

A LOOK AT OUR YEAR



Our 2019 financial results



NFU Mutual
INSURANCE | PENSIONS | INVESTMENTS

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Following the downturn in the financial markets in 2018, this year's strong overall Group result is testimony to our commitment towards our long-term strategy. It's this focus that underpins our resilience to market volatility, such as we are experiencing again, in 2020, as a result of the worldwide Coronavirus outbreak.

Jim McLaren, Chairman



INTRODUCTION

Our AGM will
be held on

23 July
2020

At NFU Mutual we pride ourselves on offering an attentive, local, personal service that is second to none. Our philosophy is to provide our members with the insurance cover they need, at a fair price and with a first-class personal service.

Everything we do is built around meeting the needs of our members. We're driven by our three long-term objectives:

- To deliver sustainable profitable growth
- To be a great company to do business with
- To be a great place to work



Throughout this booklet you will find our 2019 financial results and all of the information you need to vote at our AGM.

If you would like to learn more about what we've been doing to achieve our business goals and benefit our communities please visit nfumutual.co.uk/about-us/responsible-business



For a full review of our 2019 activity, view or download our complete annual report and accounts at nfumutual.co.uk/agm

OUR FINANCIAL PERFORMANCE

The General Insurance business delivered another strong performance in 2019, with an underwriting profit of £167m. Our pensions and investments business also performed well in very challenging market conditions, achieving an Annual Premium Equivalent of £60.1m.

2019 saw an upturn in investment markets which helped to generate Group profits of £573m. After the decline seen in 2018, overall investment assets returned to growth in 2019 and increased by over 10% to £20.8bn.

With the worldwide outbreak of Coronavirus, we have seen substantial market falls in early 2020, however as a company with a strong Balance Sheet that invests for the long-term, we are resilient to such market volatility.





£573M OVERALL PROFIT

Our investment strategy is focused on long-term growth, and underpins our resilience to market volatility, such as that experienced in 2018 to deliver long-run profitability, with overall profits of £2.2bn over the past 5 years and £3.6bn over a ten year period.



£167M UNDERWRITING PROFIT

The performance of our General Insurance business remained strong, achieving an underwriting profit of £167m – our ninth consecutive year of underwriting profits. The result reflects a combination of premium growth and lower levels of claims.



95.3% PERSISTENCY

Our exceptional General Insurance persistency levels – the percentage of members renewing their policies with us – continued throughout 2019 at 95.3%.

MUTUAL BONUS

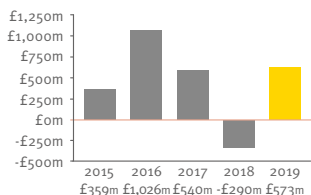


One way we recognise the loyalty of our members is through Mutual Bonus – a discount applied to your General Insurance premium when you renew.

Over the last 12 months we've provided a total of £258m in Mutual Bonus discounts to our members. That's compared with £253m in 2018 and £168m the year before. We will continue to support our customers and expect to provide £250m in Mutual Bonus from July 2020 to June 2021.

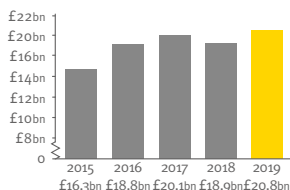
BUSINESS REVIEW

GROUP RESULTS



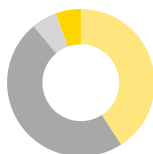
FINANCIAL PERFORMANCE¹

The Group made a profit of £573m in 2019, reflecting an upturn in investment markets delivering strong realised and unrealised gains. This has been supported by strong operating performance within our core insurance business, with both solid premium growth and good underwriting performance overall.



FUNDS UNDER MANAGEMENT²

The Group's funds under management increased to £20.8bn reflecting the upturn in investment markets. The General Business fund achieved a 2019 return of 10.7% and the three-year annualised return was a healthy 5.1%.



- NFU Mutual General £8.2bn (2018: £7.6bn)
- NFU Mutual Life £10.2bn (2018: £9.2bn)
- OEIC Funds £1.3bn (2018: £1.1bn)
- NFUMIS Pension Fund £1.1bn (2018: £1.0bn)

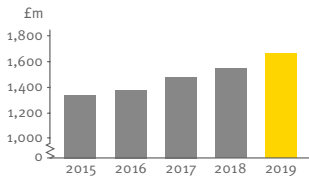


NFU Mutual has continued to do well despite challenging business conditions. We recognised our customers' loyalty by giving a total of £258m in Mutual Bonus discounts last year, and because of our strong financial performance in 2019 we will continue to provide substantial levels of Mutual Bonus from 1st July 2020.

