses) on such sales totaled $392,900 and $(51,300), and $201,100 and $(26,400), in 2011 and 2010, respectively.

Note 2. Investments *(continued)*

The amortized cost and fair value of debt securities at December 31, 2011, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	$ 512,400	$ 516,300
Due after one year through five years	1,207,500	1,269,500
Due after five years through 10 years	1,622,100	1,761,400
Due after 10 years	351,200	384,800
	3,693,200	3,932,000
Mortgage and asset-backed securities	1,096,800	1,172,500
Total debt securities	$ 4,790,000	$ 5,104,500

Under a securities lending program with an agent, the Company has temporarily loaned certain debt securities with a fair value of $261,100 and $440,900 at December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010, the Company held total collateral values of $266,700 and $450,100 related to the securities lending program.

Included in the Company's debt security portfolio are securities with unrealized losses deemed to be temporary. The total unrealized loss on these securities was $10,200 (fair value of $325,400) at December 31, 2011, and $18,900 (fair value of $787,700) at December 31, 2010. The amount of loss that existed for 12 months or more was immaterial for both 2011 and 2010. In reaching its conclusion that these impairments are temporary, the Company considered issuer specific circumstances as well as the fact that the Company has the intent and ability to hold these securities until they recover in value or mature, and it is not more likely than not that the Company will be required to sell before that time.

Included in the Company's equity security portfolio are securities with unrealized losses deemed to be temporary. The total unrealized loss on these securities was $51,000 (fair value of $470,000) at December 31, 2011, and $7,100 (fair value of $181,000) at December 31, 2010. The amount of loss that existed for 12 months or more was immaterial for both 2011 and 2010. In reaching its conclusion that these impairments are temporary, the Company considered the duration and severity of the decline as well as the near term prospects of the issuer. The Company believes these securities will appreciate over time, and the Company has the ability and intent to hold these securities until such time.

Credit Risk

All investment transactions have credit exposure to the extent that a counterparty may default on an obligation to the Company. Credit risk is a consequence of carrying investment positions. To manage credit risk, the Company focuses on high-quality fixed-income securities, reviews the credit strength of all companies in which it invests, limits its exposure in any one investment and monitors the portfolio quality, taking into account credit ratings assigned by recognized credit-rating organizations.

Note 3. Fair Value

The valuation techniques required by the *Fair Value Measurements* guidance are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions.

These two types of inputs create the following fair value hierarchy:

Level 1 Quoted prices for identical instruments in active markets.

Level 2 Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3 Significant inputs to the valuation model are unobservable.

The Company retains independent pricing vendors to assist in valuing invested assets. In compliance with the *Fair Value Measurements* guidance, the Company conducted a review of the primary pricing vendor, validating that the inputs used in that vendor's pricing process are deemed to be market-observable as defined in the standard.

When available, the Company uses quoted market prices to determine the fair value of investment securities, and they are included in Level 1.

When quoted market prices are unavailable, the Company uses quotes from independent pricing vendors based on recent trading activity and other relevant information. Fixed income securities are priced by an independent vendor using evaluated market pricing models that vary by asset class. These models incorporate available trade, bid and other market information, and for structured securities also incorporate cash flow and, when available, loan performance data. The pricing models apply available market information through processes such as benchmark curves, benchmarking of similar securities, and sector groupings. The vendors also integrate observed market movements, sector news and relevant credit information into the evaluated pricing applications and models. These investments are included in Level 2 and are primarily comprised of the fixed income securities.

In infrequent circumstances, the pricing is not available from the pricing vendor, and is based on significant unobservable inputs. In those circumstances, the investment security is classified in Level 3.

The following table presents the Company's invested assets measured at fair value as of December 31, 2011:

Invested Assets, at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities, available for sale	$ 5,104,500	$ 366,600	$ 4,737,900	$ –
Equity securities, available for sale	4,416,900	4,313,900	103,000	–
Total	$ 9,521,400	$ 4,680,500	$ 4,840,900	$ –

Note 3. Fair Value *(continued)*

The following table presents the Company's invested assets measured at fair value as of December 31, 2010:

Invested Assets, at Fair Value	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities, available for sale	$ 5,053,100	$ 382,200	$ 4,670,900	$ –
Equity securities, available for sale	4,834,600	4,687,700	146,900	–
Total	$ 9,887,700	$ 5,069,900	$ 4,817,800	$ –

All debt securities are measured at fair value and are classified as Level 2 with the exception of short-term securities which are priced using quoted market prices and therefore classified as Level 1. See Note 2 for breakout of debt securities by category.

All equity securities are priced using quoted market prices and classified as Level 1 with the exception of certain mutual funds which are priced by the manager using other observable inputs and therefore classified as Level 2. See Note 2 for breakout of equity securities by category.

There were no transfers of securities between Levels 1 and 2 in 2011 or 2010.

Securities lending collateral in 2011 and 2010 consists of highly liquid investments, which would be classified as Level 1 in the fair value hierarchy.

Note 4. Membership Credit

The Company's Board of Directors approved a membership credit to policyholders for 2011 and 2010. Policyholders were eligible for the membership credit upon renewal of their policies with inception dates between June 30, 2010 and June 29, 2011. The membership credit was recorded as a reduction of net premium earned.

Note 5. Reinsurance

The Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk to minimize its exposure to significant losses from reinsurer insolvencies. While such evaluations minimize the Company's exposure, the ultimate collection of reinsurance recoverables depends on the financial soundness of the individual reinsurers. Generally, the reinsurance contracts do not relieve the Company from its obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, allowances are established for amounts deemed uncollectible.

The effect of reinsurance on written premium is as follows:

	Year ended December 31	
	2011	2010
Gross written premium	$ 5,164,100	$ 4,668,000
Ceded written premium	(1,614,800)	(1,380,900)
Net written premium	$ 3,549,300	$ 3,287,100

Ceded losses incurred for the years ended December 31, 2011 and 2010, were $1,484,800 and $419,300, respectively.

Note 6. Unpaid Losses and Loss Adjustment Expenses

Activity in the net liability for unpaid losses and loss adjustment expenses is summarized as follows:

	Year ended December 31	
	2011	2010
Net balance at January 1	$ 2,615,900	$ 2,478,200
Net incurred related to:		
Current year	3,373,300	1,974,600
Prior year	(274,200)	(312,900)
Total incurred	3,099,100	1,661,700
Paid related to:		
Current year	1,410,000	811,900
Prior year	982,800	712,100
Total paid	2,392,800	1,524,000
Net balance at December 31	$ 3,322,200	$ 2,615,900

As a result of changes in estimates of insured events related to prior years, the provision for losses and loss adjustment expenses decreased by $274,200 and $312,900 in 2011 and 2010, respectively. The decreases in both years were due to reductions of incurred-but-not-reported (IBNR) reserves based on actual experience, and decreases on a small number of individual losses. In establishing reserves for property losses there is some uncertainty in management's estimates that cause these estimates to differ from ultimate payments.

