



HERE WHEN IT COUNTS

NIGEL WOODHEAD

2017 Young Farmer
of the Year



ADVICE

Leading causes
of house fires



KAIKOURA

Our support for clients
nine months in



Supports quake-hit
rural communities

NOTE FROM CHRIS BLACK



As an insurance company, being here when it counts is one of the main reasons we exist. This last year has been an exceptional year in that regard, as we've experienced more claims than ever before. While this has put considerable pressure on the business, stepping up to help clients who've been adversely impacted is something we take pride in as a mutual. This aligns with our values of 'doing the right thing', 'being in it together' and 'making things happen'.

We've settled over one-third of all Kaikoura Earthquake claims at the same time as responding to a higher number of non-earthquake

claims. This includes those relating to the back-end of April's cyclones Debbie and Cook.

As a result of higher claims costs, the Mutual posted a modest \$3.3m loss for the last financial year. This is something we anticipate from time-to-time and are set up to handle. While we have worked hard over the last few years to absorb the higher level of claims costs, this is obviously not sustainable. That's why we've taken the prudent step of adjusting premiums this year, to ensure the Mutual remains in a strong position to continue to be able to support you when you need it most.

The underlying business continues to perform well and grow. Last year we experienced headline income growth of 9.5% in comparison with expense growth of just 4.6%. Growing a business is not all about attracting new clients, but rather ensuring we continue to serve existing clients well. In this regard, we were pleased to see a lift in overall client satisfaction during the year.

More broadly, it's a privilege to be the principal sponsor of the FMG Young Farmer of the Year contest and celebrate the next generation of farming leaders.



June marked Farmstrong's second birthday, a programme which continues to help make a positive difference. This aligns well with the Mutual's new vision of 'helping to build strong and prosperous rural communities'.

Chris Black
Chief Executive, FMG

HELPING TO PREVENT LIVESTOCK THEFT

Nationally livestock theft or rustling costs the rural sector millions of dollars each year.

LIVESTOCK POLICY

The very nature of farming, with stock largely in the open, leaves animals vulnerable to theft making insuring against it expensive.

Under our standard Livestock policy your animals are covered for theft if they're housed in a building at the time of the incident. Protection against all aspects of stock theft is through our specified livestock cover. Typically, this type of cover is animal specific and limited to stud stock and bulls.

ADVICE

As an advice-led insurer, we not only offer cover for stock theft, but also provide advice to help keep your livestock secure.

Community: It takes communities working together to help prevent theft from happening. Look out for your neighbours.

Report it: If you see something that looks suspicious—report it. Even if what you see seems insignificant, it could be a vital piece of evidence Police need to solve a wider pattern of offending.

Lock it: It may seem obvious, and it is, but sometimes the little things are forgotten. Where possible, lock stockyard gates and loading ramps and fit capping hinges to help secure your gate padlocks.

SENTENCING (LIVESTOCK RUSTLING) AMENDMENT BILL

It's great to see that the Sentencing (Livestock Rustling) Amendment Bill has recently been drawn from the ballot to go before Parliament. The bill is intended to deter people from stealing stock in the first place, by identifying

it as an aggravating factor at sentencing. Follow the progress of the Bill on the New Zealand Parliament website.

PARTNERSHIPS

FMG has partnered with NZ Police and Federated Farmers to provide practical advice and tips to help protect your livestock, property and family from theft. The Rural Crime Prevention Advice Guide can be found under the Advice section on our website: www.fmg.co.nz. Rural Crime Prevention workshops are continuing across the country. To find out where, head to the the events section of our website.

CONGRATULATIONS NIGEL WOODHEAD 2017 FMG YOUNG FARMER OF THE YEAR



Otago farmer wins FMG Young Farmer of the Year

In October 2016, 400 Young Farmers from across 22 districts began competing in FMG's Young Farmer of the Year contest.

By April 2017, that number was whittled down to just seven of the best, who competed in the Grand Final in Feilding 6-8 July.

For the first time in its 49-year history, an Otago farmer has been named the FMG Young Farmer of the Year. Milton sheep and beef farmer, Nigel Woodhead, won the prestigious title after three days of intense competition, in front of a crowd of thousands.

