

OUR PERFORMANCE



2022 Financial Results



NFU Mutual
INSURANCE | PENSIONS | INVESTMENTS



FOREWORD

What I am most proud of in our 2022 performance is the focus of our people, our agents and their people, on serving the needs of our customers during what was for all of us an extremely difficult year.

In 2022 we experienced challenges on a global scale. All businesses, including NFU Mutual, were impacted by the economic effects of the geo-political landscape, with high levels of inflation and particularly tough market conditions leading to significant reductions in consumer, business, and investor confidence.

Despite the challenges, NFU Mutual's underlying financial, capital and solvency position remains strong with our continued focus on long term growth enabling resilience to short term volatility. Although driven primarily by unrealised losses, the Group nonetheless experienced a loss of £1,049m for 2022.

We have the capital strength to continue to focus on our members and do what we are here to do. That means paying our customers' claims when they need us - and in 2022 we paid out on 97% of General Insurance claims. We also provided a significant Mutual Bonus to reward the loyalty of our renewing General Insurance members.

NFU Mutual has been here for our members through many events in our long history, including more recently the global recession and the worldwide pandemic. During 2022, we have seen some of the toughest market conditions in over 20 years, but through prioritising our relationship with our members, calmly adapting to change, and hard work, NFU Mutual delivered for our customers and will continue to do so for many years to come.

Jim McLaren, Chairman

FINANCIAL PERFORMANCE

The Group delivered an overall loss of £1,049m in 2022, with underwriting performance and investments impacted by significant external factors.

The General Insurance business was affected by rising inflation, alongside a year of severe weather, contributing to an underwriting loss for the year of £167m.

Investments were impacted by a volatile trading year for global markets, resulting in a reduction to funds under management and an overall largely unrealised investment loss of £759m.

Our strategy is focused on long-term growth and underpins our resilience to market volatility. We have experienced strong returns in prior years with total profits generated in excess of £2bn over the past ten years.

We were able to provide a significant Mutual Bonus of £247m, as this is underpinned by our balance sheet strength and our ability to absorb short term asset value falls.

Our pensions and investments business achieved an Annual Premium Equivalent of £69.8m for the year, reflecting a decline in customers looking to invest during the cost of living crisis.



£1,049m Overall Loss

The combination of factors affecting both our 2022 investment performance and General Insurance result led to the Group delivering a loss of £1,049m, largely due to unrealised investment losses.



£167m Underwriting Loss

The underwriting loss of £167m reflects the challenging economic environment and weather conditions as we continue to support our customers and pay out on claims.



218% Solvency

In 2022 our solvency ratio improved by 14% to 218%, showing that we have the capital strength to continue to focus on our members.



95.2% Persistency

Our persistency levels remained high at 95.2% with customers continuing to renew their policies with us and remaining loyal despite the cost of living crisis.

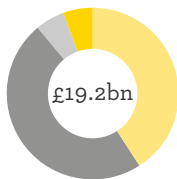
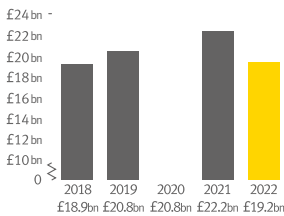
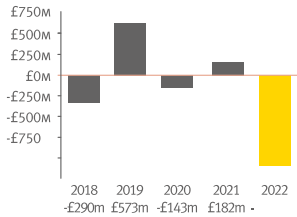
In 2022, NFU Mutual faced many challenges, however it was a year where we once again demonstrated that our financial and strategic foundations are solid.

Nick Turner, Group Chief Executive



BUSINESS REVIEW

Group Results



- NFU Mutual General
£7.5bn (2021: £8.5bn)
- NFU Mutual Life
£9.0bn (2021: £10.8bn)
- OEIC Funds
£1.7bn (2021: £1.7bn)
- NFUMIS Pension Fund
£1.0bn (2021: £1.2bn)

FINANCIAL PERFORMANCE¹

The Group delivered an overall loss of £1,049m (2021: £182m profit) largely due to unrealised investment losses reflecting asset value falls.

