

August 2014

keeping you in the know

FMG POST

INSIDE:

A GREAT NZ STORY



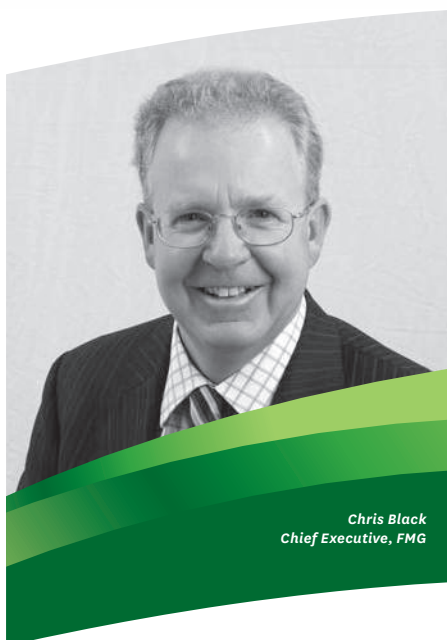
**Another
profitable
year for your
Mutual**

**Farewell
to Director
Murray
Donald**

**FMG farm
forestry
insurance**



Note from Chris



Chris Black
Chief Executive, FMG

In terms of the 2010 and 2011 Canterbury earthquakes, we have settled 91% of claims, leaving fewer than 300 still to settle.

This year has been an exceptional one for the Mutual with record client growth of 11% and a fifth consecutive profit.

Making a profit and increasing reserves each year is required to support our growth strategy, because by law the Reserve Bank requires insurance organisations to meet certain minimum capital thresholds. In simple terms, the larger the business the more capital is required. Due to our conservative approach to managing the Mutual, I'm pleased to report that we continue to exceed those minimum requirements.

Equally, we are very mindful of the need to keep premiums affordable and increases to a minimum in the spirit of sticking to the Mutual's core purpose of 'giving rural New Zealand a better deal'. We have worked hard to deliver on that again this last year.

As noted earlier in FMG Post, this year's profit of \$17.5m comes against a backdrop of nine major storms and three significant earthquakes – the highest number of such events, in one year, this century.

These unexpected events cost the Mutual \$16m (net of reinsurance recoveries) last year and reinforce the need for a prudent and sustainable capital management strategy that allows the business to absorb major disruptions like these on behalf of clients and members.

Despite the impact of severe weather and more earthquakes, it is pleasing to note that client satisfaction is currently running at the highest level on record. This reflects the extraordinary commitment employees have to providing good quality advice, personalised day-to-day service and good support in a client's hour of need.

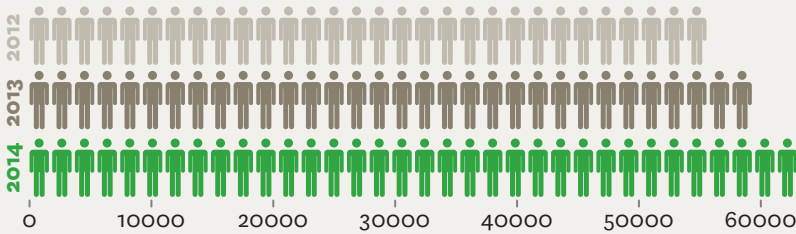
Related to this, in terms of the 2010 and 2011 Canterbury earthquakes, we have settled 91% of claims, leaving fewer than 300 still to settle.

FMG was rated the second best large workplace in New Zealand in 2013. It is a privilege for me to be able to work alongside such a committed team of professionals on behalf of clients and members.

On behalf of FMG I would like to end this update with a special vote of thanks to Murray Donald who is retiring as a Director at this year's AGM. Murray's positive, well-grounded and insightful contribution over the last 15 years leaves the Mutual in great heart, good shape and growing strongly.

Chris Black
Chief Executive, FMG

CLIENT NUMBERS UP BY 6,300 to 65,200 ↑



CAPITAL RESERVES UP \$17 MILLION ↑



After tax profit of \$17.5 MILLION



CLAIMS UP \$29 MILLION ↑



A year of resilience

The last 12 months have been tough for many clients, with 2013/14 bringing with it nine major storms and three earthquakes.

From snow storms down south, floods in the north, severe wind storms across Canterbury and earthquakes in both islands it's been a test of resilience for farmers, growers and those in town.

It's through times like these that the value of having fit for purpose insurance cover plays its part. What's equally important is that your insurer is also showing resilience – giving you peace of mind that they're there when you need them.

“The value of having fit for purpose insurance cover plays its part”

The recent release of FMG's financial result for the year to 31 March 2014 shows you're in good hands, with the Mutual recording an after tax profit of \$17.5m and an increase of capital reserves to \$197.4m. This is the Mutual's fifth consecutive profit and comes on the back of settling a higher than normal number of event claims.