For Nigel it is the realisation of a dream.

"I watched FMG Young Farmer of the Year when I was a child, so to win it, is a childhood dream that I think will take a long time to sink in."



Nigel graduated from University with a Bachelor of Agricultural Science, before working at Midlands Seed in Ashburton for five years, prior to heading home to the family farm.

Currently, Nigel and his wife Leanne run 3,500 stock units on their 400 hectare leased property.

The 28-year-old was overwhelmed with the win. "Leanne and I worked really hard and to win this, it's incredible!"

"It's not an easy contest to win. Everyone is gunning for it from day one and it really tests all your skills from all aspects of farming. I've been given the opportunity of a life time and I'm really looking forward to doing some good things for the industry."

FMG SUPPORT

Into our second year as the principal sponsor of the Young Farmer of the Year contest, the partnership is a great fit for FMG. It aligns with our new vision of helping to build strong and prosperous rural communities. It's important to support industry achievement and showcase the outstanding young leadership we have in this country.

Congratulations to all the contestants and we're looking forward to the 50th contest in Invercargill next year.

PEOPLE'S CHOICE WINNER – LISA KENDALL

Northern finalist, Lisa Kendall, won the FMG People's Choice Award, securing close to 1,100 votes. The award was introduced by FMG last year to give the finalists experience around marketing themselves in the sector and to help get more members of the public involved with the contest. Lisa did a fantastic job showcasing herself and her skills on her Facebook page

56 regional finalists

7 regional finals

3 months of competition

alongside her billboard, which stood pride of place on SH1 near Mercer, Auckland. For winning, Lisa received his and hers Citizen watches and \$1,000 for her local Young Farmers club. All up, 4,381 votes were cast, with one lucky voter walking away with a Fitbit Surge.

Lisa also won the Massey University Agri-Growth Challenge and came fourth overall.



RESULTS:

- **First:** Nigel Woodhead, Otago Southland
- **Second:** Hamish Best, East Coast
- **Third:** Andrew Wiffen, Tasman
- **AGMARDT Agri-business Challenge:** Hamish Best
- **Massey University Agri-Growth Challenge:** Lisa Kendall
- **Ravensdown Agri-Skills Challenge:** Nigel Woodhead
- **Hynnds Agri-sport Challenge:** Arjan Van't Klooster
- **Meridian Energy Agri-knowledge Quiz and Speech Challenge:** Hamish Best

HERE WHEN IT COUNTS

Claims costs across New Zealand's insurance industry have been trending up for several years.

Over the last seven years, the industry has experienced an unprecedented number of major weather events and three large earthquakes. These major events have been very tough for those directly affected by them. The weather events have also been challenging and costly for FMG and the insurance industry more broadly.

In addition, the increasing number of vehicles on the road combined with lower fuel costs, the use of expensive sensing and safety technology in vehicles and driver distraction, have resulted in a steady rise in the number and cost of vehicle claims. Again, this is an industry-wide issue, as well as a global trend.