Lindsay Sinclair, Group Chief Executive

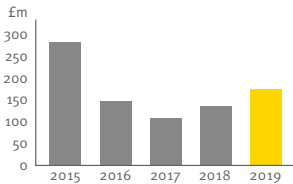


GENERAL INSURANCE BUSINESS



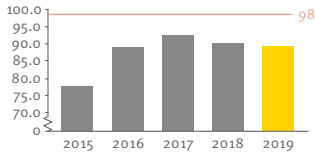
GROSS WRITTEN PREMIUM INCOME³

Our Gross Written Premium Income of £1,648m showed a 5.1% increase over the last year with record levels of members renewing their policies.



UNDERWRITING PROFIT AND LOSS⁴

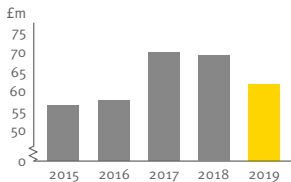
The General Insurance business delivered another strong performance in 2019, resulting in an underwriting profit of £167m with a combination of premium growth and lower levels of claims incurred. This is the ninth year running of underwriting profits.



COMBINED OPERATING RATIO (COR)⁵

The combination of continued positive underwriting performance, together with strong premium growth has contributed to a COR of 88.9%. On a longer-term 10 year basis the average COR continues to be within our 98% target.

LIFE BUSINESS



ANNUAL PREMIUM EQUIVALENT (APE)⁶

Our APE of £60.1m has seen a decline from previous years reflecting the ongoing economic uncertainty and lack of investor confidence experienced during 2019.

¹ Balance on the Non-Technical Account. ² Value of assets covering Life and General business funds. Funds under Management represents the value of investment on the Balance Sheet made up of General Insurance Business of £8.2bn and Life Business of £10.2bn plus policyholder investment OEICS of £1.3bn and the assets of the Company's Retirement Benefit Scheme of £1.1bn. ³ Overall total premium income underwritten in the year. ⁴ The balance on the Technical Account adjusted for earned Mutual Bonus, allocated investment return and other income. ⁵ Proportion of Total Technical Charges as a percentage of earned premiums before earned Mutual Bonus and after allowing for reinsurance. Earned Mutual Bonus takes into account the net movement of unearned Mutual Bonus which in 2019 was nil (2018: £24m decrease) in the year. ⁶ Industry measure equal to new regular annualised premium plus 10% of new single premium.

OUR BOARD

For our AGM on 23rd July, we're asking you, our members, to vote to elect or re-elect the Directors on our Board. Over the next few pages we'll introduce you to our Board members and explain a little more about their responsibilities and how they're selected. Details of how to vote for them are included in the accompanying letter and proxy form.

THE ROLE OF OUR BOARD

Our Board is responsible for overseeing the performance and setting the overall direction of the business. They set our strategic aims and appetite for risk, approve our commercial strategy, and oversee our conduct and continuously monitor performance.

OUR STRUCTURE

Our Board comprises four Executive and eight Non-Executive Directors. The Board includes expertise from across financial services, asset management and agriculture to ensure it has the right blend of experience and insight.

BOARD SELECTION AND TRAINING

When a Board position becomes available, the Nomination Committee considers the specific skills and experience required to fill the role. Following an external search process, shortlisted candidates are subjected to a rigorous interview process conducted by Nomination Committee members. Certain appointments are also subject to regulatory approval. Once appointed, all Directors undergo a full induction process. We also conduct an annual evaluation of each Director's effectiveness and determine any development needs.



DIRECTORS' COMMITMENTS

Throughout the year our Directors attend regular Board and Committee meetings. They are required to allocate time to Continuing Professional Development, attend regulatory briefings, and meet with staff, Agents and members at shows, conferences and events around the country.

OUR NEW CHAIRMAN

In 2019 we welcomed a new NFU Mutual Chairman, Jim McLaren.

A Non-Executive member of our Board since 2012, Jim has an extensive understanding of our business, the agricultural industry and the issues that are most important to our members.

Jim is a mixed beef and arable farmer from Perthshire in Scotland and was awarded an MBE for services to agriculture in 2017. He was previously Chairman of Quality Meat Scotland, President of NFU Scotland, and a Non-Executive Director of Scottish Agricultural Colleges.

After serving NFU Mutual for 16 years, we thank Richard Percy, who stepped down from his role as Chairman and retired from our Board of Directors in 2019.



 NFU Mutual has been a steadfast organisation for its members since 1910 and as Chairman I will uphold its values and most importantly its commitment to put our members first. 

