



Protecting Value Through Global Consistency

Wherever FM Global clients do business, they can count on seamless insurance coverage supported by a full range of engineering, risk management and claims services. This high level of global consistency is achieved through FM Global's client servicing team structure—in which an experienced, knowledgeable and dedicated team assumes responsibility for all aspects of the account, staying focused on the client's strategic priorities and ensuring complete on-the-ground support at client locations. The following profile, excerpted from the FM Global 2004 Annual Report, illustrates how the delivery of consistent global service has proven valuable to CEMEX, a giant in the cement industry, in its global expansion efforts.





René Martínez, director of risk management, on the value of achieving risk management consistency throughout the world:

A giant in the cement industry, CEMEX has grown dramatically in recent years through acquisitions in the Americas, Asia, Africa and Europe. This growth presented the company with a number of risk management challenges. In 1997, the year CEMEX became a client of FM Global, the two companies designed a long-term master plan with specific measurable goals to improve the risk characteristics of CEMEX manufacturing facilities throughout the world. Since that plan was drawn, CEMEX has completed nearly 1,600 property loss prevention recommendations, and 50 of its 54 manufacturing plants have an impressive risk profile. More recently, CEMEX asked FM Global to insure its entire global property insurance program, which is supported by CEMEX's reinsurance captive and FM Global's network service partners. This arrangement relies on effective communication among FM Global's client servicing team, CEMEX risk managers around the world and FM Global's network service partners.

Removing cultural barriers

Our relationship coincides with a dynamic phase in our company's proven track record of growth. CEMEX has diversified through the acquisition of other companies and properties on several continents. Last year, we announced plans to purchase the RMC Group, the world's largest supplier of ready-mix concrete. As a result of that acquisition, we expect to strengthen our presence both in Europe and the Americas.

In a situation like this, when we acquire a new company, we set up and coordinate a property loss prevention seminar at each location. FM Global has been proactive in helping us do that, and does what is necessary to break through any cultural barriers. For instance, when we hold seminars in Egypt, FM Global sends Arab-speaking engineers. In essence, FM Global's engineers are disseminating the same property loss prevention philosophy at all our locations, but with a local flavor. This type of interaction is critical. They know how to reach the person directing the operations in order to make desired changes happen.

A cohesive global network

FM Global comprehends our operations, business model, exposures and risks worldwide. With FM Global and its system of network service partners, local bias is virtually eliminated, so we receive the global answers and solutions that are best for our company. This model also ensures the local carrier follows FM Global's form, service and procedures. Policies are issued on a timely basis, and cash flow is handled efficiently. I emphasize this because, as we grow through acquisition, we need to have a variety of processes that can be implemented in a disciplined way. FM Global has a process for both insurance and engineering services that can be replicated anywhere.

With FM Global as our property insurance provider, policy terms and conditions are transparent in every country. We know exactly what the net and gross premium are going to be. It's very open, and all policies mirror the master policy. From a consistency point of view, we are now sure of the terms and conditions for every local policy—whether it is issued in Bangladesh, Taiwan or Venezuela.

Lower risk in a high-challenge occupancy

Because we rely heavily on equipment and machinery, our industry is considered high-challenge. Going back five to seven years, most of the losses we saw consisted of machinery breakdown due to lack of preventive maintenance. Now, the number and severity of those losses is greatly reduced. We don't want losses that can be prevented through the diligence of our maintenance staff. The losses we see now are basically caused by hurricanes, windstorms or earthquakes—events that are largely out of our control—which ultimately should be the reason for buying insurance.

Compatibility with “The CEMEX Way”

The CEMEX Way is a global initiative designed to standardize processes and systems to create synergies across functions and geographies, allowing us to realize our full potential. It is about creating a common CEMEX language—in both our technologies and the way we go about our daily business. Within that scope, we address preventive maintenance. Many of the issues included are taken directly from FM Global's property loss prevention program. Philosophically, we agree with FM Global that the majority of loss is preventable, and we bring that philosophy into CEMEX operations.

Reducing volatility

Obviously, the insurance market has its cycles. By reducing the volatility of our portfolio, we feel we are well-positioned, regardless of global market trends. Because CEMEX is retaining part of the risk through a financial mechanism—our own reinsurance captive—we have been able to save money by reducing claims paid internally or externally, and that has clearly given our program stability over time.

CEMEX

Founded in 1906 in Monterrey, Mexico, CEMEX has evolved from a small regional company to a leading global producer and marketer of cement and ready-mix concrete products to customers across four continents. The company, which operates in the most dynamic international markets, has trade relations with approximately 70 countries, and its customers include large industrial contractors as well as individual homebuilders.

Occupancy: CEMEX's operations include 54 wholly owned cement plants and more than 460 ready-mix facilities, along with nearly 200 land distribution centers and 60 marine terminals throughout the world.

Company size: CEMEX maintains operations in more than 30 countries and employs nearly 26,000 people. Since its initial public offering in 1976, CEMEX has grown dramatically, largely through acquisition of other companies in its industry throughout the world. The company's net sales in 2004 were in excess of US\$8.1 billion, and its production capacity stands at 81.5 million metric tons (89.8 million short tons) of cement per year.



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