

Annual Report  
2013

RISK  
RESILIENCE



FM Global®

## resilience

**T**he ever-changing global economy, competitive markets and a volatile political environment worldwide have spurred companies to consistently reinforce their strengths and address any weaknesses. By identifying major challenges and implementing proven, research-based solutions, organizations not only can recover quickly from any missteps, but also renew themselves for ongoing success. Whether the aim is to boost production, address the challenges of consolidation or expand into new markets, savvy companies are embedding greater resilience in their business planning processes.

In the following pages, senior leaders from three prestigious corporations discuss how resilience—the ability to adjust to the consequence of a disruptive event via adaptive, proactive and reactive strategies—is the linchpin of success at their organizations. We thank them and their companies for their participation.

The logo for EMC Corporation, featuring the letters "EMC" in a bold, blue, sans-serif font, with a superscripted "2" to the right.

EMC Corporation delivers information technology services to a wide range of public and private consumers, providing storage, management, protection and analysis of its customers' information. The publicly traded global leader integrates cloud computing and big data to service both small and large companies, including financial services firms, manufacturers, health care and life science organizations, Internet service and telecommunications providers, airlines and transportation companies, educational institutions, and public-sector agencies. Headquartered in Hopkinton, Mass., USA, and 60,000 employees strong, EMC operates in 86 countries and 400 sales offices, with additional manufacturing facilities and research and development centers worldwide.

The logo for Cobham plc, featuring the word "COBHAM" in a bold, blue, italicized, sans-serif font.

Cobham plc is headquartered in Wimborne, Dorset, England. The company is publicly traded and serves customers in the commercial, defense and security markets. With 80 years of experience and 11,000 employees worldwide, it specializes in air-to-air refueling; aviation services; audio, visual and data communications, including satellite communications; defense electronics; life support and mission equipment. Cobham operates in three divisions: Aerospace and Security, Defense and Mission Systems, which provide equipment, technology and security solutions for land, sea and air applications. Its products and services reach clients and partners in more than 100 countries.



E. & J. Gallo Winery

Established in 1933 in Modesto, Calif., USA, E. & J. Gallo Winery has become the world's largest family-owned winery and the foremost winery in the art of grape growing, winemaking, distribution and marketing of wines and spirits. With nine wineries and access to grapes from vineyards strategically located in all of the premier grape-growing areas in California and Washington, Gallo produces wines in every category to suit every taste. Gallo imports wines from eight of the major wine-growing countries in the world, and is also the largest exporter of California wines. Some of the brands in Gallo's wine portfolio include Gallo Family Vineyards, Barefoot Cellars, Apothic, Louis M. Martini, Mirassou Vineyards, Frei Brothers Reserve, William Hill Estate, Edna Valley Vineyard, Columbia Winery, Martín Códax, Ecco Domani and LaMarca. The winery is also expanding its portfolio with distilled spirits and has recently added New Amsterdam Gin and Vodka, Familia Camarena Tequila and Shellback Rum. Gallo employs more than 5,000 employees worldwide.

# Resilience in New Industries

## EMC Corporation

Scott Ross  
Senior Director, Treasury  
Equity Finance and Risk Management

Ann Barry  
Director, Risk Management

Anja Rittling  
Principal Financial Analyst, Risk Management

“Location, landscape and landlords: Those are the key challenges EMC must effectively address with our risk management program when operating outside of the United States,” says Ann Barry, director, risk management. “We have a strong global presence, and every country has different building standards. We must negotiate with local landlords to ensure our facilities are of the caliber we need to run our business; and that was certainly the case with our operations facility in Bangalore, India.

“We wanted to centralize our operation in a new multistory building, bringing workers from various locations under one roof. To do so, we planned to construct a building that adhered to the protection standards we feel strongly about. This project would take place in a developing market. In general, landlords in the region are used to dealing with traditional building designs and local building codes that do not meet our expectations for a business operating in the technology industry.”

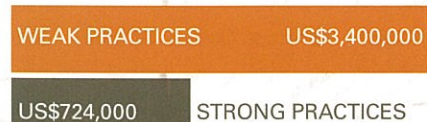
**Identifying critical areas:** “Our local facilities team collaborated with the landlord and FM Global in the early stages of the project and stressed the importance of building above local standards,” recalls Scott Ross, senior director. “After the specs were provided, FM Global worked with the facilities and employee health and safety departments to put together a master list of recommendations. Unfortunately, the owners of the property initially couldn’t meet many of the recommendations; but our team worked closely with them and FM Global field engineers to identify critical areas. We determined pretty quickly that reducing the fire hazard was essential. That meant addressing two key areas: installing an FM Approved water pump and adequately sized holding tank, as well as a sprinkler system that was appropriate for our operations. The landlord was able to meet us halfway, and most importantly, they agreed to incorporate all of our fire safety measures into the building’s design and construction.”

Says Anja Rittling, principal financial analyst, “We believe we have met some very high standards, particularly around fire safety; and as a result, we have a very well-protected building that offers our people a safe place to work.”

“This was a big win for us,” Barry points out, “and we think we may not have gotten here without FM Global.”

## The Value of Risk Improvement

### FIRE LOSSES



### NATURAL CATASTROPHE LOSSES



It has been proven that average gross losses are substantially lower in facilities where loss prevention practices are implemented.