Investments were impacted by a volatile trading year for global markets, resulting in a reduction to the funds under management. Our core insurance business was affected by rising inflation, alongside a year of severe weather. Despite this, our balance sheet remained strong, and we provided a significant Mutual Bonus of £247m.

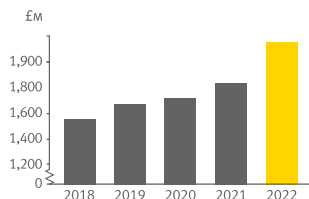
FUNDS UNDER MANAGEMENT²

Global markets were hit significantly in 2022, although our investments generally performed well in comparison to overall market performance. Group funds ended the year down by £3bn at £19.2bn (2021: £22.2bn).

Our investment strategy is focused on long-term growth to ensure resilience during such market volatility and our Group solvency ratio remained strong at 218% (2021: 204%).

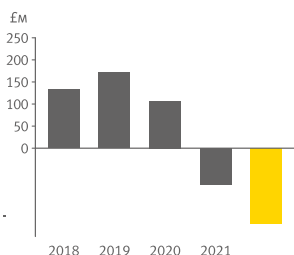
¹ Balance on the Non-Technical Account. ² Value of assets covering Life and General business funds. Funds Under Management represents the value of investment on the Balance Sheet made up of General Insurance Business of £7.5bn and Life Business of £9.0bn plus policyholder investment OEICs of £1.7bn and the assets of the Company's Retirement Benefit Scheme of £1.0bn. ³ Overall total premium income underwritten in the year. ⁴ The balance on the Technical Account adjusted for earned Mutual Bonus and allocated investment return. 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 2022 was £2m (2021: £1m) in the year. ⁶ Industry measure equal to new regular annualised premium plus 10% of new single premium.

General Insurance Business



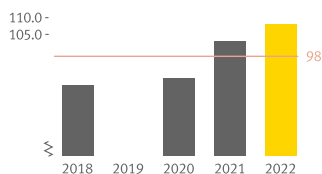
GROSS WRITTEN PREMIUM INCOME³

Our Gross Written Premium Income before Mutual Bonus of £1,987m (2021: £1,825m) showed an increase of 8.9%, reflecting higher average premiums, driven by the external economic environment, as well as excellent levels of customers renewing their policies.



UNDERWRITING PROFIT AND LOSS⁴

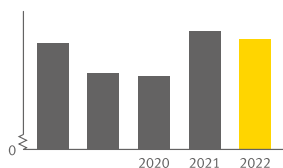
Our General Insurance Business ended the year with an underwriting loss of £167m (2021: £89m loss). This result reflects a year of weather volatility with winter storms, summer heat and a freeze in late December, coupled with a challenging year for claims costs due to the economic and inflationary effects of the geopolitical landscape, including the war in Ukraine.



COMBINED OPERATING RATIO (COR)⁵

In 2022 our Combined Operating Ratio (COR) ended the year at 109.3% (2021: 105.4%). The impact of rising claims costs due to global inflationary pressures, as well as the severe weather and the strengthening of prior year reserves, contributed to this result. Healthy persistency levels and premium growth mitigated the impact, and we remain aligned with our aim to achieve a COR of 98% over the long-term.

Life Business



ANNUAL PREMIUM EQUIVALENT (APE)⁶

Despite a good start to the year our pensions and investments business ended the year with an Annual Premium Equivalent (APE) of £69.8m (2021: £72.7m). This reflected the market volatility seen as the year progressed leading to a reduction in consumer confidence against the backdrop of the cost of living crisis.

MUTUAL BONUS



Unlike many other insurers, we've been rewarding our loyal General Insurance (GI) customers with a Mutual Bonus for over 20 years.

Our financial stability meant that in 2022 we could again award significant Mutual Bonus and we provided £247m of savings to our GI members to reward their loyalty.