In establishing the liability for unpaid losses and loss adjustment expenses related to asbestos, environmental and other mass tort-related claims, which applies only to business that is now in runoff, management considers facts currently known and the current state of the law and coverage litigation. Liabilities are recognized for known claims (including the cost of related litigation) when sufficient information has been developed to indicate the involvement of a specific insurance policy and management can reasonably estimate the Company's liability. Liabilities have also been established to cover additional exposures on both known and unasserted claims. Estimates of the liabilities are reviewed continuously. Developed case law and adequate claim history do not exist for such claims, primarily because significant uncertainty exists about the outcomes of coverage litigation and whether past claim experience will be representative of future claim experience.

The Company is the subject of various asserted and unasserted claims and lawsuits covering a wide variety of issues that arise out of the normal course of its business activities. Contingent liabilities arising from litigation and other matters are not considered material in relation to the financial position or operations of the Company.

Note 7. Real estate and Premises and equipment

Real estate and Premises and equipment at December 31, 2011 and 2010 are summarized as follows:

	2011	2010
Land and buildings	$ 916,600	$ 867,600
Furniture, fixtures and equipment	304,900	289,200
Accumulated depreciation	(500,900)	(453,500)
Total	$ 720,600	$ 703,300

Note 8. Leases

In connection with its various operating offices throughout Asia, Australia, Europe, North America and South America, the Company leases office space, automobiles, and equipment. These leases are classified as operating leases.

Future minimum lease payments at December 31, 2011, under operating leases with terms of one year or more, are in aggregate $142,700. The future minimum lease payments for each of the five succeeding years from 2012 to 2016 are $36,600, $30,900, $23,100, $13,900 and $12,100, respectively.

During 2011 and 2010, rent expense for all operating leases was $47,600 and $40,100, respectively.

Note 9. Income Taxes

Current income taxes primarily represent the U.S. federal and foreign tax expense/(benefit). The most significant components of deferred tax liabilities relate to net unrealized gains on investment securities, benefit plans expense and depreciation. Deferred tax assets primarily represent the U.S. tax effects of temporary differences relating principally to discounting of unpaid losses and loss adjustment expenses, adjustments to the net reserve for unearned premium, the write-down of other than temporarily impaired investments and the pension and postretirement surplus adjustment. The Company has established a valuation allowance for its foreign subsidiary's unrelieved foreign tax.

The components of the net deferred tax liability at December 31, 2011 and 2010, are as follows:

	2011	2010
Total deferred tax liabilities	$ (998,000)	$ (1,012,200)
Total deferred tax assets	755,800	614,900
Valuation allowance	(25,000)	(23,000)
Net deferred tax assets	730,800	591,900
Net deferred tax liability	$ (267,200)	$ (420,300)

Note 9. Income Taxes *(continued)*

The following is the current and deferred income tax (benefit)/expense for the years ended December 31, 2011 and 2010:

	2011	2010
Current income tax (benefit)/expense	$ (94,300)	$ 174,300
Deferred income tax expense	24,700	117,500
Total income tax (benefit)/expense	$ (69,600)	$ 291,800

The Company has not recognized a deferred tax liability for the undistributed earnings of certain of its wholly owned foreign subsidiaries that arose in 2011 and prior years, because the Company does not expect those unremitted earnings to reverse and become taxable to the Company in the foreseeable future. A deferred tax liability will be recognized when the Company expects that it will recover those undistributed earnings in a taxable manner, such as through receipt of dividends or sale of the investment. As of December 31, 2011, the undistributed earnings of these subsidiaries were approximately $13,600.

In 2011, effective income tax rates differed from current U.S. statutory rates primarily as a result of the dividends received deduction, tax exempt income and the effect of foreign operations.

Income tax paid during 2011 and 2010 was $102,000 and $173,000, respectively. In addition, the Company received income tax refunds of $24,000 and $150,000 during 2011 and 2010, respectively.

The Company's unrecognized tax benefits are immaterial and it does not expect any material changes within 12 months of the reporting date.

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions

The Company sponsors a noncontributory retirement income plan covering the vast majority of employees. The benefits are generally based on years of service and the average of the highest consecutive 60 months of the employee's compensation within the 120 months prior to retirement. Generally, the Company's funding policy is to maintain a sufficiently funded level to ensure benefit security and to vary contribution levels as appropriate to business conditions. The Company also has supplemental retirement plans that are noncontributory defined benefit plans covering certain employees.

The Company provides health care and life insurance benefits for certain retired employees and their dependents. Employees not eligible for benefits under pre-merger plan provisions, under age 30 as of January 1, 2000, or hired after January 1, 2000, are ineligible for benefits. Other employees may become eligible if they meet certain age and service requirements. The plan is generally contributory, with retiree contributions adjusted annually, and contains other cost-sharing features, including deductibles and coinsurance.

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

Obligations and funded status are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Fair value of plan assets	$ 1,833,100	$ 1,611,800	$ 110,200	$ 114,100
Benefit obligations	1,782,800	1,527,500	159,300	155,500
Funded status, end of year	$ 50,300	$ 84,300	$ (49,100)	$ (41,400)

The accumulated benefit obligation for the pension and supplemental benefits plans were $1,537,100 and $1,306,900, for December 31, 2011 and December 31, 2010, respectively.

Amounts recognized in the statement of financial position are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Asset	$ 165,200	$ 177,400	$ –	$ –
Liability	(114,900)	(93,100)	(49,100)	(41,400)
Total	$ 50,300	$ 84,300	$ (49,100)	$ (41,400)

Pretax amounts included in accumulated other comprehensive income are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Net actuarial loss	$ 816,400	$ 559,900	$ 69,800	$ 57,400
Prior service cost/(credit)	5,400	7,600	(300)	(300)
Transition obligation	–	–	1,000	2,300
Total	$ 821,800	$ 567,500	$ 70,500	$ 59,400

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for pension plans with an accumulated benefit obligation in excess of plan assets are as follows:

	Dec. 31, 2011	Dec. 31, 2010
Projected benefit obligation, end of year	$ 131,700	$ 85,000
Accumulated benefit obligation, end of year	115,300	74,000
Fair value of plan assets, end of year	29,700	–

The projected benefit obligation and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets are as follows:

	Dec. 31, 2011	Dec. 31, 2010
Projected benefit obligation, end of year	$ 131,700	$ 115,800
Fair value of plan assets, end of year	29,700	30,300

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

Other Changes in Plan Assets and Benefit Obligations Recognized in Other Comprehensive Income

