

POLICYHOLDER UPDATE

April 26, 2010

The following information has been developed to help you answer basic questions about your policy as it pertains to the Iceland volcano eruption event and subsequent closing of airspace by the European civil air authorities. Because Affiliated FM has a wide range of clients that have been affected in a number of different ways, this information is not intended to address all related issues. **Affiliated FM stands ready to provide all of the coverage available under the terms and conditions of its policies.**

The Affiliated FM proVision policy offers some of the broadest property coverage available, yet some events may occur that may not be covered under the policy. The Affiliated FM proVision policy insures against physical damage and requires insured physical loss or damage to property, or immediately impending insured physical loss or damage to property, before there can be any coverage. The presence of volcanic dust in the air is not physical loss or damage to property under the terms and conditions of the Affiliated FM proVision policy.

Q. What if there is ash fallout from the volcano onto my property?

A. Coverage is available for the cost of cleaning up insured property, such as buildings and the business interruption loss that directly results. There is no coverage for such damage to pavements and roadways. In addition, there may be other exclusions that apply, including one that excludes the business interruption loss when there are also other reasons for an interruption to the business.

Q. What if I have perishable property that may spoil or otherwise not be marketable because of delays or an inability to ship to customers?

A. Coverage would not apply for this type of loss, as there is no direct physical loss or damage from the volcanic ash and there are exclusions for indirect or remote loss, loss of market, loss or damage due to delay for any reason and inherent vice.

Q. What about coverage under the various extensions of coverage on my Business Interruption Endorsement?

A. Contingent Business Interruption, Civil Authority and Ingress Egress, and the other extensions of coverage require that there be insured physical loss or damage to property of the type insured against under the policy. The problems experienced are from the closure of the airspace over certain countries by their respective civil aviation authorities. These closures were for safety reasons associated with volcanic dust in the air. Volcanic dust in the air is not physical damage to property. In addition, there would be other issues and conditions that would prevent coverage from applying.

Q. What about coverage for protection and preservation of property?

A. The Affiliated FM proVision provides coverage for the cost of preventing immediately impending insured physical loss or damage. There have been no reports so far of ash falling on insured property. To the extent that a client takes action to so prevent such loss or damage, there is coverage for those costs and for business interruption during the noted time period. Such loss would be subject to any applicable deductibles and other terms and conditions.