For the 12 months from 1st July 2023, Mutual Bonus rates will be as follows:

Renewal Year	Mutual Bonus Rate
1st year of renewal	7%
2nd year of renewal	8%
3rd year of renewal	8%
4th year of renewal	9%
5th+ year of renewal	12%

SUPPORT FROM WHICH?

In 2022, we were named the Which? Insurance Brand of the Year and have been a Which? Recommended Provider for home and motor for 12 consecutive years.



OUR BOARD

For our AGM on Wednesday 21st June 2023, we're asking you to vote to elect or re-elect the Directors on our Board. Over the next few pages, we'll explain a little more about our Board, the Directors' responsibilities and how they're selected.

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, 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 we have 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 a full recruitment 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. We also conduct a regular evaluation of each Director's effectiveness and determine any development needs.



Directors' commitments

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

OUR 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, and previously Chaired the Remuneration Committee. He served as President of NFU Scotland from 2007 to 2011, having served as Vice President in 2006. Jim was Chairman of Quality Meat Scotland Limited from 2012 to 2019 and is a former Director of Scotland's Rural College. Jim is a mixed beef and arable farmer from Perthshire in Central Scotland and a Fellow of the Royal Agricultural Societies.



Jon Baillie,
Non-Executive Director

Jon was appointed to the Board in 2018. He is Senior Independent Director and is Chair of the Board Investment Committee and of the Board of NFU Mutual Unit Managers Limited. 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, a former Board member of the Pensions Infrastructure Platform and was previously Chairman of the Management Committee of Pantheon Ventures, a global private equity business.



Ali Capper,
Non-Executive Director

Ali was appointed to the Board in 2018 and is Chair of the Remuneration Committee. She is a member of NFU National Horticulture and Potatoes Board, a Director of the Oxford Farming Conference, the British Hop Association, Wye Hops Limited, Executive Chair of British Apples and Pears and is a Nuffield Scholar. She is a previous Board member of Cargill Growers Association. Before becoming a partner with her husband Richard in their family farm, Ali worked in advertising for 16 years where she progressed to Client Services Director.



Nick Turner,
Group Chief Executive

Nick was appointed NFU Mutual Group Chief Executive in April 2021. He was appointed to the Board in 2013 and was previously Sales and Agency Director where he led 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 37 years, largely in the fields of General Insurance, Life Assurance and Wealth Management. Nick is a former President of the Chartered Insurance Institute and was previously President of the Personal Finance Society.



Elizabeth Buchanan,
Non-Executive Director

Elizabeth was appointed to the Board in 2023. She is a Special Adviser to Waitrose, Saputo UK, and McDonald's. She is a Fellow of the Royal Agriculture Societies, Vice President of the Rare Breeds Survival Trust, President of The South of England Agricultural Society, Senior Associate of the Cambridge Institute of Sustainability Leadership and Trustee of the Smith School for Enterprise and the Environment at Oxford University. She also sits on the BBC Rural Affairs Committee, is a Trustee of the Prince's Countryside Fund and also manages her family's 300-acre organic livestock farm. Until March 2023 she was a non-executive Board member of DEFRA and until December 2009 Elizabeth was the Private Secretary to His Majesty The King, then The Prince of Wales, and previously served as a Press Secretary to former Prime Minister Lady Thatcher.



John Deane,
Non-Executive Director

John was appointed to the Board in 2022 and is Chair of the With-Profits Committee. A Fellow of the Institute of Actuaries, John has 40 years' experience working in listed, mutual, and private companies. John was previously Group Chief Executive Officer - Executive Director at Chesnara for seven years, alongside being a member of the UK Board and of its subsidiaries in the UK, Sweden, and the Netherlands. Prior to this, John held senior positions at Royal London Group, Old Mutual, and Century Life. He has also held Non-Executive Directorships with Atom Bank and Theatre-Rites.