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Current year actuarial loss	$ 283,500	$ 6,500	$ 16,800	$ 9,200
Amortization of actuarial loss	(27,000)	(20,500)	(4,400)	(3,900)
Current year service cost	–	–	–	–
Amortization of prior service cost	(2,200)	(2,300)	–	–
Amortization of transition obligation	–	–	(1,300)	(1,200)
Total recognized in other comprehensive income	254,300	(16,300)	11,100	4,100
Net periodic benefit cost	20,600	30,400	8,400	8,200
Total recognized in net periodic benefit cost and other comprehensive income	$ 274,900	$ 14,100	$ 19,500	$ 12,300

The estimated amounts that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2012 are as follows:

Benefits	Pension and Supplemental Benefits	Other
Actuarial loss	$ 46,100	$ 6,200
Prior service cost	2,200	–
Transition obligation	–	1,000
Total	$ 48,300	$ 7,200

Assumptions

Weighted-average assumptions used to determine benefit obligations are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Discount rate	4.53%	5.27%	4.48%	5.25%
Expected return on plan assets	7.52	7.67	6.00	6.00
Rate of compensation increase	4.52	4.54	4.47	4.47

Assumed health care cost trend rates:

	Other Benefits	
	Dec. 31, 2011	Dec. 31, 2010
Initial rate	8.03%	8.50%
Ultimate rate	5.00%	5.00%
Years to ultimate	6 years	7 years

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

Weighted-average assumptions used to determine net periodic cost are as follows:

	Pension and Supplemental Benefits		Other Benefits	
	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2011	Dec. 31, 2010
Discount rate	5.19%	5.73%	5.25%	5.76%
Expected long-term return on plan assets	7.53	7.67	6.00	6.00
Rate of compensation increase	4.55	5.01	4.47	4.97

Assumed health care cost trend rates:

	Other Benefits	
	Dec. 31, 2011	Dec. 31, 2010
Initial rate	8.53%	9.00%
Ultimate rate	5.00%	5.00%
Years to ultimate	7 years	8 years

Pension and Supplemental Benefit Plan Assets

The Company's pension plan asset allocation and target allocation are as follows:

	Target Allocation	Percentage of Plan Assets	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Asset Class			
Equity securities	65%	66%	68%
Debt securities	27	18	21
Cash equivalents	4	12	7
Other	4	4	4
Total	100%	100%	100%

The maturities of debt securities are as follows:

	Dec. 31, 2011	Dec. 31, 2010
Maturity range	0-50 years	0-50 years
Weighted-average maturity	9.52 years	9.15 years

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

The fair value measurements of pension and supplemental benefit plan assets at December 31, 2011, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities (a):				
Mutual Funds	$ 263,400	$ 132,300	$ 131,100	$ –
Information Technology	175,700	175,700	–	–
Energy	139,000	139,000	–	–
Industrials	118,500	118,500	–	–
Health Care	114,400	114,400	–	–
Consumer Staples	106,900	106,900	–	–
Financials	90,500	90,500	–	–
All other sectors	198,200	198,200	–	–
Total equity securities	1,206,600	1,075,500	$ 131,100	–
Debt securities (b):				
U.S. Treasury securities and obligations of U.S. government agencies	48,300	–	48,300	–
Mortgage and asset-backed securities				
Agency	82,000	–	82,000	–
Commercial	19,300	–	19,300	–
Residential	5,900	–	5,900	–
Other mortgage and asset-backed securities	13,300	–	13,300	–
U.S. corporate securities	83,400	–	83,400	–
Mutual funds	70,400	–	70,400	–
Other debt securities	7,900	–	7,900	–
Total debt securities	330,500	–	330,500	–
Cash equivalents	220,000	220,000	–	–
Other (c)	76,000	–	–	76,000
Total	$ 1,833,100	$ 1,295,500	$ 461,600	$ 76,000

(a) Includes common stocks and equity mutual funds of which $94,800 were on loan under a securities lending program as of December 31, 2011.

(b) Includes $46,200 of debt securities that were on loan under a securities lending program as of December 31, 2011. The total collateralized value of these loaned securities for both items (a) and (b) was $144,400 and consisted of $122,800 in Level 1 short-term and money market investments and $21,600 in Level 2 government agency fixed income securities.

(c) Includes private equity partnerships.

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

The change in the fair value of the Level 3 Plan investments during 2011 was as follows:

	Other Investments
Balance at January 1, 2011	$ 58,000
Realized loss	500
Unrealized gain relating to instruments still held at the reporting date	3,300
Purchases, sales, issuances and settlements (net)	14,200
Balance at December 31, 2011	$ 76,000

The fair value measurements of pension and supplemental benefit plan assets at December 31, 2010, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities (a):				
Mutual Funds	$ 260,900	$ 142,100	$ 118,800	$ –
Information Technology	171,700	171,700	–	–
Energy	118,000	118,000	–	–
Industrials	107,800	107,800	–	–
Health Care	105,800	105,800	–	–
Consumer Staples	94,800	94,800	–	–
Financials	91,100	91,100	–	–
All other sectors	145,400	145,400	–	–
Total equity securities	1,095,500	976,700	118,800	–
Debt securities (b):				
U.S. Treasury securities and obligations of U.S. government agencies	46,400	–	46,400	–
Mortgage and asset-backed securities				
Agency	88,400	–	88,400	–
Commercial	19,100	–	19,100	–
Residential	5,900	–	5,900	–
Other mortgage and asset-backed securities	18,100	–	18,100	–
U.S. corporate securities	82,000	–	82,000	–
Foreign government securities	1,000	–	1,000	–
Mutual funds	64,900	–	64,900	–
Other debt securities	9,900	–	9,900	–
Total debt securities	335,700	–	335,700	–
Cash equivalents	122,600	122,600	–	–
Other (c)	58,000	–	–	58,000
Total	$ 1,611,800	$ 1,099,300	$ 454,500	$ 58,000

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

(a) Includes common stocks and equity mutual funds of which $89,200 were on loan under a securities lending program as of December 31, 2010.
Includes $118,800 of equity securities reclassified from Level 1 to Level 2 based on additional information

(b) Includes $56,800 of debt securities that were on loan under a securities lending program as of December 31, 2010. The total collateralized value of these loaned securities for both items (a) and (b) was $149,500 and consisted of $116,400 in Level 1 short-term and money market investments and $33,100 in Level 2 government agency fixed income securities.

(c) Includes private equity partnerships.