Jim McLaren,
Chairman

OUR EXECUTIVE COMMITTEE

The Executive Committee, led by our Group Chief Executive, Lindsay Sinclair, is responsible for managing the Group's operations and executing the Board's plans in pursuit of our long-term objectives:

- To deliver sustainable, profitable growth
- To be a great company to do business with
- To be a great place to work

Our Executive Committee is made up of:

Lindsay Sinclair Group Chief Executive

Iain Baker Risk Director

Steve Bower Customer Services Director

Gina Fusco Strategy & Marketing Director

Trisha Jones HR Director

Tim Mann IT Director

Richard Morley Finance Director

Nick Turner Sales & Agency Director

OUR BOARD OF DIRECTORS

JIM MCLAREN MBE CHAIRMAN

Jim was appointed to the Board in 2012 and appointed Chairman in 2019. He is also Chair of the Nomination Committee. He served as President of NFU Scotland from 2007 to 2011, having served previously as the organisation's Milk Committee Chairman before becoming Vice President in 2006. Jim was Chairman of Quality Meat Scotland Limited and is a former Director of Scotland's Rural College. Jim is a mixed beef and arable farmer from Perthshire in Central Scotland.

LINDSAY SINCLAIR GROUP CHIEF EXECUTIVE

Lindsay was appointed Group Chief Executive in 2008 and is responsible for managing the conduct of the Group's business. During his career he has run banking and insurance businesses around the world for Barclays, ING and Standard Chartered. He is a Board member of the global representative body of the cooperative and mutual insurance sector, ICMIF, and sits on the General Insurance Committee of the Association of British Insurers. He also sits on the steering group of The Prince's Farm Resilience Programme.

JON BAILIE NON-EXECUTIVE DIRECTOR

Jon was appointed to the Board in 2018 and is Chair of the Board Investment Committee. He has extensive investment management experience, having held senior positions at Pioneer Investments, AXA Investment Managers and Russell Investments. He is a Non-Executive Director of Openwork Wealth Management and a Board member of the Pensions Infrastructure Platform. He was previously Chairman of the Management Committee of Pantheon Ventures, a global private equity business.

STEVE BOWER CUSTOMER SERVICES DIRECTOR

Steve became a Director in 2010 and is responsible for General Insurance Customer Services, which includes Underwriting, Claims and Re-insurance, at our Head Office and our seven regional centres. Steve's career at NFU Mutual spans three decades and during that time he has held a variety of roles including Sales Manager, Regional Manager and Chief Manager - Life Services.

ALI CAPPER NON-EXECUTIVE DIRECTOR

Ali was appointed to the Board in 2018. She is Chair of the NFU National Horticulture Board, a director of The British Hop Association, Wye Hops Limited and Wye Fruit Limited, Executive Chair of British Apples and Pears and a Trustee of Nuffield Farming Scholarship Trust. She is a previous Board member of Cargill Growers Association. Ali worked in advertising for 16 years where she progressed to Client Services Director before becoming a farmer.

BRIAN DUFFIN OBE NON-EXECUTIVE DIRECTOR

Brian was appointed to the Board in 2014. He Chairs the With-Profits Committee and is Chairman of the Trustee of the Group's Staff Retirement Benefit Scheme. Brian was Group Chief Executive of Scottish Life and an Executive Director of Royal London Group. He is Chairman of Scottish Equitable Policyholders Trust, the GEC 1972 Pension Plan, Aviva's With Profits Committee and the Trustee of the Church of Scotland Investors Trust.

CHRISTINE KENNEDY OBE NON-EXECUTIVE DIRECTOR

Christine was appointed to the Board in 2014. She is Chair of the Remuneration Committee and a Trustee of the NFU Mutual Charitable Trust. A partner in her family's beef farm for 30 years, Christine was the Director of Commodities and Food for the UFU and served on its Board. She was a member of the NI Food Advisory Committee and is a NI panel member of the Council for Awards of Royal Agricultural Societies. Christine is also a member of the Rural Affairs Committee of the UFU and a Trustee of Donaghadee YFC.

EILEEN MCCUSKER NON-EXECUTIVE DIRECTOR

Eileen was appointed to the Board in 2012 and is Chair of the Board Risk Committee. She has over 30 years' domestic and international insurance industry experience across underwriting, regional and operational management and sales. Previously the CEO of XL International Property and Casualty, she has also worked with Commercial Union and Winterthur International. Eileen was also previously a Non-Executive Director of Allied World Syndicate 2232, a Lloyd's syndicate, as well as Lloyd's broker, Thompson Heath & Bond Ltd.