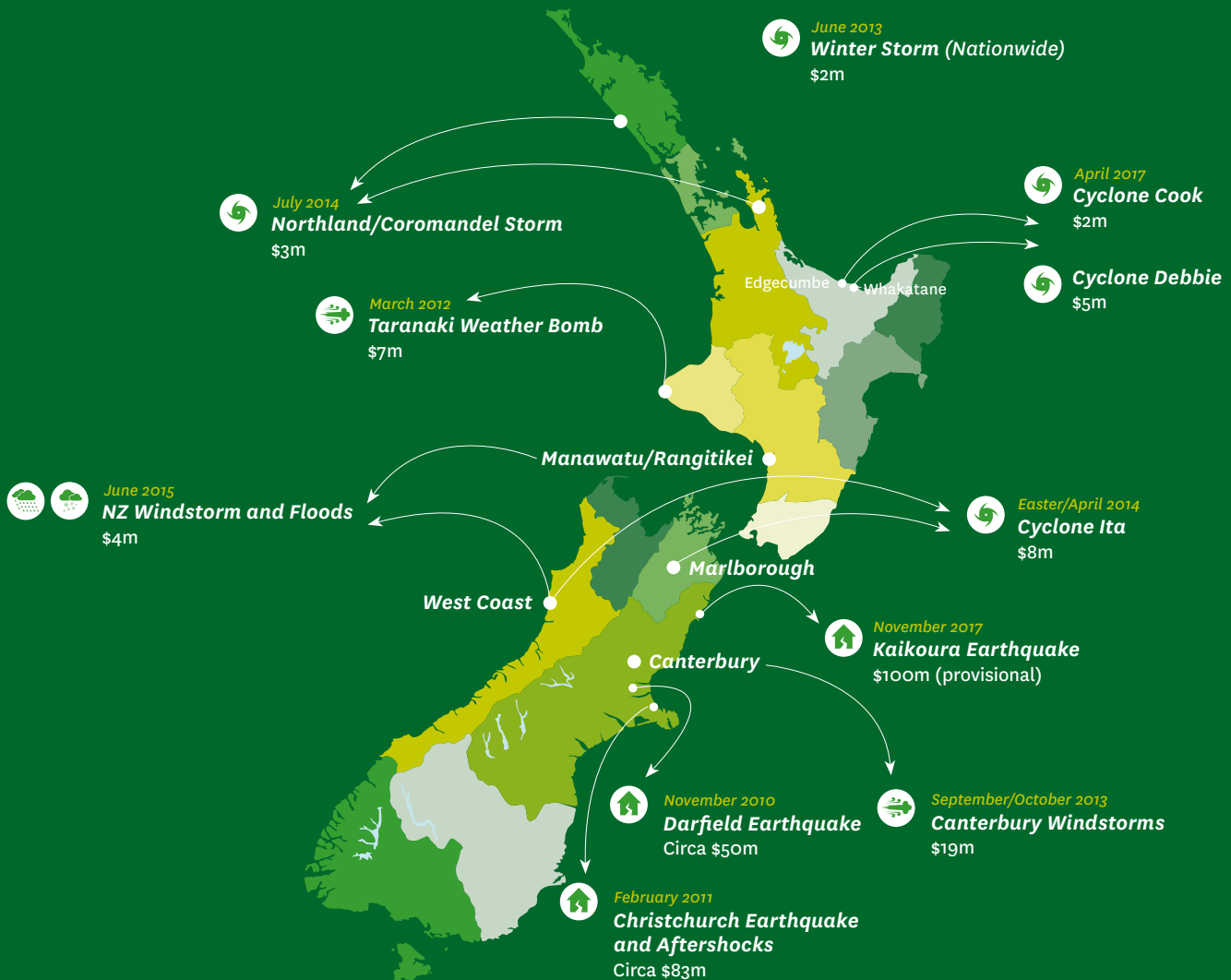
There has also been a continued spate of total-loss house fires and commercial fires, which have been expensive to reinstate.

FMG has worked hard over the years to absorb these increasing claims costs and minimise premium increases. However, the Mutual

can't absorb these without some adjustment, which is why we are increasing base premiums on certain types of risks this year. We feel that making appropriate premium adjustments now is a prudent step in the context of ensuring the Mutual continues to be in a strong position to support you when you need it most. Being here for clients when the unexpected happens is a critical part of what the Mutual is all about.

The map below highlights the major claims events that have impacted FMG since 2010.

MAJOR CLAIMS EVENTS 2010-2017



Key



Earthquake



Cyclone/Storm



Snow



Windstorm



Rain fall

FMG'S YEAR IN REVIEW

FMG's been around for 112 years and paying claims is one of the main reasons we're here.

Following a tough year for the whole industry, FMG has made a modest loss of \$3.3m this last year. This was mainly due to a \$15m increase in underlying claims, taking our overall net claims cost up from \$137m to \$152m.

In addition, extra costs associated with the Kaikoura Earthquake will cost FMG around \$18m.

CAPITAL

Given the volatile nature of our industry we anticipate a loss from time-to-time and have set the Mutual up to handle this by being well capitalised and having adequate reinsurance cover in place. Despite the modest loss, FMG remains one of the most well capitalised insurers in New Zealand with \$226m in reserves, an A (Excellent) credit rating and 2.25 times the minimum capital required by our regulator, the Reserve Bank of New Zealand.