OUR DIRECTORS



Alan Fairhead,
Non-Executive Director

Alan was appointed to the Board in 2020 and is Chair of the Board Risk Committee. A Chartered Insurer and Fellow of the Chartered Insurance Institute, he has over 40 years' domestic and international General Insurance experience in underwriting and operational management. After a career spanning 21 years at Guardian Royal Exchange he progressed through Zurich Insurance Group to become CEO of Zurich Specialties London Ltd before becoming Global Chief Underwriting Officer based in Zurich. Alan was formerly a Non-Executive Director of Everest Insurance (Ireland) DAC where he was also Chair of their Board Risk Committee.



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. Richard is a qualified accountant (FCMA) and is a Non-Executive Director of The Institute of Agriculture & Horticulture.



David Smith,
Non-Executive Director

David was appointed to the Board in 2023. In his executive career, David served as Managing Director of personal and commercial lines business for Zurich Insurance Group, and also CEO of Zurich's UK General Insurance business. His early career was spent in sales, distribution, and marketing. He is currently Chair of Altitude Plc, Senior Independent Director and Chair of Audit Committee for AIG UK Ltd, and Chair and Independent Non-Executive Director of Lockton Companies LLP. He has also previously held Non-Executive Directorships for Bupa Insurance Services Ltd and Bupa Insurance Ltd, the Chartered Insurance Institute, AA Insurance Services Ltd, and Polaris UK Ltd. David is also a Chartered Engineer.



Rachel Kelsall,
Customer Services Director

Rachel was appointed to the Board in 2023. With a focus on driving outstanding levels of customer service and satisfaction, Rachel's responsibilities include General Insurance Customer Service operations, Underwriting, Claims, Complaints, and Pricing at our Head Office and seven regional centres. Previously Head of Underwriting and Claims, Rachel has also held roles at NFU Mutual leading Pricing, Underwriting, Claims, Operations, Compliance and Finance departments.



David Roper,
Non-Executive Director

David was appointed to the Board in 2019 and is Chair of the Audit Committee. 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 the Senior Independent Director of Atom Bank and is also Chair of the National Youth Choirs of Great Britain and Deputy Chairman of the City of Birmingham Symphony Orchestra.



Nick Watson,
Sales and Agency Director

Nick was appointed to the Board in 2021 as Sales and Agency Director. He has 30 years of financial services experience; 24 of which have been in insurance - spanning both life and General Insurance. Nick joined NFU Mutual from AXA, where he was Commercial Distribution and Trading Director, leading their broker distribution and trading strategy in the UK Commercial market - responsible for intermediary marketing, broker development, and the branch network trading performance. Prior to AXA, Nick spent 13 years with Aviva in both the UK and Europe, leading distribution and operations functions within GI and Life divisions. Nick also has experience of the UK broking market having previously led part of the Towergate MGA business and an online wholesale broking business.

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 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.

During yet another year of challenges on a global scale we continued to stand by our customers when they needed us the most, particularly in supporting claims due to the weather volatility seen throughout the year. Our underlying financial stability also meant that in 2022 we could again reward our renewing General Insurance customers and we provided £247m in Mutual Bonus.

Approval will be sought at the AGM for Non-Executive Directors' fees, relating to a 12-month period ending 31st May 2024, not exceeding £870,000. 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 can be found on our website – nfumutual.co.uk/agm



To view NFU Mutual's Gender Pay Gap Report visit – nfumutual.co.uk/about-us

“In 2022 we achieved ‘World Class’ status in the annual Gallup Employee Engagement survey for the eighth year running.”

