

Keeping farmers in the know. It's what we call active insurance.

We're easy to contact
Call us on 0800 366 466

Write to us at PO Box 1943,
Palmerston North, New Zealand.
Email us contact@fmg.co.nz
Visit our website www.fmg.co.nz
Or contact your local FMG branch.

INSURANCE - INVESTMENT - FINANCE

FMG Post

Keeping you in the know – July 2007



Photo courtesy of The Northern Advocate

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Putting them in your pocket.
It's what we call active insurance.

OK, so it may be the first place a thief will look for the keys to your car, but it's most likely the second. And even if you place keys in the car and don't carry them, they can be stolen before you notice. And even if you do notice, you may have to wait for the police to find them. So it's best to have a spare set of keys hidden in a safe. Or better yet, use a keychain that has a small camera attached to it. This way you can see if someone is trying to steal your keys. And if you do, you can call the police and show them the camera footage. It's what we call active insurance.

FMG
RURAL FINANCIAL SERVICES

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Understanding Murphy's Law.
It's what we call active insurance.

Here's the thing. If there's a wooden post sticking out of a field, there's a better than average chance your tractor tyre is going to get stuck in it. And if it does, you'll be stuck. And if you're stuck, you'll be late. And if you're late, you'll be in trouble. So it's best to have a spare set of tyres hidden in a safe. Or better yet, use a tyre chain that has a small camera attached to it. This way you can see if someone is trying to steal your tyres. And if you do, you can call the police and show them the camera footage. It's what we call active insurance.

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Bird-watching.
It's what we call active insurance.

All right, the birds are large, the weather's warm, the grass is green and your tractor's a comfortable ride. It may seem like a perfect day to have that new FMG tractor. But there's one problem. You're not alone. There are other people out there with their eyes on your tractor. And if they see it, they'll want it. So it's best to have a spare set of tractor parts hidden in a safe. Or better yet, use a tractor part that has a small camera attached to it. This way you can see if someone is trying to steal your tractor parts. And if you do, you can call the police and show them the camera footage. It's what we call active insurance.

FMG
RURAL FINANCIAL SERVICES

FMG's new brand campaign was launched on 5 June in rural newspapers, on the Jamie Mackay Farming Show, and on billboards on rural highways around New Zealand.

The campaign is designed to more proactively share our experience and knowledge for the benefit of the farming industry. It focuses on the straightforward things farmers can do to prevent loss, and thus avoid all the negative aspects of loss – the hassle, interruption to business, frustration and emotional impact – not just the need to make an insurance claim.

Our first three ads focus on preventing tractor fires, farm vehicle theft and tyre damage – all very common types of claim dealt with here at FMG. Feedback so far tells us that farmers definitely relate to these scenarios!

The campaign's tagline – we reckon preventing a problem is just as smart as insuring against it – is all about farmers avoiding hassle and saving money through

good management of the risks they can do something about, and insuring for the risks they are less able to prevent.

Over the coming months you'll see a wide range of scenarios represented in the campaign, along with the (often very simple) things farmers can do to help prevent them from happening.



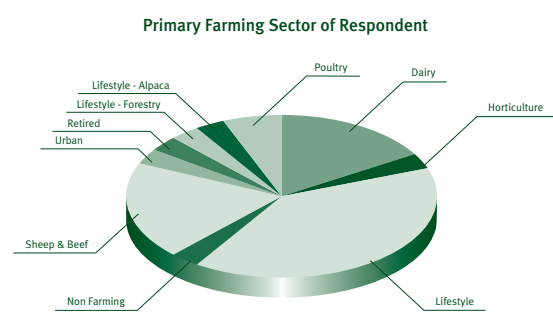
You can keep track of where and when our ads are running by visiting our website for more information: www.fmg.co.nz

We welcome your feedback on the campaign – just email us at contact@fmg.co.nz with details of which ad and where you saw or heard it, then tell us what you think!

FMG Post survey

In the March 2007 issue of FMG Post we included a survey about the newsletter so we could get an indication of how you feel and whether you like it. We received a significant response to our online survey and really appreciate those of you who took the time to complete it. As you can see, we have made some changes to the look and feel – which we think improves the newsletter considerably – and we are starting to incorporate some of your suggestions into our content.