The change in the fair value of the Level 3 Plan investments during 2010 was as follows:

	Other Investments
Balance at January 1, 2010	$ 46,600
Realized loss	(3,000)
Unrealized gain relating to instruments still held at the reporting date	5,800
Purchases, sales, issuances and settlements (net)	8,600
Balance at December 31, 2010	$ 58,000

Other Postretirement Benefit Plan Assets

The Company's other postretirement benefit plan asset allocation and target allocations are as follows:

	Target Allocation	Percentage of Plan Assets	
	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Asset Class			
Equity securities	90%	86%	88%
Debt securities	–	–	–
Cash equivalents	10	13	11
Other	–	1	1
Total	100%	100%	100%

The maturities of debt securities are as follows:

	Dec. 31, 2011	Dec. 31, 2010
Maturity range	1-3 years	1-4 years
Weighted-average maturity	2.80 years	2.95 years

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

The fair value measurements of other postretirement benefit plan assets at December 31, 2011, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
Mutual Funds	$ 9,600	$ 9,600	$ –	$ –
Information Technology	18,500	18,500	–	–
Energy	12,900	12,900	–	–
Industrials	10,500	10,500	–	–
Healthcare	10,000	10,000	–	–
Consumer Staples	11,200	11,200	–	–
Financials	8,200	8,200	–	–
All other sectors	13,500	13,500	–	–
Total equity securities	94,400	94,400	–	–
Debt securities:				
U.S. corporate securities	200	–	200	–
Total debt securities	200	–	200	–
Cash equivalents	14,800	14,800	–	–
Other (a)	800	–	–	800
Total	$ 110,200	$ 109,200	$ 200	$ 800

(a) Includes private equity partnership.

The fair value of the Level 3 Plan investments for the year ended December 31, 2011 is immaterial.

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

The fair value measurements of other postretirement benefit plan assets at December 31, 2010, are as follows (refer to Note 3 for the valuation techniques):

Asset Class	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities:				
Mutual Funds	$ 12,000	$ 12,000	$ –	$ –
Information Technology	20,800	20,800	–	–
Energy	12,500	12,500	–	–
Industrials	9,300	9,300	–	–
Healthcare	11,800	11,800	–	–
Consumer Staples	11,000	11,000	–	–
Financials	10,500	10,500	–	–
All other sectors	12,100	12,100	–	–
Total equity securities	100,000	100,000	–	–
Debt securities:				
U.S. corporate securities	200	–	200	–
Total debt securities	200	–	200	–
Cash equivalents	13,000	13,000	–	
Other (a)	900	–	–	900
Total	$ 114,100	$ 113,000	$ 200	$ 900

(a) Includes private equity partnership.

The fair value of the Level 3 Plan investments for the year ended December 31, 2010 is immaterial.

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

Pension and Postretirement Plan Asset Investment Narrative

The investment policy of the Pension Plan specifies the type of securities that may be used, limits on the amount of the asset classes and subclasses, and general principles used in managing the plan's assets. The overriding objective is to maximize long-term total return of plan assets within constraints established to control risk and volatility. Three primary asset classes represent the first layer of asset allocation, these being equity securities, debt securities, and cash equivalents. Since equity securities are expected to provide the highest long-term total return, exposure to equities is emphasized. Current approved ranges for the three asset classes are as follows:

Asset Class	Range
Equity securities	50-80%
Debt securities	20-50%
Cash equivalents	0-10%

Equity securities include individual common stocks as well as equity mutual funds and private equity partnerships. All common stock investments are based on fundamental analysis of investment variables, including earning prospects, cash flow, balance sheet strength, competitive positioning and other factors. Diversification is emphasized, with specific size limits on individual stocks, international-oriented mutual funds, small capitalization-oriented funds and private equity. Investment returns are benchmarked against standard indices including the S&P 500 and MSCI global stock indices. In the taxable Postretirement Plan, equities are more heavily weighted based partly on favorable tax considerations.

Debt securities include individual securities, primarily in the high-grade taxable subcategory, as well as an outside managed portfolio of U.S. high-yield bonds. Debt securities are actively managed, using many of the same investment disciplines as in the Company's general account. These disciplines include an intermediate-term duration, diversification of securities, and ongoing analysis of the fundamental and valuation factors underlying the securities owned.

Short-term investments, defined as debt securities with maturity of less than one year, are held primarily for liquidity purposes. Safety of principal is the primary consideration of investment in this asset class, and so only the highest quality investments are used. This will principally be money market funds and commercial paper carrying the highest quality ratings.

Note 10. Retirement Income Plans and Postretirement Benefit Plans Other than Pensions *(continued)*

Expected rate of return assumptions are created based on assessments of future behavior of asset classes. As part of the process, historical relationships are considered. Using a three- to five-year outlook, estimates of numerous variables have been combined to gauge economic growth potential. Corporate cash flows are correlated with economic growth but also reflect productivity trends, with positive cash flow trends driving favorable return to equity owners. Debt security returns are expected to approximate their historical relationship with equity securities and produce somewhat lower returns with a lower level of volatility.

Cash Flows

Employer Contributions	Pension and Supplemental Benefits	Other Benefits
2010	$ 246,000	$ 11,700
2011	250,200	11,800
2012 (expected)	14,100	11,800

Contributions by participants to the other benefit plans were $2,700 and $2,600 for the years ending December 31, 2011 and 2010, respectively.

Benefit Payments	Pension and Supplemental Benefits	Other Benefits	Other Benefits (Government Subsidy)
2010	$ 54,300	$ 12,800	$ 1,200
2011	56,400	13,000	1,200

Estimated Future Payments	Pension and Supplemental Benefits	Other Benefits	Other Benefits (Government Subsidy)
2012	$ 64,700	$ 13,100	$ 1,300
2013	67,600	13,300	1,400
2014	73,400	13,500	1,500
2015	76,400	13,400	1,600
2016	80,300	13,400	1,600
2017-2021	480,300	64,000	9,300

The Company also sponsors a 401(k) savings plan whereby eligible employees may elect annually to contribute from 1 percent to 50 percent of their base pay on a pretax or after-tax basis. Employee contributions are restricted to Internal Revenue Service limits. The Company matches pretax contributions up to 6 percent of the employee's base pay. Company contributions to the plan were $17,200 in 2011 and $15,500 in 2010.

Note 11. Debt

Total bank lines of credit amounted to $2,400 and $102,400 at December 31, 2011 and 2010, respectively. The 2010 lines included a $100,000 five year line that expired April 3, 2011. The remaining lines are renewable each year. There were no outstanding balances on these lines at December 31, 2011 and 2010. The Company complied with the line of credit covenant requirements during 2011 and 2010.

Note 12. Components of Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income at December 31, 2011 and 2010, are as follows:

	2011	2010
Net unrealized appreciation in investments in debt and equity securities, net of income tax expense of $618,800 for 2011 and $706,000 for 2010	$ 1,174,500	$ 1,346,200
Pension adjustment for defined benefit pension and other postretirement plans, net of income tax benefit of $308,800 for 2011 and $215,900 for 2010	(583,500)	(411,000)
Net foreign currency translation, net of income tax expense of $35,200 for 2011 and $33,600 for 2010	(8,800)	3,800
Accumulated other comprehensive income	$ 582,200	$ 939,000

The reclassification adjustments for gains recognized in net income are $269,800 and $149,800 for 2011 and 2010, respectively.

Note 13. Subsequent Events

Subsequent events were evaluated through February 17, 2012, the date the financial statements were available to be issued. No material transactions occurred after the balance sheet date that would impact the financial statements.