“This is the Mutual's fifth consecutive profit”

These results have contributed to FMG retaining a credit rating of 'A Excellent' by international rating agency A.M.Best*.

As a Mutual, the figures only tell part of the story, and if we dig a bit deeper, we see that FMG's client growth, retention and satisfaction levels over the last year are all at record highs.

Right now we have more clients than ever before, noting that this year alone we increased our client base by 11%. Added to this, client feedback indicates that the interaction you're having with FMG is of a standard you would expect from your insurer and something we take pride in delivering.

To give a snap shot of what's happening inside the business; FMG has been independently judged the second best large place to work in New Zealand. Part of this can be attributed to a highly energised and enthusiastic work force which is genuinely motivated to help our clients and rural New Zealand succeed.

The last 12 months has also seen FMG introduce a new core computer system which will see the current one phased out after 15 years; we're continuing to work through the remaining 300 outstanding Canterbury earthquake claims, and we've also launched a new forestry product which you can read more about in this edition of FMG Post.

“This year alone we increased our client base by 11%”

While this is a brief overview of the business, it does show that FMG is in good shape and well positioned to keep supporting you, your family and your business now and into the future. You can access FMG's 2013/14 Annual Report via our website at www.fmg.co.nz or you call us on 0800 366 466 and we'll send you a copy.



Murray Donald's 15 years on the Board of FMG



Murray Donald

FMG farewell retiring Director Murray Donald.

At this year's Annual General Meeting, Southland sheep and beef farmer Murray Donald will retire from the FMG Board, a role he's proudly held for 15 years. In that time Murray has seen significant change in the Mutual and shares with us some of his experiences and highlights.

What were some of the challenges facing FMG 15 years ago?

When I arrived, FMG was sitting on a solid platform and ready to take advantage of a number of growth opportunities – a credit to all those who went before me. Like all businesses however FMG needed to evolve and did this based on the realisation that the landscape of agriculture was changing. Farms were getting larger, land intensification was increasing and new farmers were coming in who didn't have an historical connection with the land. FMG has been successful in moving forward because it was able to not only identify these dynamics, but also understand them and adapt with the changing times.

How did it change with the times?

The Mutual understood that it needed to focus on farms, the rural servicing sector and provincial towns. The founding philosophy of FMG is to 'give rural NZ a better deal', so that's what we set out to do. We focused on what clients needed by listening more and delivering products and services that were relevant.

What's FMG doing differently now?

The most significant change has been around FMG's growth and positioning within rural NZ. FMG is financially stronger and has become a very responsive, dynamic business which has increased its presence throughout rural NZ and refined its focus on what the agriculture sector needs from an insurer.

What do you think the biggest challenge for FMG is from here?

Increased competition. To help address this, FMG needs to remain true to its founding mutual philosophy and needs to keep supporting members. If this is done then it stands itself in good stead to be around for another 109 years.

What have you gained personally by being on the Board?

A greater understanding of insurance and of how important it is for a governing Board to have a broad mix of skills around the Board table. I'm impressed by the way FMG has been there for clients in times of need, particularly the Canterbury earthquakes and the Southland spring storms from four years ago. Being part of FMG's history with its 100th birthday was also particularly satisfying. The greatest pleasure however has been working with my fellow Board members, the Leadership Team and FMG employees. FMG is a unique and special organisation and I look forward to watching the Mutual's continued growth and success.

Did you know FMG is a proud sponsor of...



Forestry Insurance – now direct from FMG

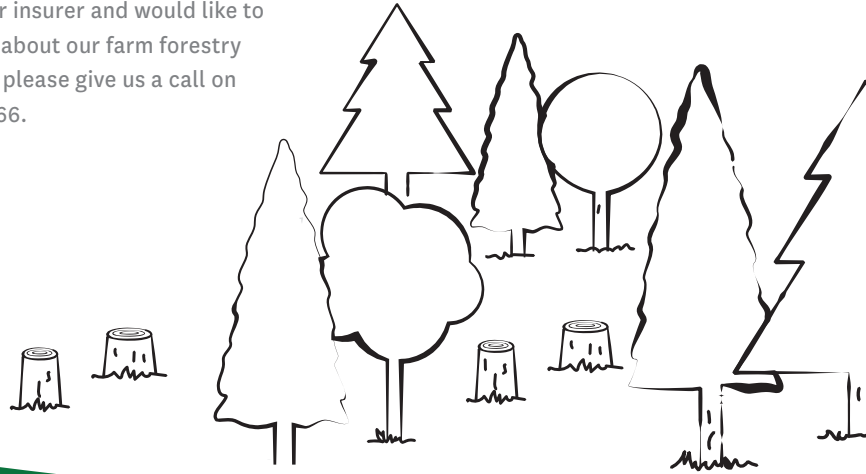
FMG has changed the way it provides farm forestry insurance.

Previously we worked with an external partner to insure your forests, but we've brought this in house meaning you can now deal exclusively with New Zealand's leading rural insurer.