RICHARD MORLEY FINANCE DIRECTOR

Richard joined NFU Mutual in 2011 and was appointed to the Board in 2018. His responsibilities include Financial & Regulatory Reporting, Financial Planning & Analysis, Investments, Property and Procurement. He has held a variety of Finance leadership roles for Thames Water, BNP-Paribas and Lloyds Banking Group. He is a qualified accountant and Fellow of the Chartered Institute of Management Accountants.

DAVID ROPER NON-EXECUTIVE DIRECTOR

David was appointed to the Board in 2019. He graduated from Cambridge University with a degree in Music and subsequently trained as an accountant before joining PwC in 1990. He rose through that organisation to become a Director and then a Partner specialising in the financial services sector, working in London, Manchester and Birmingham. He is a Director of Atom Bank and is also Deputy Chairman of the City of Birmingham Symphony Orchestra, the Royal Northern College of Music and the Associated Board of the Royal Schools of Music.

CHRISTOPHER STOOKE NON-EXECUTIVE DIRECTOR

Chris was appointed to the Board in 2011 and is Senior Independent Director and Chair of the Audit Committee. A Chartered Accountant, Chris held a number of practice and management positions at PwC and has extensive insurance experience, having been Chief Financial Officer of Catlin Group. He is Chairman of Chaucer Syndicates, a Non-Executive Director at King's College Hospital and a trustee at both Kings College Hospital Charity and South London Theatre. Chris was previously Chairman of Miles Smith.

NICK TURNER SALES & AGENCY DIRECTOR

Nick was appointed to the Board in 2013 as the Sales and Agency Director. He is responsible for the growth of the General Insurance and Life businesses. Nick joined NFU Mutual from AXA where he was Managing Director, Intermediary & Partnerships - Personal Lines. His career spans more than 34 years, largely in the fields of Life and Wealth Management. Nick is President of the Chartered Insurance Institute and was previously President of the Personal Finance Society.

DIRECTOR REMUNERATION

NFU Mutual's remuneration policies are designed to attract and retain the management talent needed to run the business successfully. The annual and long-term incentives help to align the total remuneration package directly to the performance delivered for our members and other stakeholders.

The performance of NFU Mutual was very strong in 2019 over a range of performance measures in line with our three long-term strategic goals. Our incentive schemes incorporate a wide range of financial and non-financial measures which are aligned to the company's long-term business strategy and these schemes enable all staff to share in the success of the company.



Approval will be sought at the AGM for Non-Executive Directors' fees, relating to a 12-month period ending 31st May 2021, not exceeding £775,000. These fees are to be allocated, at the Board's discretion, between the Non-Executive Directors serving during that period.



Further details of our remuneration policy are set out in the Directors' Remuneration Report contained in our annual report. Download your copy at nfumutual.co.uk/agm



NFU Mutual's Gender Pay Report, which measures the difference between the average pay of all men and women in the company, is available to download at nfumutual.co.uk/about-us

 The performance of NFU Mutual was very strong in 2019 over a range of performance measures in line with our three long-term strategic goals. 

Christine Kennedy, Remuneration Committee Chair



EXECUTIVE DIRECTORS' TOTAL REMUNERATION

	2019 (£)					2018 (£)		
	Base	Pension ¹	Benefits	Annual Bonus	LTIP Actual	2019 Total	Base	2018 Total
Lindsay Sinclair	598,497	89,775	115,361	568,446	734,879	2,106,958	577,458	2,091,454
Kim Arif	-	-	-	-	126,040	126,040	112,972	415,454
Steve Bower	237,782	35,667	13,544	160,760	214,175	661,928	231,797	667,063
Richard Morley	240,483	36,072	11,568	163,103	113,808	565,034	37,500	154,098
Nick Turner	241,336	36,200	19,428	162,901	218,844	678,709	235,849	677,890

¹ Cash allowance in lieu of company pension contribution

NON-EXECUTIVE DIRECTORS' TOTAL FEES AND TAXABLE EXPENSES

Non-Executive Directors	2019 Total Fees (£)	Taxable Expenses from 1st January 2019 - 31st December 2019	2018 Total Fees (£)	Taxable Expenses from 1st January 2018 - 31st December 2018
Jon Bailie	60,667	1,539	40,894	3,041
Ali Capper	57,250	868	38,008	1,010
Brian Duffin	83,250	4,450	78,000	4,696
Christine Kennedy	62,417	4,831	54,500	4,863
Eileen McCusker	70,250	4,093	66,500	4,271
Jim McLaren	95,000	7,458	64,500	8,038
Richard Percy ¹	146,250	3,041	185,000	3,570
David Roper	19,667	-	N/A	N/A
Chris Stooke	78,763	2,026	71,450	3,140

¹ Retired from the Board 30th September 2019

2019 Total Fees includes fees for Chairing and membership of Board Committees, and Directorships of other NFU Mutual Group companies

KEEPING YOU INFORMED

As an NFU Mutual customer, you are also a member. This means you're entitled to vote on resolutions that come before the AGM. Ahead of our AGM we write to members, providing information about our results and our progress, and where to learn more before you vote.