Corporate Governance

Management

Shivan S. Subramaniam
Chairman and
Chief Executive Officer

Jonathan W. Hall
Executive Vice President

Thomas A. Lawson
Executive Vice President

Bret N. Ahnell
Senior Vice President
Western Division

Gerardo L. Alonso
Senior Vice President
Claims

Jeffrey A. Burchill
Senior Vice President
Finance

Brion E. Callori
Senior Vice President
Engineering and Research

Kenneth W. Davey
Senior Vice President
EMEA/Asia Pacific Division

Rodney C. Fisher
Senior Vice President
Underwriting and Reinsurance

James R. Galloway
Senior Vice President
Central Division

Chris Johnson
Senior Vice President
Marketing and
Enterprise Learning

Paul E. LaFleche
Senior Vice President
Investments

Kenneth V. Lavigne
Senior Vice President
Canada Division

Michael C. Lebovitz
Senior Vice President
Division Manager
Affiliated FM

Jeanne R. Lieb
Senior Vice President
Information Services

John J. Pomeroy
Senior Vice President
Law and Governmental Affairs

Enzo Rebula
Senior Vice President
Human Resources

Michael R. Turner
Senior Vice President
Eastern Division

Ian Berg
Vice President
Australia Operations

Dennis J. Bessant
Vice President
Asia Operations

Kevin L. Bradshaw
Vice President
Forest Products Operations

Benoit Charbonneau
Vice President
Montreal Operations

Carmen D'Angelo
Vice President
Chemical Operations

Thomas M. Dusel
Vice President
Real Estate

Richard M. Gillen
Vice President
Mutual Boiler Re

Achim Hillgraf
Vice President
Central Europe Operations

Kevin S. Ingram
Vice President
Financial Services

James T. Johnson
Vice President
San Francisco Operations

Gervais Landry
Vice President
Affiliated FM

William M. Lonchar
Vice President
Atlanta Operations

David L. Mackin
Vice President
Affiliated FM

William A. Mekrut
Vice President
Treasury

Brian M. Nyquist
Vice President
Cleveland Operations

Paul J. Pendolino
Vice President
Affiliated FM

Ray K. Phillips
Vice President
Boston Operations

George J. Plesce
Vice President
Washington D.C., Operations

Marc E. Ragazzi
Vice President
Latin America Operations

Vincent A. Reyda
Vice President
New York Operations

Malcolm C. Roberts
Vice President
Dallas Operations

Denis C. Shine
Vice President
St. Louis Operations

Alex S. Tadmoury
Vice President
Southern Europe Operations

David R. Thoman
Vice President
Los Angeles Operations

David M. Thompson
Vice President
Toronto Operations

Stefano Tranquillo
Vice President
Northern Europe Operations

Risk Management Executive Councils

Canada Division

Carol A. Campbell
Vice President
Risk Management
Empire Company Limited

Anne J. Chalmers
Vice President
Risk and Security
Teck Resources Limited

Joe Giannini
Director Risk Management
Future Electronics Inc.

Terry Henderson
Global Insurance Manager
ShawCor Ltd.

Suzanne Hoffert
Manager, Insurance
ATCO Ltd.

John D. Kerr
Director, Corporate Risk
and Insurance
Bank of Montreal

Drew Kilback
Director, Risk and Environment
Catalyst Paper Corporation

Marilyn P. Leonard
Manager
Corporate Risk and Insurance
NALCOR Energy Inc.

Véronick Marcotte
Vice President,
Risk Management and Insurance
Tembec Industries Inc.

Cynthia Mathews
Risk Manager
Royal Utilities Income Fund

Robert Patzelt
Vice President
Risk Management
and General Counsel
Scotia Investments Limited

Kim Rogerson
Senior Manager
Risk Management and Insurance
Domtar Corporation et Al

Adib Samaan
Director – Risk Management
J.D. Irving, Limited

Webb Stanley
Director
Risk Management and Insurance
AbitibiBowater Inc.

David R. Stewart
Vice President, Property Tax
and Insurance
Ivanhoe Cambridge

Linda Stojcevski
Director
Global Risk Management
Magna International Inc.

Central Division

James R. Averitt
Director, Risk Management
Vulcan Materials Company

Lara Baugh
Director, Risk Management
Deere & Company

Brian W. Beeghly
Executive Director,
Risk Management
Johnson Controls, Inc.

Julie Davis
Director,
Global Risk Management
*The Goodyear Tire &
Rubber Company*

Stephen S. DiGiacinto
Director
Risk Management Services
Hallmark Cards, Inc.

Philip L. Foster
Senior Vice President
and Chief Risk Officer
Catholic Health Initiatives

Robert D. Garside
Director, Credit and Risk
Ball Corporation

Karen J. Golden
Senior Vice President
Risk Management
and Real Estate
RR Donnelley

Chad C. Jackson
Staff Director, Risk Management
FedEx Corporation

Steve Jaeger
Senior Director,
Risk Management and Insurance
Stryker Corporation

Hal D. Larson
Vice President, Risk Manager
Muscatine Foods Corporation

Gail M. Meyer
Manager, Corporate Property
and Casualty Division
Caterpillar Inc.

Mark Meyer
Manager, Corporate Risk
Steelcase Inc.

Rob Milligan
Director, Risk Management
TRW Automotive Inc.

Paul E. Morrison
Director – Risk Management
Emerson Electric Co.

Marc H. Salm
Vice President
Risk Management
Publix Super Markets, Inc.

Karen H. Sullivan
Vice President
Risk Management
and Insurance
Community Health Systems

Claudia P. Temple
Assistant Treasurer
Global Risk Management
and Insurance
Kraft Foods Inc.

Douglas A. Troupe
Director, Insurance and
Risk Management
Tenaska Inc.

Bill Whitmire
Director – Corporate
Risk Management
Shaw Industries, Inc.

Eastern Division

Ronald Allen
Director of Risk Management
Altria Client Services Inc.

Anthony Avitabile
Director of Industry
Risk Management
Major League Baseball

Scott P. Borup
Director
Corporate Risk Management
Johnson & Johnson

James A. Breeding
Director of Risk Management
and Insurance
*Rutgers, The State University
of New Jersey*

Maria C. Diaz
Director
Global Risk Management
Xerox Corporation

Risk Management Executive Councils

Jason Duffy
Vice President
Insurance and Risk Management
FMR LLC

MaryAnne Francisco
Director, Risk Management
Novartis Corporation

Donald J. Hatcher
Director of Risk Management
United States Enrichment Corporation

Kathleen M. Ireland
Director, Global Risk and Insurance Management
International Business Machines Corporation

Christopher I. Johnson
Assistant Treasurer
Risk Management
Textron Inc.

Kevin P. Lang
Director of
Risk Management
Ingersoll-Rand Company

Gary W. Langsdale
University Risk Officer
The Pennsylvania State University

Meredith Lee
Director, Risk Management
Covidien PLC

David H. McClain
Director, Insurance
and Fleet Services
PPG Industries, Inc.