REINSURANCE

We're in a strong position with our international reinsurers as we expect to use less than 25% of our reinsurance cover in responding to the Kaikoura Earthquake. Our conservative approach over a long period in managing the Mutual, means that we're financially well placed to respond to another similar event.

GROWTH

FMG remains New Zealand's leading rural insurer and continues to be one of the fastest growing insurance companies in the country. We experienced overall client growth of +6% last year, which helped lift our overall share of the rural insurance market by 3% to 46%. This growth, combined with our support of important rural initiatives like the FMG Young Farmer of the Year contest and Farmstrong, saw FMG recognised as the 2016 Cooperative Business of the Year and Direct Insurer of the Year.

LISTENING TO YOU

Your feedback helps shape FMG and we want to hear from you.

TELEPHONE SURVEY

As many of you will be aware, each month FMG calls 250 randomly-selected clients for a quick and confidential phone survey. So that you can speak honestly about us, we use our independent research partners Nielsen and Infield International. Your telephone number remains confidential and your answers are 100% anonymous.

The purpose of the call is to help us better understand your needs and to see how we can improve our standard of service. We have been using these calls for over seven years and estimate that around 20,000 FMG clients have participated to date.

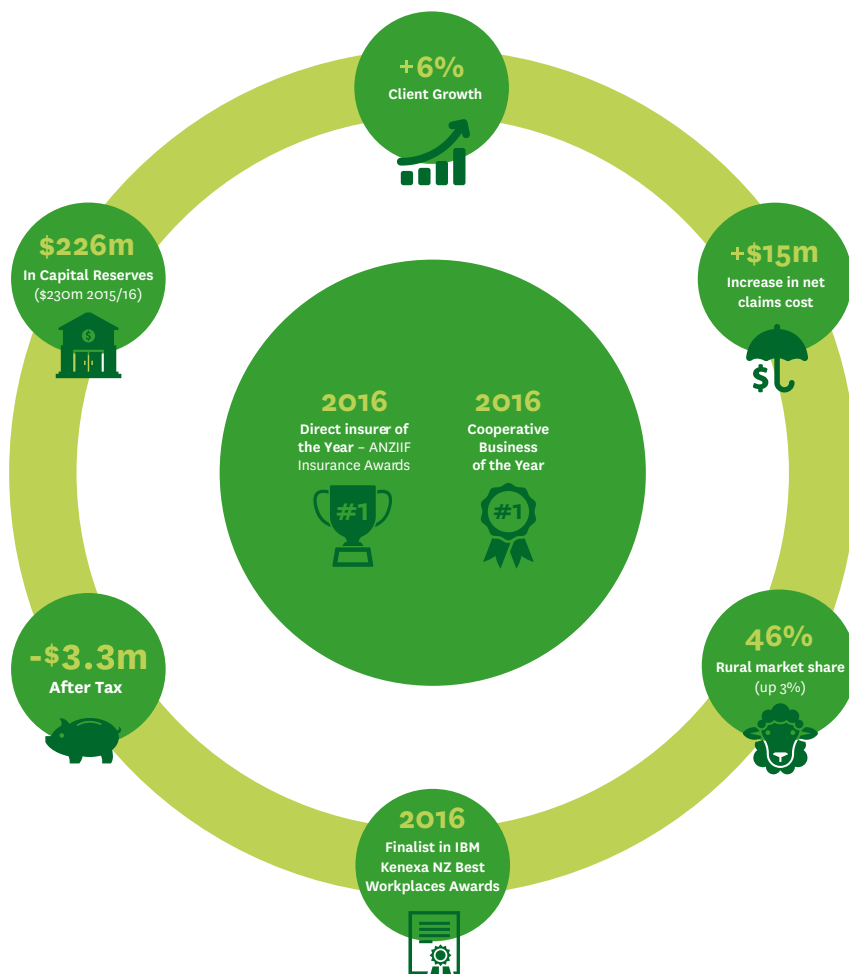
CLIENT RESEARCH PANEL

More recently, FMG has also established an online Client Research Panel with over 2,000 clients already on board. This provides another avenue to feed back on our products and services and any new ideas and initiatives. It has recently been used to test our latest TV and radio advertising campaign.