Under NFU Mutual's Articles of Association, each individual membership, joint membership (including a partner in a partnership) and corporate body is a distinct member of NFU Mutual and has a separate right to vote.

Some members will therefore hold policies in more than one capacity with us, often at the same postal address. Those members will receive more than one copy of this AGM pack - one for each separate membership.

Each pack includes unique voting codes. These should be used when completing the proxy form or voting online to ensure that your vote is counted. If you have received more than one proxy form, please complete and return all of them or use all of your voting codes online to ensure that your full voting entitlement is counted.



CHANGE OF ADDRESS

If you notified us of a change of address or circumstances after 31st January 2020, this change may not have taken effect in time to be reflected in this mailing. Rest assured, no action is needed and this change will be updated for future communications.

If your details are incorrect, and you notified us before 31st January, please contact your local Agent, or Mutual Direct by dialling 0808 278 2261, or write to us at AGM Correspondence, NFU Mutual, Tiddington Road, Stratford-upon-Avon, Warwickshire CV37 7BJ.

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of The National Farmers Union Mutual Insurance Society Limited (NFU Mutual) will be held at Farmers Insurance Sports and Social Club, Knights Lane, Tiddington, Stratford-upon-Avon, CV37 7BZ at 2.30 pm on Thursday 23rd July 2020 for the following purposes:

1. To receive the annual accounts and the reports of the Directors and the Auditors for the year ended 31st December 2019
2. To re-elect Jon Bailie as a Director
3. To re-elect Steve Bower as a Director
4. To re-elect Ali Capper as a Director
5. To re-elect Brian Duffin as a Director
6. To re-elect Christine Kennedy as a Director
7. To re-elect Eileen McCusker as a Director
8. To re-elect Jim McLaren as a Director
9. To re-elect Richard Morley as a Director
10. To elect David Roper as a Director
11. To re-elect Lindsay Sinclair as a Director
12. To re-elect Chris Stooke as a Director
13. To re-elect Nick Turner as a Director
14. To fix the remuneration of the Directors
15. To approve the Directors' Remuneration Report, as set out in the Annual Report and Accounts, for the year ended 31st December 2019
16. To appoint Deloitte LLP as auditors for the financial year ending 31st December 2020
17. To authorise the Directors to fix the auditors' remuneration

and for the purposes of any other business which may properly come before the meeting.

By Order of the Board, JD Creechan, Company Secretary 28th May 2020.

Notes

1. The annual accounts and the reports of the Directors and the Auditors for the year ended 31st December 2019 are available on NFU Mutual's website www.nfumutual.co.uk, or can be obtained by a member by ringing 0800 072 1065 or by writing to the Company Secretary, NFU Mutual, Tiddington Road, Stratford-upon-Avon, Warwickshire, CV37 7BJ.
2. A member entitled to attend, speak and vote at this meeting may appoint any person as his/her proxy to attend, speak and vote on his/her behalf at the meeting. Members should read the accompanying document 'Our AGM - A Coronavirus Update' in order to understand the special arrangements in place concerning the appointment of proxies in relation to the 2020 AGM. A copy of the document can also be found at nfumutual.co.uk/agm

The National Farmers Union Mutual Insurance Society Limited (No.00111982). Registered in England. Registered Office: Tiddington Road, Stratford-upon-Avon, Warwickshire CV37 7BJ.

YOUR OPINION MATTERS TO US

What you think helps to shape how we operate. We maintain close links with our members through a network of Regional Advisory Boards and Member Forums. You can share your ideas and feedback in other ways too:

MUTUAL VOICE

Mutual Voice is an online customer community that allows you to share your views and participate in polls, surveys and discussions. If you'd like to get involved, visit: nfumutual.co.uk/mutualvoice

SOCIAL CHANNELS

You can also reach us through our various social media channels. We're always interested to know what you're thinking.



Twitter: @nfum



Facebook: NFU Mutual



Instagram: NFU_Mutual

For more information visit:

nfumutual.co.uk/agm

To find out more about how we use your personal information and your rights, please go to the Privacy Policy on our website nfumutual.co.uk/privacy



NFU Mutual

If you would like this document in large print, braille or audio, please contact us on 0800 072 1065

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