Some of the more interesting things we discovered from the survey were:

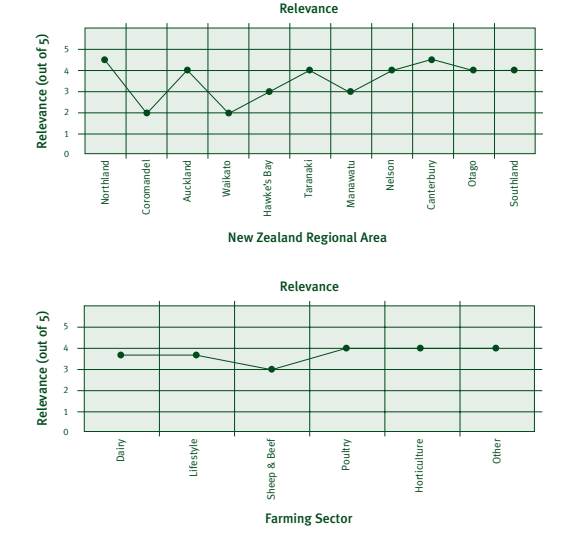


The responses covered a wide range of farming industries as their primary sector. However most responses selected more than one industry as their farming business. The main sector that is heavily diversified into other areas of farming are lifestyle farms which generally include forestry, alpaca, sheep and beef and some horticulture. As farming is becoming increasingly business-driven and competitive, our clients are responding to this challenge by diversifying their operations to cope with changing market influences.

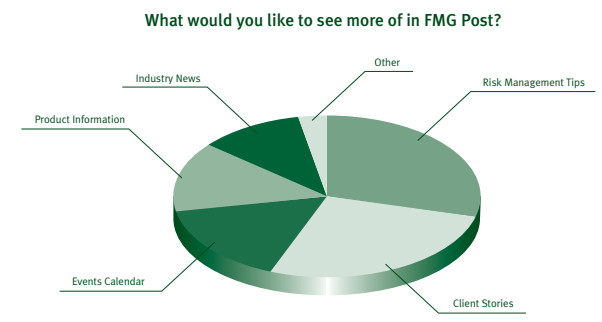
Winning with FMG Post

As major sponsor of FMG Stadium in Palmerston North, we are proud to see the Manawatu Turbos back in the AirNZ Cup this year. We are running a staff competition as part of the virtual AirNZ Cup and thought you might like to join in! It's easy, just register to play at www.telecomvirtualrugby.co.nz and select FMGPost in "Your Mates". We will keep an eye on your progress throughout the competition and the client with the most points at the end of the season will win an AirNZ Mystery Weekend for two.

The relevance of FMG Post varied for both the farming sector the respondent chose and the area they were from:



Finally, it was instantly obvious what most of you wanted to see more of in the newsletter, so in the coming months we hope to tailor the content to reflect these preferences. "Other" was made up of rural service provider information, dairy industry news and sales/claims interaction:



Thank you for taking the time to provide your feedback. If there is anything else that you wish to comment on, please contact us at contact@fmg.co.nz. We hope that you enjoy the changes to FMG Post and continue to read it.



Welcome to the new-look FMG Post newsletter. We have made some changes to the look of all our material, including the newsletter, and we hope you enjoy it.



Flooding causes havoc

It's been a wild start to the year for Northland residents who weathered a sizeable downpour in late March.

In just two days, the region received four months' worth of rain which caused more than \$65 million in damage and the repercussions are still being felt. Roads in the region were devastated and will cost more than \$15 million to repair to their previous capacity. The Insurance Council of New Zealand believes more than \$10 million in claims has been lodged with insurers and estimates uninsured losses to be worth a similar amount. Farmers in the area were hit hard with many losing stock and those in the Hikurangi Swamp area were severely impacted due to the flat nature of the land. Stock had nowhere – and no time – to get to higher land. More than 5,000 ha of the 56,000 ha swamp were under water and most of that land will need to be totally reseeded. Total farming productivity losses for farmers in Hikurangi Swamp are likely to be in excess of \$20 million.

