

NFU MUTUAL 2024 AGM

Jim McLaren, Chairman

Good afternoon everyone.

I would now like to present my fifth annual report as Chairman of NFU Mutual. The year presented us with several challenges - most notably persistent and higher than expected levels of inflation, as well as increasingly unpredictable weather.

Despite this, I believe what stands out most regarding NFU Mutual's performance in 2023 is our unwavering focus on our members who also felt the effects of those challenges - with rising costs in all aspects of life, and many also suffering during the severe storms that hit the UK during 2023.

I will shortly hand over to NFU Mutual's Finance Director Richard Morley who will talk through our 2023 results in more detail, but beforehand I would like to focus for a few moments on the importance of our long-term approach at NFU Mutual. It's this consistent approach that gives us the financial strength to support our members during the difficult times many have experienced recently.

Last year Richard spoke of how the values of investments rise and fall, like the value of property and land, and like all investors we have experienced unrealised or 'on paper' losses, as well as gains in our funds under management over the years.

What's important to highlight here is that by investing for the long-term, NFU Mutual builds resilience to market volatility, however it's the very nature of those long-term investments that can cause fluctuations in the value of our portfolio year on year and lead to swings in our investment returns.

Over the last ten years assets have risen and fallen but overall have grown from £14.8bn to more than £20bn. Following the challenges of 2022 for investment markets, 2023 saw a much-improved year for global returns and I'm pleased to report an overall Group profit of £164m with our portfolio achieving a strong finish to the year.

It's our consistent long-term approach that ensures the business' financial and strategic foundations remain solid. Our 2023 solvency ratio of 218% is testimony to this and is a comprehensive measure of capital strength. It illustrates our ability to withstand a one in 200-year event – or an event that has approximately a half percent chance of occurring in any given year.



This substantial capital strength is important for us as a mutual organisation. It allows us to continue to focus on our members and do what we are ultimately here to do - pay our customers' valid claims.

This is exactly how a mutual insurer should operate, steadily growing its capital base so it can be there for its members when they need it most.

I would now like to introduce Richard Morley, NFU Mutual's Finance Director, who will further evaluate our business results for 2023.

Richard Morley, Finance Director

Thank you, Jim, and good afternoon, to you all.

In 2023 NFU Mutual performed well despite another year of economic instability and tough market conditions.

Our general business fund outperformed our benchmarks to deliver a significant £652m in investment returns. As the Chairman has mentioned, this strong investment performance, particularly in the later months of the year, resulted in us reporting an overall Group profit of £164m whilst allowing for an underwriting loss which I will cover shortly, and awarding £244m in Mutual Bonus to our loyal members.

The continued loyalty of our members, particularly in the current climate, means a great deal to us all at NFU Mutual. In 2023, customers experienced increased premiums due to the impact of inflation on the cost of claims, yet chose to remain loyal, with 95% renewing their policies with us. This led to a 11.8% increase in Gross Written Premium Income for the year reaching £2,222m.

The General Insurance business was affected by the rising claims costs I've mentioned, and this was coupled with an unusual volume of very large claims, some from prior years, as well as severe storms. After a calm start to the year, from September onwards we saw seven named storms hitting the UK and this resulted in over 3,000 claims from customers whose properties suffered flood and storm damage. In 2023 we paid 97% of all General Insurance claims totalling more than £1.3bn and the underlying financial strength the Chairman has spoken about meant that we could continue to focus on members during a demanding year.

All of the factors I have mentioned contributed to an underwriting loss before Mutual Bonus of £156m and a 2023 Combined Operating Ratio of 108%. Across a 10-year rolling period we have achieved our aim of a 98% COR, and this trend reflects the long-term nature of insurance and our strategy to write sustainable and profitable business whilst offering outstanding levels of customer service.

Moving on to our life, or pensions and investments business, in 2023 we achieved an Annual Premium Equivalent of £66.9m for the year. After a good start for pensions following the Chancellor's budget, the second half of the year was more challenging, with fewer customers looking to invest given widely available high rates of interest on deposit accounts. Our financial advisers continued to support customers and provide advice, with persistency levels remaining high.

To conclude my review of our 2023 financial performance, the results emphasise the strength of our business model - one which supports the business in both good and difficult years. In 2023 we supported our customers with their claims, rewarded their loyalty with Mutual Bonus savings, and because of our positive investment returns were still able to report an overall group profit.

Our solid financial position has been carefully built over many years - it is a position we pride ourselves in, alongside the loyalty of our members. At NFU Mutual, both are hard earned, and we certainly do not take either for granted. We will continue to carefully balance our dedication to supporting our members alongside our strategic aim of achieving sustainable profitable growth.

I'd now like to hand back to the Chairman to continue with his annual report.

Jim McLaren, Chairman

Thank you, Richard for your insightful review of NFU Mutual's financial performance in 2023.

Dedication to supporting our members is where I would like to pick up, particularly focusing on the weather challenges that Richard has spoken about.

As a mutual insurer with over 280 agency offices across the UK, we can really support our members during their times of need. When the severe storms hit the UK in the second half of the year, we were on hand to help our members deal with the damage in the aftermath. We also help our members 'Build Back Better' after flooding and have now invested over £1m in flood resilience measures for customers since being one of the first insurers to introduce the initiative in 2018.

Our members depend on us to protect them against risks, and climate change poses one of the most significant challenges to humanity today. We take the impact our operations have on the world we live in seriously and in 2023, NFU Mutual became a proud member of ClimateWise, a global leadership group supporting the insurance industry to better communicate and respond to the risks and opportunities associated with climate change.

Being a responsible business has defined NFU Mutual throughout our history, and since launching our Environmental, Social and Governance (ESG) strategy in 2022 we have continued to develop our framework. In 2023 we approved a set of flagship targets to deliver against our ESG commitments.

I'd now like to play you a video which sets out some of those targets and how we are making a positive impact on the planet to ensure a sustainable future for generations to come.

[View Responsible Business Video >](#)

Mentioned in that short film was the Farm Safety Foundation, which celebrated its 10th anniversary in May this year. The charity works tirelessly to promote better attitudes and behaviours to both physical and mental wellbeing in farming and I'm extremely proud that NFU Mutual continues to support and fund their crucial work.

Also working to secure a sustainable and stable future are the UK's main farming unions, and in 2023 we made a voluntary donation of £8.4m to support them in their vital role.

Rural communities remain very close to our hearts. We're in a unique position to support their interests and in 2023, we also invested more than £440,000 to support local, regional and national initiatives that help farmers and rural communities tackle the menace of rural crime. This included funding for the new National Rural Crime Unit, set up in 2023 to provide a centralised and co-ordinated approach to rural policing.

Going above and beyond is a theme that runs through NFU Mutual and it's an attribute that hasn't gone unnoticed over the years. I'm delighted to say that we've recently been named Which? Insurance Brand of the Year for the third year running - the only insurer ever to do so.

We are also currently the only Which? Recommended Provider for both home and car insurance in the UK. Which? standards are incredibly high, and I know that this esteemed independent recognition is down to all of our employees and everyone in our agency network who genuinely care about our customers, enabling us to deliver on our promises.

I would like to thank each and every one of you for the important part you play in this great organisation.

Finally, I'd like to of course thank our members. Richard and I have spoken a great deal today about your loyalty, however it really is you our customers and your support that make us the business we are today - one that keeps you at the centre of everything we do - and truly cares about the future we build together.

Thank you.

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