If you would like to join our Client Research Panel, please fill in a registration survey on our website www.fmg.co.nz/about-fmg/client-panel/how-to-join/. Once activated you become a full member of our Client Research Panel and you will be asked to participate in a maximum of four surveys a year.

If you have any questions about either the telephone survey or Client Research Panel, please contact our Client Insights Manager Michael Harvey:

michael.harvey@fmg.co.nz



GOOD PROGRESS IN KAIKOURA

With a dedicated team working on Kaikoura Earthquake claims, along with specialised support from partners, FMG has now settled around a third of all claims.

Nine months on we've settled more than 1,000 claims and have paid out around \$33 million.

Being here for clients has been important during this time. While we're pleased with the progress made so far, we know that we're not there yet. We're continuing to work hard on the ground and have a continued commitment to be 90% complete by the end of the year.

FMG claims	1,200
EQC claims	2,300
Total claims	3,500
Settled so far	1,077 or 31%
Commitment	to be 90% complete by end of the year
Paid so far	\$33m

PRIORITIES

Until now, we have focussed on people or businesses that were most vulnerable. For example, the elderly, the sick and families with small children. Our first focus was to ensure houses were safe, water tight and had adequate heating for winter. If clients still have any issues regarding heating or properties not being weather tight, please call us urgently.

Commercially vulnerable clients have also been a priority. Dairy farmers affected by the earthquake, particularly those with damaged or destroyed milking sheds, were given priority so we could have them up and running by the start of the milking season. Many of these claims have been over a million dollars and been complex rebuilds.

Some of our larger claims have involved business operations, such as loss of dwellings, rental income, accommodation for workers and business interruption insurance. Kaikoura tourism operators are an example. A significant portion of the \$33 million we've paid out so far has been for commercial claims.

CURRENT FOCUS

With all of our vulnerable clients now assessed and progressing through the settlement process, we are focussing on around 400 claims classified as 'moderate' and 'serious'. Our aim is to have all of these assessed and progressing through our system by the end of August 2017.

MINOR DAMAGE EQC CLAIMS – ANOTHER ASSESSMENT OPTION

We have worked alongside EQC to develop an Earthquake Assessment Form, which allows you to manage the process yourself. If you currently have a 'minor' claim with us, this gives you more control over the speed of your claim and it may be something you'd like to consider.

There is more information about this on our website www.fmg.co.nz under the Kaikoura Earthquake section, or call our Earthquake team on 0800 366 466 and we can discuss it with you.

EQC CLAIMS

You may recall that back in December 2016, we mentioned that we're doing things a bit differently. FMG and other private insurers signed an agreement with EQC, to manage all Kaikoura Earthquake contents and building claims. This included all settlements, whether they were under or over the EQC threshold—\$20,000 for contents and \$100,000 for home dwellings.

This resulted in a further 2,300 claims being managed by FMG. To meet this, we've increased our Earthquake Recovery Response team to 24.

The new relationship between EQC and FMG was designed to make it easier for those impacted, by having only one insurer to work with. It also meant we got full and early visibility of all claims relating to FMG clients—an arrangement that wasn't in place for the Canterbury Earthquakes.

COMMUNITY

Over the last nine months, we've attended dozens of community meetings in badly affected areas around the region. These have been a great opportunity to answer insurance questions and offer support. Where appropriate, we'll continue to attend these. If you have any questions in the meantime, please call us on 0800 366 466, or contact your assessor if you have one looking after your claim.

PARTNERSHIPS

This has been a major natural disaster for rural New Zealand and its impact should not be underestimated. Working through our Earthquake response wouldn't have been possible without the likes of Federated Farmers, ICNZ, EQC, primary industries, local government and support agencies. In addition, we're working with Inovo and Cunningham Lindsay Loss Adjustors.

Please call us if you have any concerns or questions. We're here to help and get you back on your feet as fast as we can.