R. Scott McCurdy
Manager – Insurance Programs
General Electric Company

Brian W. Merkley
Global Director,
Corporate Risk Management
Huntsman Corporation

William Milaschewski
Director, Risk Management
Cabot Corporation

Edward J. Molloy
Director, Insurance
and Risk Financing
Aetna Inc.

Terry Novatnack
Director – Corporate Risk
and Insurance
PPL Corporation

Thomas Patchel
Director of Risk Management
TE Connectivity Ltd.

J. Jeffrey Purdy
Corporate Risk Director
Computer Sciences Corporation

Peter F Roueche
Manager - Enterprise Risk
and Insurance
Eastman Chemical Company

Theodore A. Schlert
Vice President,
Risk Services
and Chief Risk Officer
Catholic Health East

Charles W. Scott, Jr.
Director, Risk Management
FMC Corporation

Steven T. Wilking
Senior Director of
Global Risk and Insurance
Tishman Speyer Properties, L.P.

Richard A. Yost
Director – Risk Management
Campbell Soup Company

EMEA/Asia Pacific Division

Robert Ashmore
Group Insurance Director
Reckitt Benckiser plc

Nicholas Bailey
Group Risk Manager
BBA Aviation Plc

Klaus Braukmann
Group Insurance Manager
Conti Versicherungsdienst

Andy Bryson
Director, Property
and Loss Prevention
GlaxoSmithKline Plc

Anders Dahlström
Group Risk Manager
Sandvik AB

Richard Ealey
Group Insurance
and Risk Manager
Cobham Plc

Martina Fernández Porto
Risk Management Director
INDITEX, S.A.

Tim Guy
Group Insurance Manager
Imperial Tobacco Group Plc

Carine Habay Bony
Corporate Insurance Director
Group Danone

Wilhelm Hauf
Head of Accounting
and Financial Reporting
SGL Carbon SE

David Howells
Director, Group Risk
Management and Insurance
Tetra Laval International

Udo Kappes
Senior Manager
Property
EADS IRM GmbH

Adrian Latimer
Risk and Insurance Manager
Schlumberger Oilfield Services

Kate Loades
Group Insurance
and Risk Manager
Pearson Plc

René A. Martinez
Director of Risk Management
CEMEX, Global Funding S.á.r.l.

Chris McCormack
Head of Group Insurance
and Risk
Reed Elsevier

Sunil Mehra
Head of
Corporate Insurance
Dubai Aluminium Co Ltd

Len Moore
Senior Director,
Property Insurance
Deutsche Post AG

Krister Nyman
President
AB Volvo Group

André J. Oude Hergelink
Director – Ten Cate
Assurantiën bv
Ten Cate NV; Koninklijke

Björn-Erik Pagels
Director, Group Funding
and Insurance
Ahlstrom Corporation

Risk Management Executive Councils

Pawel Pietrucha
Director
Global Risk Management
and Insurance
Philip Morris International Inc.

Isabella Pöchmann
Managing Director
Behr Versicherungsdienst GmbH

Peter Rehberg
Director Corporate Insurance
Mahle GmbH

Sabine Segor
Head of Insurance/
Risk Management
Hugo Boss AG

Lou Verstraeten
Vice President
Corporate Risk and Insurance
The Nielsen Company B.V.

Johan Willaert
Corporate Risk Manager
Agfa Gevaert N.V.

Western Division

Stephen Anderson
Vice President and Treasurer
Simpson Lumber Company, LLC

David E. Arick
Assistant Treasurer
Global Risk Management
International Paper Company

Douglas A. Bachman
Director of Risk Management
RockTenn

Tom Bandoni
Senior Manager, Treasury
Cisco Systems, Inc.

Anthony M. Black
Director, Risk Management
Cameron International Corporation

Timothy J. Bunt
Senior Vice President
and Chief Risk Officer
CB Richard Ellis, Inc.

Kristen R. Carnevali
Treasury/Risk Manager
Esterline Corporation

Andrea Dudek
Director, Risk Management
Dell Inc.

Lanette A. Frostestad
Senior Director of
Risk Management
McKesson Corporation

Renee N. Garbus
Vice President,
Assistant Treasurer
PepsiCo, Inc.

Jackie Hair
Executive Director
Risk Management – Corporate
Ingram Micro Inc.

Franc Hangarter
Managing Director – Corporate
Insurance and Risk Management
American Airlines

Richard E. Hearn
General Manager Enterprise Risk
Minerals & Metals Group (MMG)

Diane R. Labrador
Assistant Treasurer,
Risk Management
Intel Corporation

John W. Lambdin
Assistant Treasurer
and Director of Insurance
Weyerhaeuser Company

Rodrigo Levy
Corporate Business Controller
Empresas CMPC

Todd E. Marumoto
Director,
Risk Management
Mattel, Inc.

Kevin P. McGinnis
Director of Risk Management/
Benefits Administration
The Texas A&M University System

Robert Moussaid
Director,
Risk and Insurance
Energy Future Holdings Corp.

Drew Porter
Risk Manager
Cinemark USA, Inc.

Ken Rizvi
Vice President and Treasurer
ON Semiconductor

Paul D. Rytting
Director,
Risk Management Division
The Church of Jesus Christ of Latter-Day Saints

Marty Simmonsen
Risk Manager
Boise Inc.

John Vinski
Director, Corporate Insurance
and ERM
NV Energy

Toni A. Visconti
Corporate Risk Manager
Precision Castparts Corp.

Stephen M. Wilder
Vice President,
Risk Management
The Walt Disney Company

Soraya Wright
Director – Corporate
Risk Management
The Clorox Company

Advisory Boards

Canada

Brian R. Bale
Senior Vice President
and Chief Financial Officer
ATCO Ltd.

George J. Bunze
Vice Chairman and Director
Kruger Inc.

Doreen Cole
Senior Vice President
Electricity Services
EPCOR Utilities Inc.

Robert M. Davis
Chairman and
Chief Executive Officer
The Innovak Group

Michel J. Dumas
Executive Vice President, Finance
and Chief Financial Officer
Tembec Inc.

Todd D. Eby
Vice President, Finance
and Chief Financial Officer
Hood Packaging Corporation

Gary J. Fisher
Corporate Vice President
Finance and Administration
Samuel, Son & Co., Limited

William C. MacLean
Chief Financial Officer
J.D. Irving, Limited

Andre Martel
President and
Chief Executive Officer
Aluminerie Alouette Inc.

Kelvin L. Nelson
Executive Vice President
Chief Financial Officer
and Secretary
High Liner Foods Incorporated

Peter C. Rozee
Senior Vice President
Commercial and Legal Affairs
Teck Resources Limited

D. Todd Smith
Treasurer
Torstar Corporation

Derrick Sturge
Vice President, Finance
and Chief Financial Officer
NALCOR Energy Inc.