Many of the farmers affected by the downpour are FMG clients and we have received approximately 100 claims to date – most of which were for buildings and household contents. → pg2

→ Our contact centre and claims team felt privileged to hear some amazingly positive stories, including that of Tony and Eileen Schluter. They were driving to Whangarei to attend the National Stamp Exhibition to exhibit Tony's collection covering "The Postal History of the Far North".

Heavy rain had flooded the main highway, so they were diverted to an unfamiliar back road. Five kilometres further, the water was rushing across the road, concealing a hazardous dip. Suddenly the car was floating in rapidly rising water, which flooded the engine causing the electronics to fail. Thinking quickly, Tony managed to activate the front window ensuring their escape.

Eileen heaved Tony out the driver's window with some difficulty due to his double hip replacements. Then she retrieved the large canvas bag protecting the stamps from the back seat and passed it to Tony – who was now standing waist deep in water. A local farmer had just gone through the water in his ute and waded back with a length of rope to assist the couple. He kindly carried the precious bag high above his head to ease the couple's fears over the stamp collection.

The water was still rising fast as he towed the car to safety. Luckily for the Schluters, the farmer drove them back to his house where he offered dry clothes and an emergency cup of tea before driving them home. Eileen's quick actions and calmness no doubt saved her husband and the precious stamps.

FMG gladly settled the claim for the vehicle, which was a minor concern. As Eileen said following their rescue, "We are alive and we saved the stamps – the rest does not matter".



Statistics sourced from and photo courtesy of The Northern Advocate.

Environmental change

FMG were recently the platinum sponsor of the Insurance Council Conference on Coastal Communities Natural Disasters: preparedness, management and business recovery.

FMG Chief Executive Gordon Smith presented the keynote speech and provided some interesting insights into climate change and its effects on New Zealand and insurance.

He reiterated the need to prepare, manage and adapt to the consequences of this issue. Climate change is producing extremely volatile weather conditions all over the world – the immense rainfall in Northland is no exception. The year 2005 saw record losses worldwide due to natural disasters, including three major hurricanes in the US and widespread flooding here in New Zealand.

New Zealand is particularly vulnerable to a wide range of natural disasters due to our geographic location. In fact, 19 out of 20 of the most expensive disasters in our history have been weather-related. Greenhouse gas emissions and melting polar ice caps are only going to increase weather problems for New Zealand communities so we need to start thinking proactively. The insurance industry is

committed to increasing the awareness of the costs of climate change, helping to promote safer building codes and identifying and promoting appropriate protection solutions.

Another way to help ensure the rapid recovery of New Zealand following a disaster is to have the appropriate level of insurance cover – including personal strategies to help you and your business get back on track faster. FMG is committed to reducing our impact on the environment to help combat the effects of global warming and we encourage our clients to look for ways to reduce the cost of climate change. We are also committed to assisting you with strategies to protect yourself and your livelihood. For tips on how to prepare, and more information about climate change, check out our website www.fmg.co.nz



Practical strategies for two particular weather occurrences include:

Storm

- Ensure items susceptible to wind damage are secured: e.g. irrigators, sliding roofs on fertiliser bins and plastic tanks.
- Have an annual inspection of all buildings and replace any broken, rotting or rusting material.
- Site new buildings in sheltered positions with openings away from prevailing winds and the direction of the strongest winds.
- If farming by the coast, use rust and corrosion-proof cladding materials on buildings, such as Onduline.
- Identify and remove in advance, or prune back, trees which could cause damage or

- prevent access if they blew over.
- Plant trees to provide wind protection.
- Ensure new tree plantings will not become a hazard to buildings, power poles and lines, underground services, stock, and people.

Flood

- If farming in flat areas, keep farm tools and stores above ground level using shelving, pallets, cupboards or a mezzanine floor.
- Ensure farm drains are clean and free from silting and debris.
- Regularly check the integrity of stopbanks.
- Site new buildings on the highest ground available.
- Have a contingency plan to deal with farm access if flooding occurs.

A dream home for a dream team

She might be a familiar face to those of you in the Whakatane region but these days Client Business Manager Helen Tulloch-Tupe is nationally recognised!

