



## Protecting Value Through Risk Improvement

*FM Global provides major companies throughout the world with comprehensive commercial property insurance and risk management engineering solutions. Clients work in tandem with FM Global to identify the most significant property protection risks to their facilities and businesses. Through these efforts, clients enhance their understanding of key hazards, so they can make cost-effective risk management decisions. The following profile, excerpted from the FM Global 2004 Annual Report, illustrates how this shared commitment to risk improvement proved valuable to Ocean Spray and FM Global when natural disaster put their loss prevention efforts to a critical test.*





*Bill McBain, assistant treasurer/  
risk manager, on working  
with FM Global to ensure  
business continuity:*

*Vero Beach, Fla., USA, home to Ocean Spray's grapefruit processing operations, took a direct hit from two of the four devastating hurricanes that struck the Florida coastline in 2004. While many businesses in the area suffered damage that resulted in costly downtime, Ocean Spray's operations—which include an office complex, concentrating facility and attached tank farms—escaped major damage and continued to operate. In this profile, Assistant Treasurer/Risk Manager Bill McBain recounts how, through a number of risk improvement measures, the company prepared the Florida facility to withstand hurricane-force winds and quickly resume operations under adverse conditions. The successful outcome of Ocean Spray's efforts reinforces FM Global's belief that most losses are, indeed, preventable.*

### **A strong business case**

**L**ike most businesses, we make capital investments based on return on investment (ROI). We also make non-ROI investments necessary to maintain our business. Property protection clearly fits into that second category. Sometimes loss control decisions are easy, such as human element recommendations, which generally involve little, if any, capital. Other recommendations are not so simple. If we're going to spend our grower-owners' money, senior management expects to see justification for the expenditure. So, it's imperative we present a convincing business case that details the potential risk we would face if we do not make the capital expenditure. FM Global helps me make that case.

### **Risk knowledge**

I would describe the FM Global process as an educated method and approach to risk evaluation. When looking for insurance in 1997, we went to five companies for proposals. FM Global was the only one that inspected our plants. I felt comfortable they spent the time, effort and money to do that, and I knew FM Global's proposal was based on a true understanding of our exposure. FM Global was able to quantify what the premium should be. They recognized we were committed to property loss prevention, and assisted Ocean Spray in prioritizing recommendations, which, at the time, included low-cost roof improvements.

### **Understanding loss potential**

During renewal negotiations last year, when we asked for additional limits for business interruption coverage, FM Global was concerned about service interruption in Vero Beach if power were lost. It came down to the business case, which weighed the potential loss of US\$75- to \$100-million of product versus the cost of portable generators and hookups on site, a relatively modest investment of US\$35,000, to which we agreed.

As the first hurricane approached, we activated our contingency plan—which included lowering the freezer temperatures, should we lose power, and bringing the portable generators on site. When the storm came through, we lost service for 48 hours, mostly because our personnel were not able to get to the facility. Once they did arrive, they saw no major damage, and the freezers were still cold. They quickly set up the generators, and brought up the ammonia system.

Bottom line, we sustained only superficial damage from the two storms, and the losses were well within the level of risk we can accept in order to fulfill our fiduciary responsibility to our grower-owners.

### Key differentials

While roof reinforcements did make a difference, having the auxiliary power proved mission-critical. If we had a major loss of the tank farms, it could have put our franchise in jeopardy. As it was, the hurricanes damaged the majority of Florida's grapefruit crop in 2004, and the inventory would have been nearly impossible to replace.

### Effective stewardship

Our experience at Vero Beach shows that, while we need insurance, what we need more is to ensure continuous operations. If we have a loss, insurance would pay for it, but not for lost opportunities for future sales. We want to protect that, so it's important to have a partner—an expert like FM Global—to say we all accept the possibility of a minor incident happening. But, let's work together to prevent the big one that could have a serious impact. We work together effectively on a corporate level through the FM Global stewardship process. At annual stewardship meetings, both companies review what's transpired the past year to ensure we met our expectations and attained our goals—and, if we haven't, to understand why.

I am obviously very close to the risk management process. Our senior management isn't as close to it. Stewardship meetings give them an opportunity to really understand how property loss prevention helps protect the interests of the cooperative, and to see how FM Global works with us to achieve that.

## Ocean Spray

Ocean Spray is North America's number-one brand of bottled juices and juice drinks. An agricultural cooperative, Ocean Spray was formed 75 years ago in Massachusetts, USA, by a small group of cranberry growers. In 1976, the cooperative expanded its membership to include grapefruit growers. Ocean Spray-branded products are sold in supermarkets; food service, convenience and drug stores; and through other trade channels. With some of the biggest brand names as its customers, Ocean Spray's Ingredients Technology Group is one of the company's fastest growing businesses. Ocean Spray's products are available in nearly 50 countries through its international division.

**Occupancy:** Ocean Spray's facilities include fruit-receiving stations and processing and bottling plants located in the United States and Canada.

**Company size:** Owned by nearly 900 growers located throughout the United States and Canada, Ocean Spray maintains 13 facilities in North America and employs approximately 2,000 people worldwide. The company reported net sales of roughly US\$1.1 billion and earnings of US\$227.2 million in 2004.



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