“EMC and FM Global met right at the outset of the project and stressed the importance of **building above local standards.**”



Scott Ross



Ann Barry



Anja Rittling

# Resilience in Global Markets

## Cobham plc

Andrew Bryson  
Group Insurance and Risk Manager

“At Cobham, we recognize that effective risk management processes and procedures are essential to underpin performance across our business.

Protecting our reputation is critical. That's why we chose to partner with FM Global back in 2005—to help us build greater resilience into our key operations from a property risk perspective, ensure greater security of supply and take appropriate measures to avoid losses.

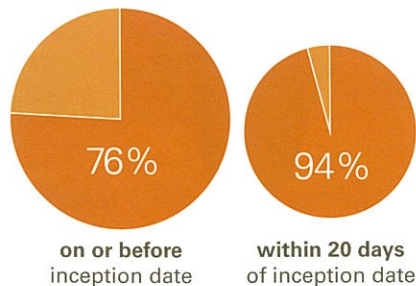
Together, we've worked hard to improve our property risk. When FM Global first insured Cobham, our highly protected risk (HPR) profile was near zero. Today, the majority of our principal locations—responsible for 80 percent of our operating profit—are HPR, as are many of our smaller facilities.

**The challenges of consolidation:** As part of our Excellence in Delivery (EiD) program, we have consolidated manufacturing into a smaller number of key locations. One consequence of this activity was that, by concentrating our manufacturing at fewer sites, we increased our potential vulnerability to damaging loss. Any significant production interruption could damage our reputation.


To counter this threat, it was imperative that we minimize the risk of a major loss occurring and maximize our ability to recover quickly, should the worst happen. FM Global helped us develop a standard loss prevention framework across the company, with a special focus on those hazards specific to Cobham. To give an example, high flow rates of ignitable liquid form a unique challenge in our air-to-air refuelling test rigs. We managed to overcome this by working with FM Global to design a bespoke fire protection solution at the start of a greenfield project in the U.K., which was implemented during construction. This solution has been standardized in Cobham's Property Loss Prevention Code.

**Partners of the year:** We were delighted when *Continuity Insurance & Risk* (CIR) announced our companies would jointly receive the magazine's Partnership of the Year Award. This external validation of the work we have done with FM Global to truly embed property risk management within Cobham is a gratifying honor. If you link what we've done in terms of risk improvement to the broad all-risk policy coverage we have through the FM Global Advantage® policy, it makes a package that is a very strong tool in my armory as a risk manager. Through our combined efforts, we are a more resilient company, and this has certainly helped us to earn the trust of our stakeholders and our global business partners.

### Policy Delivery



94 percent of FM Global master policies are delivered to clients within 20 days of the contract inception date.

A man in a dark suit, white shirt, and blue patterned tie stands in the foreground. Behind him is a large, light-colored pencil sketch of a modern building with a glass facade and a parking lot with several cars. The background is a light, textured surface.

“FM Global helped us develop a **property loss prevention framework** across the company, with a special focus on hazards specific to Cobham.”

Andrew Bryson

# Resilience through Research

## E. & J. Gallo Winery

Jeff Wilson  
Director of Risk Management

Troy Lute  
Senior Loss Control Specialist

“Our company is constantly evolving and growing to best meet the needs of consumers,” says Jeff Wilson, director of risk management at E. & J. Gallo. “One area that epitomizes this expansion is our spirits business. A few years ago, Chief Executive Officer Joe Gallo announced the company’s initiative to double spirits production and sales volume. We knew Gallo’s existing storage capabilities likely would not meet the demands for this growth and we envisioned two main challenges: creating a space to store the new inventory, and protecting the product against loss or damage.”

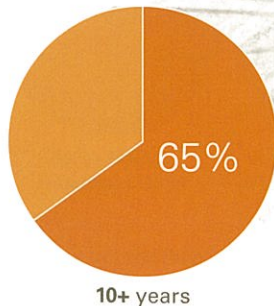
**Managing risk at every stage:** “Given the international scope of our business, we have to think broadly about risk at all stages of the production and distribution process. With both property protection and business continuity goals in mind, we invited FM Global to tour our facility and listen to our concerns. FM Global came here and worked as a team with us—ultimately proposing options that included a recommendation to relocate the spirits inventory and upgrade sprinkler systems in several facilities.”

At that point, says Troy Lute, Gallo’s senior loss control specialist, “There was not enough full-scale fire test information available to provide the exact protection standards necessary for our finished goods spirits storage configuration. So, we and FM Global met with the local fire departments to determine the best course of action.”

**Research proving ground:** “Ultimately, we conducted a series of large-scale burn tests at FM Global’s Research Campus,” Lute continues. “This research helped us determine a protection scheme for our specific storage arrangement, which was lacking in the previously accepted industry standards. The results also led Gallo on a path of education and training that culminated in inventory relocation and upgrades to several of our protection systems.”

Wilson asserts that “the most critical goal at Gallo is to consistently provide high quality and value to our customers. Given that many of our products are produced only once per year, it is vital for us to appropriately protect those products. What is most valuable to us regarding FM Global is their willingness to challenge us in a proactive manner, and their ability to provide assurance. When FM Global comes to us with an issue that might be an exposure for us, we work together to turn research results into reality.”

### Long-term Relationships



The majority of FM Global clients have been our policyholders for more than 10 years, and nearly one-third of clients have insured with us for 20 years or more.



“We have to think broadly about risk at all stages  
of the production and distribution process.”

Troy Lute

Jeff Wilson