Helen and her husband Kapi were the winning team for the 2007 Mitre 10 Dream Home competition. More than 100 hopeful couples entered the competition and when Helen and Kapi were named among the final six, they had just one week to make a model of their dream home. The model, which was based on themes of sustainability and "green", was their ticket into the competition – despite Helen describing the presentation as the most nerve-racking thing she had done! Helen and Kapi endured some set-backs during the building, including the news that

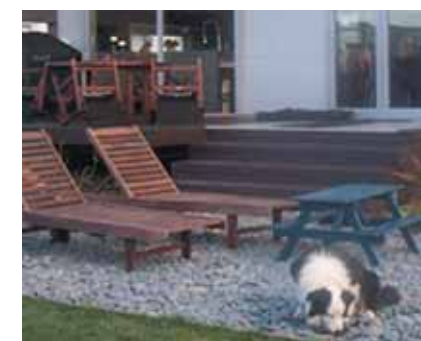
the completed home was valued outside the couple's budget. So it was win or win and luckily Helen, Kapi and the rest of the blue team are not the quitting types.

After counting up all the public votes via text messaging, phone polls and the TVNZ website, the blue team was in a comfortable position. The judges' final decision confirmed public opinion and Helen, Kapi, Te Naawe and Kaprise moved into their dream home the same night they won.

Helen wishes to thank her Regional Sales Manager and all FMG staff who racked up massive phone bills text-voting like mad! Also a huge thank you to FMG clients in the Whakatane area who got behind the family and were amazingly generous.



"It was priceless in the morning when we saw all the bodies sleeping in the lounge marae-style, just like we imagined – perfect."



Notice of Meeting

Farmers' Mutual Insurance Association 102nd Annual General Meeting.

To be held at The Sebel Trinity Wharf, Tauranga.

Tuesday 28 August 2007, 11.00 a.m.

AGENDA

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| • Welcome to Members and Guests | • Appointment of Directors |
| • Apologies | • Remuneration of Directors |
| • Notice of Meeting | • Appointment of Auditors |
| • Chairman's Report | • Special Business – Special Resolution to approve Constitution |
| • Chief Executive's Report | • General Business |
| • Chief Financial Officer's Report | |
| • Adoption of the 102nd Annual Report and Financial Statements | |

Farmers' Mutual Insurance Association members are welcome to attend.

Farmers' Mutual Group Bill and Constitution

The Farmers' Mutual Group Bill was introduced and read for the first time in Parliament on 13 June 2007 by the Honourable Steve Maharey.

The Bill has been referred to the Primary Production Select Committee for review and public submissions.

Once the Bill is passed, FMG will be required to have a Constitution. In anticipation of this, a Special Resolution will be tabled at this year's Annual General Meeting to approve FMG's first Constitution.

The AGM will be held on 28 August 2007 at 11.00 a.m. at The Sebel Trinity Wharf, Tauranga.

All members are invited to attend the AGM and will receive a formal notice and the text of the Special Resolution in July. The Constitution will be available mid-July on FMG's website at www.fmg.co.nz or you can contact us at 0800 366 466 if you have any questions or would like to obtain a free copy.

The average weather in your area is changing



Climate change risks

- Wetter and windier in the west
- Risk of extreme storms
- Bio-security risks
- Security of water
- Warmer and drier in the east
- More heat waves and droughts
- Biodiversity
- Changes in pasture composition

Based on NIWA predictions to the end of 2100

Farming loss of profits

Most likely you have your buildings and contents covered for loss due to a flood or other weather event, but what about your lost earnings while these are being replaced? We have specifically tailored a product to meet that need – farming loss of profits.

This policy is designed to maintain income following a major loss caused by impact damage, fire, lightning, earthquake, flood, storm, tornado, cyclone or tsunami – virtually any weather activity that might occur more frequently due to our changing climate.

Farming loss of profits is designed to minimise the financial loss in the aftermath of such an event and is important for all farm owners, particularly dairy farmers and share milkers. The policy insures you for protection against loss of future earning capacity following an insured loss and any additional increased costs incurred in keeping the farm operational. These additional costs can include costs of hire equipment, transport costs to move stock and additional feed costs. The farming loss of profits must include cover for natural disaster which is particularly relevant when sudden extreme weather threatens your livelihood.

For more information about how farming loss of profits can benefit you, contact your local Client Business Manager or ring 0800 366 466.