Peter G. Wong
Chief Financial Officer
Alterra Power Corp.

Europe

Dr. Annette Beller
Deputy Member of the Board
Chief Financial Officer
B. Braun Melsungen AG

Stephen Benadé
Company Secretary
Computacenter

Oswald Bubel
Finance Director
Hager Electro GmbH

Jerome Cottin-Bizonne
Vice President
Director, Audit and Development
Pernod Ricard

Geoff D. Cruikshanks
Director Legal Affairs
DHL Worldwide Express

Bernard de Laguiche
Member of the
Executive Committee
Chief Financial Officer
Solvay

Michel DeCorte
Chief Financial Officer
Indaver

Eric Drapé
Executive Vice President,
Manufacturing and
Supply Organization
Ipsen Pharma

Christopher M. Green
Finance Director
Northumbrian Water Limited

Poul Hartvig Nielsen
General Counsel,
Senior Vice President
KIRKBI & LEGO Group

Jean-Jacques Jegou
Chief Financial Officer
Zodiac

Jean Larmande
Deputy Chief Executive Officer
Groupe Soparind Bongrain

Pierre-Xavier Lemaire
Chief Financial Officer
Roquette Freres

Andrea Minguzzi
Vice President, Finance
and Chief Financial Officer
Lecta Europe

Tim Murray
Chief Financial Officer
Aluminium Bahrain B.S.C. (c)

Denis Musson
Group General Counsel
and Company Secretary
Imerys

Patrick Noonan
Senior Corporate Vice President,
General Counsel and Secretary
Nexans SA

Xavier Roy-Contancin
Chief Financial Officer
Sequana

Dr. Oliver Schumy
Member of the
Management Board
and Chief Financial Officer
The Mayr-Melnhof Group

Per Thorén
Group Treasurer
AB SKF

Olle Wallén
General Counsel
Husqvarna AB

United States Atlanta/Dallas

Kenneth R. Allen
Vice President, Finance
and Chief Financial Officer
Texas Industries, Inc.

Mario Arreguín
Executive Vice President
Finance and Information Systems
Servicios Administrativos Peñoles

Frank H. Boykin
Chief Financial Officer
Mohawk Industries, Inc.

Jo Ann Fuller
Chief Financial Officer
Entegra Power Group, LLC

Patrick Gaussent
Chief Financial Officer
IPR-GDF SUEZ
North America, Inc.

John W. Geeraerts
Assistant General Manager
and Chief Financial Officer
Seminole Electric
Cooperative, Inc.

Brian W. Hobbs
Vice President
Legal and Corporate Services
Western Farmers Electric
Cooperative

Kenneth G. Jackson
Executive Vice President
and Chief Financial Officer
Shaw Industries Group, Inc.

Ralph E. Lawson
Executive Vice President
and Chief Financial Officer
Baptist Health South Florida

Patrick C. Lynch
Senior Vice President
and Chief Financial Officer
Interface, Inc.

John O. Muse
Executive Vice President
Finance and Administration
Darling International

Advisory Boards

Terry L. Richardson
Senior Vice President
Administration and Secretary
Riceland Foods, Inc.

Van L. Richey
President and
Chief Executive Officer
American Cast Iron Pipe Company

W. Clay Robbins
Senior Vice President and
Chief Administrative Officer
Oglethorpe Power Corporation

Daniel F. Sansone
Senior Vice President
and Chief Financial Officer
Vulcan Materials Company

Judy A. Schmeling
Executive Vice President
and Chief Financial Officer
HSN, Inc.

Dellmer B. Seitter, III
Vice President
and Chief Financial Officer
Printpack, Inc.

Steven C. Voorhees
Executive Vice President
Chief Financial Officer and
Chief Administrative Officer
RockTenn

F. Ferrell Walton
Vice President
and Chief Financial Officer
PowerSouth Energy Cooperative

Mark Watkins
Senior Vice President
Technology and Forestry
MeadWestvaco Corporation

Chicago/St. Louis

Patrick E. Allen
Senior Vice President
and Chief Financial Officer
Rockwell Collins, Inc.

David A. Berg
President
American Crystal Sugar Company

Michael DeHaven
Senior Vice President
and General Counsel
BJC HealthCare

David A. Dohnalek
Vice President of Finance
and Treasurer
The Boeing Company

John T. Drexler
Senior Vice President
and Chief Financial Officer
Arch Coal, Inc.

Sheri H. Edison
Vice President,
General Counsel and Secretary
Bemis Company, Inc.

John C. Fowler
Executive Vice President
and Chief Financial Officer
Quad/Graphics

Matthew W. Geekie
Senior Vice President
Secretary and General Counsel
Graybar Electric Company, Inc.

Margaret C. Kelsey
Vice President,
Corporate Development,
General Counsel and Secretary
Modine Manufacturing Company

John J. Kita
Executive Vice President
and Chief Financial Officer
A.O. Smith Corporation

Karen L. Leets
Vice President and Treasurer
USG Corporation

George C. Moore
Executive Vice President
Rexnord Holdings, Inc.

Bradley W. Oachs
Chief Operating Officer
Minnesota Power

Ronald N. Quinn
Executive Vice President and
Chief Strategy and Legal Officer
Tenaska, Inc.

David J. Rabe
Vice President and Treasurer
Emerson

Larry Schmid
Vice President
and Chief Financial Officer
Great River Energy

Edward J. Scott
Corporate Treasurer
Caterpillar Inc.

Daniel J. Sescleifer
Executive Vice President,
Chief Financial Officer
Energizer Holdings, Inc.

Adam J. Watson
Chief Financial Officer
BlueScope Steel North America Corporation

Cleveland

Mark R. Belgya
Senior Vice President
and Chief Financial Officer
The J.M. Smucker Company

Glenn A. Eisenberg
Executive Vice President
Finance and Administration
The Timken Company

Albert E. Ferrara Jr.
Vice President, Finance
and Chief Financial Officer
AK Steel Corporation

William C. Gale
Senior Vice President
and Chief Financial Officer
Cintas Corporation

Bentraum D. Huffman
Executive Vice President
and Chief Financial Officer
Ellwood Group, Inc.

Jeff Maddox
Chief Financial Officer
U.S. Operations
Gordon Food Service

James M. Milinski
Senior Vice President of
Finance and Treasurer
MTD Products Inc.

Mark J. Minnaugh
Executive Vice President
Chief Administrative Officer
Giant Eagle, Inc.

Vincent K. Petrella
Senior Vice President
Chief Financial Officer
and Treasurer
Lincoln Electric Holdings, Inc.

William A. Roberts
Vice President, Finance
and Chief Financial Officer
Buckeye Power, Inc.

Frank J. Roddy
Chief Financial Officer
Swagelok Company

Robert F. Schneider
Executive Vice President
and Chief Financial Officer
Kimball International, Inc.