Our cover is simple, in that it offers protection against fire and wind. If you already have forestry insurance with us then you'll hear more about the changes

and how you can transition to FMG's farm forestry cover closer to when your renewal is due. Until then, you remain covered and don't need to do anything.

If you currently have a forestry block which isn't insured, or you're covered with another insurer and would like to talk with us about our farm forestry policy, then please give us a call on 0800 366 466.



House and Tractor Fires

Helping to save your home and your business

We're all aware of the devastating impact fire can have on a home and business, but how many of us take time to stop and think about how we can act now to help prevent the worst from happening tomorrow?

You may have read about our fire advice before in FMG Post but given we see first-hand the devastating impact fire can have we know it's a valuable message that should be regularly shared.

On average FMG receives around three house fire claims a week. If we look at this over the last five years – FMG has paid out more than \$28m in house fire claims. While we may think a fire will never happen to us, the reality is, it could.

Below are some fire facts from the NZ Fire Service which you may find interesting:

- Smoke doesn't wake us, therefore a smoke alarm is the best way to alert someone who is asleep to a fire
- 80% of homes the NZFS attend either don't have smoke alarms installed, or are not working
- 50% of fatal household fires involve alcohol
- 25% of household fires start in the kitchen.

To help you avoid a house fire we've included some helpful tips below:

- Make sure you have working smoke alarms. Why not check them today?
- Keep children away from heaters and hot stoves
- Keep a fire extinguisher near areas where fire is more likely, such as in the kitchen
- Keep matches and lighters away from children.

More tips and advice can be found on our website www.sparkworld.co.nz

While talking about fires now is also a good time to offer a few reminders on how to reduce the risk of a fire to your tractor – because let's face it the Starling Gang will be back. If you've not met the Starling Gang before, head to www.fmg.co.nz to see what they're all about.

Starlings love warm places to rest and nest, and the engine area of your tractor is the ideal spot for them. It only takes a few seconds for these little birds to whisk in and out of the engine area leaving behind nesting material – which lights up in a flash once your tractor heats up.

For a number of years now we've run a 'Stop & Pop' campaign to remind those who use tractors to take time to pop the hood of the tractor before starting it up. It's a simple tip, but very effective in saving thousands of dollars of damage and loss of productivity.

We also recommend you carry a fire extinguisher in the cab – in case a fire does break out.

We have Stop & Pop stickers available, just speak with your local Rural Manager or visit www.fmg.co.nz.



27-29 Aug

Romeo Bragato
Conference
Blenheim

21 Sept

Patoka School Spring
Fun Run
Hawke's Bay

Sept-Oct

Angus Yearling sales
Nationwide

2-4 Oct

FMG Poverty Bay
Golf Open
Gisborne

1 Nov

Amberley A&P Show
Amberley

12-14 Nov

Christchurch
A&P Show
Christchurch

21-22 Nov

Egmont A&P Show
Hawera

28-29 Nov

Stratford A&P Show
Stratford

Canterbury irrigators

Your comments - and our research

The wind storms which hit Canterbury last spring causing wide-spread damage to irrigators in the area couldn't have come at a worse time for local farmers and growers.

Once the storms had swept through, the scale of damage became evident with FMG receiving 261 irrigator claims at an overall cost of around \$7m. We've now settled 97% of these claims.

As a specialist rural insurer we pride ourselves on knowing rural so when the winds hit we knew straight away how devastating the impact would be, which is why we immediately sent members of our in-house assessing team from other parts of the country to Canterbury to help with the anticipated increase in claims. We were also quick to meet with key stakeholders, such as repairers, suppliers and Irrigation NZ.

It was this response which helped us get through initial claims in a timely manner, which included getting numerous clients back up and running - in some capacity - soon after the storms.

That was exactly the case for local farmer Greg Lovett who in writing about his experiences with FMG said *"FMG understands our business and was aware of the huge financial loss and stress we were facing. They knew the urgency needed to get the irrigators up and running again. To have people like that on your team is invaluable and appreciated"*.

Brian and Lynn Stratford have also commented on their experience with FMG following the wind storms adding that *"FMG didn't just come in and help with the claims process; they were genuinely very concerned for us and others around the region"*.

Brian added that, *"I have heard some interesting stories from other farmers dealing through brokers etc. Stories that have made me very happy I'm not in their shoes and that I'm working with FMG"*.

While it's very heartening for us to hear comments like this, what it really does is emphasise to us that we're doing right by clients - because that's what being part of a mutual is all about.

To ensure we keep putting people first we've begun working with Lincoln University to research why these storms had such an impact on irrigators and to also get a better understanding as to why certain areas were hit harder than others. It'll also look at what preventative measures some people took. We expect the initial findings of this research to be available on our website from October.

We're easy to contact

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Visit our website
www.fmg.co.nz