Phone **0800 366 466** or email us at earthquake@fmg.co.nz



Don and Donald Galletly own a dairy farm of around 1,000 cows in the small rural settlement of Waiau, about 30 kilometres east of Hanmer Springs in the North Canterbury region.

The Galletlys lost their gravel raft and milking shed in the earthquake. Daylight revealed that both were out of action and an FMG assessment determined that both would need to be completely rebuilt.

Their 1,000 cows were transported to Culverden farms and further afield for milking and then drying off. With his cows safely in the hands of local farmers, Don's attention turned to his milking shed.

"We were in a situation where we thought if we don't get milking by next season this will be it," said Don.

Don said the insurance response was wonderful, and within two days FMG were on-site supporting them.

"We were still in shock and didn't know what was happening, but FMG responded quickly. I don't think a day went past in the next few weeks where we didn't see someone from FMG."

As a vulnerable commercial business, priority was given to cash settling the milking shed so Don and Donald could begin rebuilding as quickly as possible.

We're pleased that their milking shed was rebuilt and working in time for the July start to the next milking season.

SPIRITS LIFTED BY COMEDY SHOW POST-QUAKE



Raucous laughter could be heard erupting from the Ward Community Hall in Marlborough, thanks to a comedy show hosted by Farmstrong in March.

About 140 people packed into the hall to watch the Sons of a Bitch and Mel Parsons Woolshed show, which toured the country to rave reviews. A free BBQ and drinks were also provided, much to the delight of the Ward locals.



Comediennes Amelia Dunbar and Emma Newborn with Graham Pomeroy.

Rural Support Trust facilitator and former farmer Graham Pomeroy, laughed so much during the performance he had tears rolling down his cheeks.

“It was just hilarious. We had a fantastic night and it ended up quite a party. During the break locals were catching up with people they hadn’t seen for ages and having such a good time we weren’t sure we could get them back in.

But that’s exactly what we wanted, people getting out, getting off the farm, socialising, relaxing and having a laugh with their mates,” says Graham.

The double bill show featured a set of country/folk songs sung by award-winning songwriter and musician Mel Parsons, followed by a comedy show called Sons of a Bitch, featuring Amelia Dunbar and Emma Newborn, who play country dogs.

The comedy show was one of two that Farmstrong hosted in the region following November’s Kaikoura Earthquake. We’ve also just wrapped up two shows in the Bay of Plenty to help lift spirits there after April’s floods.

FARMSTRONG TURNS TWO

It’s hard to believe that this is only our second year for Farmstrong. In that time we’ve supported thousands of rural Kiwis through Healthy Thinking Workshops, a rural cycle tour and comedy/music tours. We teamed up with sleep, eat, fatigue and fitness experts and continue to see over 1,000 new people a week visit our website and social media pages.

A huge thanks to everyone who has got involved in the last two years: Fit4Farming, Mel Parsons and Sons of a Bitch, Dr Tom Mullholland, Rural Support Trust, key rural industry businesses and of course, our Ambassador, Sam Whitelock.

FARMSTRONG TWO-YEAR STATS

Facebook Followers	8,254
Healthy Thinking Workshops	45
Woolshed Shows	43



MESSAGE FROM SAM WHITELOCK

With calving season underway, no doubt you’ve made sure your stock’s nutrition, health and wellbeing are well taken care of... so what about you? One of the best ways to stay on top of your game is by getting enough quality sleep.

As Farmstrong’s Ambassador, here are my top three tips for better sleeping.

- 1. Step away from the caffeine**
Avoid coffee after midday. It’s a stimulant that needs time to wear off before you try to sleep.
- 2. No screens before bed**
Lit screens – TV, smartphones and tablets – cause melatonin levels to drop, making it harder to fall asleep.
- 3. Upgrade your pillow**
Get a decent pillow that supports your neck properly.

Check out more Sleep Well tips at www.farmstrong.co.nz

ACC CONTINUES TO SUPPORT FARMSTRONG

In May 2016, ACC joined Farmstrong as a strategic partner. We’re delighted to announce that this support has been renewed for another three years.

FARMSTRONG NEWSLETTER

Keep up-to-date with all things Farmstrong, by heading to www.farmstrong.co.nz and signing up to our newsletter.