Timothy P. Slottow
Executive Vice President
and Chief Financial Officer
Regents of the University of Michigan

Stephen J. Smith
Senior Vice President
Chief Financial Officer
American Greetings

Nickolas A. Vitale
Executive Vice President
and Chief Financial Officer
Beaumont Hospitals

Advisory Boards

New York

Thomas F. Ackerman
Executive Vice President
and Chief Financial Officer
Charles River Laboratories International, Inc.

Laurence F. Chaplin
Administrative Vice President
Southern Wine & Spirits of America

Martin S. Dorph
Senior Vice President
for Finance and Budget
New York University

James N. Fernandez
Executive Vice President
and Chief Financial Officer
Tiffany & Co.

James F. Flynn
Senior Vice President
Finance and Administration
King Kullen Grocery Co., Inc.

Kyle F. Gendreau
Chief Financial Officer
and Executive Director
Samsonite International SA

Susan E. Gonzalez
Vice President
and General Counsel
InterGen N.V.

Craig C. Harnett
Senior Executive Vice President
and Chief Financial Officer
National Hockey League

Stephen Hoey
Partner, Administration
and Chief Financial Officer
KPS Capital Partners, LP

Russell Makowsky
Senior Managing Director
and Chief Financial Officer
Tishman Speyer Properties

John A. Papa
Treasurer
Johnson & Johnson

Thomas H. Peck
Chief Financial Officer
Daily News, L.P.

Larry Schiffman
Chief Financial Officer
Sudler Management Corp.

Michael A. Shaffer
Executive Vice President
and Chief Financial Officer
PVH

Matthew M. Walsh
Senior Vice President
Chief Financial Officer
Catalent Pharma Solutions

San Francisco

Howard Anson
Vice President of Finance
Triple Five Group of Companies

Patricia M. Bedient
Executive Vice President
and Chief Financial Officer
Weyerhaeuser Company

Michael A. Bless
Executive Vice President
and Chief Financial Officer
Century Aluminum Company

Thomas E. Carlile
Chief Executive Officer
Boise Cascade, LLC

Steve Condiotti
Vice President of Finance
and Chief Accounting Officer
Lucasfilm Ltd.

Charles N. Eldred
Executive Vice President
and Chief Financial Officer
PNM Resources

Vincent L. Granato
Director of Financial and
Administrative Services and
Chief Financial Officer
Port of Portland

Kimball Hall
Vice President of Corporate
Manufacturing
Amgen Inc.

Carol R. Kaufman
Executive Vice President,
Secretary and Chief
Administrative Officer
The Cooper Companies

Dana M. Kelley
Vice President and
Chief Financial Officer
American Pacific Corporation

Gary L. Lavey
Vice President Internal Audit
and Chief Risk Officer
NV Energy

Richard J. Martin
Executive Vice President,
Finance and Administration
and Chief Financial Officer
Unified Grocers, Inc.

Susan C. Miller
Senior Vice President,
General Counsel and Secretary
Avery Dennison Corporation

Maria M. Pope
Senior Vice President,
Finance, Chief Financial
Officer and Treasurer
Portland General Electric

Erik Rasmussen
Senior Vice President
Corporate General Counsel
MultiCare Health Systems

Allan F. Trinkwald
President
Simpson Investment Company

Roger E. von Ting
Vice President and
Chief Financial Officer
Watson Land Company

Anthony L. Youga
Chief Financial Officer
E & J Gallo Winery

Washington, D.C./ Philadelphia

Humberto P. Alfonso
Executive Vice President,
Chief Financial Officer and
Chief Administration Officer
The Hershey Company

Jonathan D. Fain
President and
Chief Executive Officer
Teknor Apex Company

Paul A. Farr
Executive Vice President
and Chief Financial Officer
PPL Corporation

Robert E. Fenza
Executive Vice President
and Chief Operating Officer
Liberty Property Trust

W. Kim Foster
Executive Vice President
and Chief Financial Officer
FMC Corporation

Bruce A. Heugel
Senior Vice President
Chief Financial Officer
B. Braun of America Inc.

John P. Jacunski
Senior Vice President
and Chief Financial Officer
Glatfelter

Hal S. Jones
Senior Vice President – Finance
and Chief Financial Officer
The Washington Post Company

M. David Kornblatt
Executive Vice President,
Chief Financial Officer
and Treasurer
Triumph Group, Inc.

John J. Molinelli
Executive Vice President
and Chief Financial Officer
AMETEK, Inc.

Advisory Boards

Francis J. Norris
Senior Vice President,
Treasury, Risk and Administration
Mannington Mills, Inc.

Daniel T. O'Connell
Executive Vice President
and Chief Financial Officer
QVC

James Radin
Vice President –
Global Supply Chain Operations
McCormick & Company, Inc.

Joseph M. Savage
Executive Vice President
and Chief Financial Officer
Victaulic Company

Anthony E. Wagner
Executive Vice President
Chief Financial Officer
and Treasurer
Temple University

Lawrence H. Wilt Jr.
Vice President and
Chief Financial Officer
Titan America LLC

Board of Directors

Frank T. Connor F
Executive Vice President and
Chief Financial Officer
Textron Inc.

Walter J. Galvin E F
Vice Chairman
Emerson Electric Co.

John A. Luke Jr. C E
Chairman and
Chief Executive Officer
MeadWestvaco Corporation

Jonathan D. Mariner A
Executive Vice President,
Finance and
Chief Financial Officer
Major League Baseball

Gracia C. Martore F
President and
Chief Executive Officer
Gannett Co., Inc.

Christine M. McCarthy A
Executive Vice President
Corporate Real Estate, Sourcing,
Alliances and Treasurer
The Walt Disney Company

Robert J. O'Toole A C E
Director and
Retired Chairman and
Chief Executive Officer
A.O. Smith Corporation

John R. Paloian F
Chief Operating Officer
RR Donnelley

David Pulman C
President
Global Manufacturing and Supply
GlaxoSmithKline

Edward J. Rapp A
Group President and
Chief Financial Officer
Caterpillar Inc.

Graham B. Spanier A
President Emeritus
The Pennsylvania
State University

Shivan S. Subramaniam E F
Chairman and
Chief Executive Officer
Factory Mutual
Insurance Company

James C. Thyen C
President and
Chief Executive Officer
Kimball International, Inc.

Alfred J. Verrecchia C
Chairman of the Board
Hasbro, Inc.

A Audit Committee C Compensation Committee E Executive Committee F Finance Committee

P12000 Printed in USA

In the United Kingdom:
FM Insurance Company Limited
1 Windsor Dials, Windsor, Berkshire, SL4 1RS.
Regulated by the Financial Services Authority.

Nearly 80 percent of this book is made from alternative fiber choice paper that is derived from cotton, bamboo or sugarcane bagasse, rather than from trees. A percentage of paper from this report is recycled and certified elemental chlorine-free.