LEADING CAUSES OF HOUSE FIRES

Every year around 150 FMG clients experience a house fire. These fires are traumatic and the damage caused by a rural house fire is often worse, because of the extra time it takes for emergency services to arrive. We'd like to share with you a few things we've learnt, to help keep you and your family safe.

Electrical faults – in either the switchboard or the wiring of the house – were the leading cause of fires in the last five years. They were responsible for over 30% of house fire costs, and 32 out of the 100 most destructive house fires in the past five years.

Other leading causes of house fires include:

- Appliance faults
- Fireplaces and chimneys
- Unattended cooking and fat fires

Take a look at the diagram below to see the most common causes of FMG house fire claims. You can view these on the House Fires section of our website www.fmg.co.nz/advice/house-fires along with our new House Fires Advice Guide.

ELECTRICAL FIRE WARNING SIGNS TO LOOK OUT FOR

- Circuit breakers and fuses go out regularly.
- Dimming and flickering lights.
- Buzzing, charred or discoloured outlets and switches.
- Acrid burning smell.
- Shocking switches and outlets.



FMG HOUSE FIRE STATISTICS

2012–2016

Key:

#: Percentage of Claims

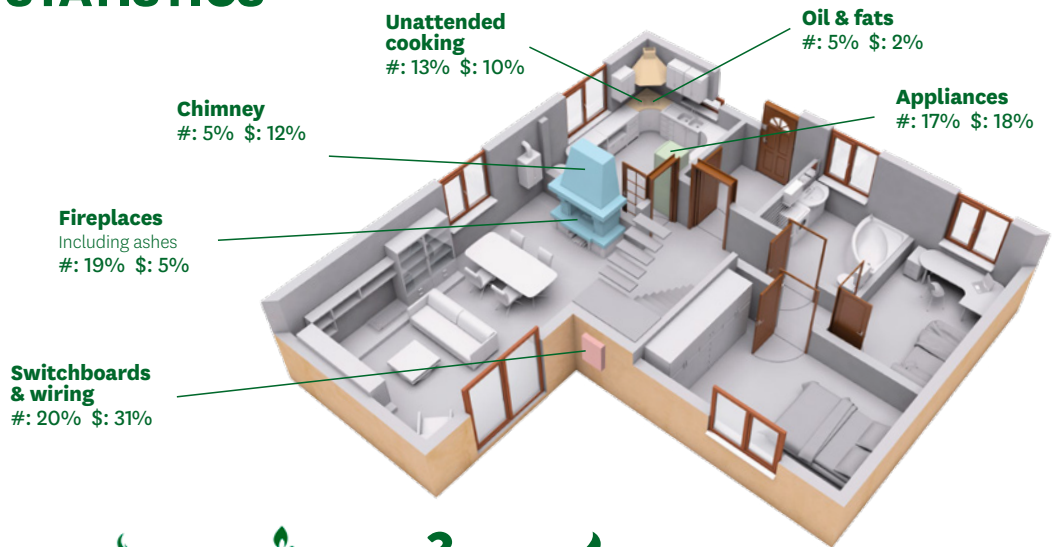
\$: Percentage of Total Claims Paid

No. of Claims:

740

Total Claims Paid:

\$39m



Arson

#: 2% \$: 5%



Children

#: 1% \$: 3%



External source

#: 11% \$: 6%



Cigarettes

#: 1% \$: 2%



Candles

#: 3% \$: 1%



Unsure

#: 2% \$: 3%



Other

#: 2% \$: 3%

CALENDAR

05 AUGUST

AWAHOU SCHOOL WILD FOOD FESTIVAL

Pohangina

10–12 AUGUST

POVERTY BAY CHARITY DOG TRIALS

Gisborne

16–17 AUGUST

YOUNG GROWER OF THE YEAR

Christchurch

17 AUGUST

FMG 112TH ANNUAL GENERAL MEETING

Hanmer Springs

26 SEPTEMBER

KAIKOURA KOCKIES KLASSIC GOLF TOURNAMENT

Kaikoura

AUGUST–OCTOBER

BULL SALES

Nationwide

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