Ali Capper, Non-Executive Director,
Chair of Remuneration Committee



Executive Directors' Total Remuneration

Executive Directors	2022 (£)					2021 (£)		
	Base	Pension ¹	Benefits	Annual Bonus	2020 – 2022 LTIP	2022 Total	Base	2021 Total
Nick Turner	488,000	73,200	15,669	476,787	255,585	1,309,241	383,057	1,047,471
Steve Bower ²	261,687	39,253	12,535	173,578	192,059	679,113	253,824	662,593
Richard Morley	326,667	49,000	14,411	223,334	194,858	808,270	293,236	738,137
Nick Watson	243,332	29,200	13,464	162,038	32,316	480,350	138,429	328,754
Lindsay Sinclair ³	-	-	-	-	310,674	310,674	178,868	879,444

¹ Cash allowance in lieu of company pension contribution

² Retired from the Board 31 March 2023

³ Retired from the Board 31 March 2021

Non-Executive Directors' total fees and taxable expenses

Non Executive Directors	2022 Total Fees (£)	Taxable Expenses from 1st January 2022 – 31st December 2022 (£)	2021 Total Fees (£)	Taxable Expenses from 1st January 2021 – 31st December 2021 (£)
Ross Ainslie ¹	60,042	2,753	56,042	2,084
Jon Bailie	83,667	1,021	80,375	1,070
Ali Capper	78,000	-	73,307	-
John Deane ²	12,083	611	-	-
Brian Duffin ³	101,950	6,047	99,700	2,285
Alan Fairhead	79,875	1,790	78,000	1,457
Christine Kennedy ⁴	72,125	3,264	73,625	2,258
Jim McLaren	203,750	5,423	198,750	6,446
David Roper	79,250	-	77,500	-

¹ Resigned from the Board 31 October 2022

² Appointed to the Board 1 November 2022

³ Retired from the Board 31 December 2022

⁴ Retired from the Board 31 March 2023

2022 Total Fees includes fees for Chairing and membership of Board Committees, and Directorships of other NFU Mutual Group Companies.

OUR 2023 AGM

Our 2023 AGM will be held at The British Motor Museum, Banbury Road, Gaydon, Warwickshire, CV35 0BJ at 2.30pm on Wednesday 21st June 2023.

There are three ways to vote:

- Appoint a proxy online at nfumutual.co.uk/agm – using both parts of your personal security code printed on your proxy form(s).
- Complete and return your proxy form(s) in the freepost envelope provided.
- Attend the AGM in person.

If you will be attending our AGM, we would be grateful if you could let us know by emailing member_relations@nfumutual.co.uk or calling us on **0800 072 1065**.



For the most up to date information on our 2023 AGM please also visit our website by using this QR code or nfumutual.co.uk/agm

A summary of our Chairman, Jim McLaren's, AGM speech will be available on our website from Thursday 22nd June 2023.

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 the British Motor Museum, Banbury Road, Gaydon, Warwickshire, CV35 0BJ at 2.30pm on Wednesday 21st June 2023 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 2022
2. To re-elect Jon Bailie as a Director
3. To elect Elizabeth Buchanan as a Director
4. To re-elect Ali Capper as a Director
5. To elect John Deane as a Director
6. To re-elect Alan Fairhead as a Director
7. To elect Rachel Kelsall as a Director
8. To re-elect Jim McLaren as a Director
9. To re-elect Richard Morley as a Director
10. To re-elect David Roper as a Director
11. To elect David Smith as a Director
12. To re-elect Nick Turner as a Director
13. To re-elect Nick Watson 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 2022
16. To appoint Deloitte LLP as auditors for the financial year ending 31st December 2023
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, 21st April 2023

Notes

¹ The annual accounts and the reports of the Directors and the Auditors for the year ended 31st December 2022 are available on NFU Mutual's website www.nfumutual.co.uk/agm, 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 their proxy to attend, speak and vote on their behalf at the meeting.

³ A copy of this notice of meeting will be available on NFU Mutual's website at www.nfumutual.co.uk/agm from the date of this notice until the conclusion of the meeting.

The National Farmers Union Mutual Insurance Society Limited (No.111982). Registered in England. Registered Office: Tiddington Road, Stratford-upon-Avon, Warwickshire, CV37 7BJ.

Social Channels

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



@nfum



@NFUMutual



nfu-mutual

@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: nfumutual.co.uk/privacy

If you'd like this document in large print, braille or audio, just contact us.

If you're hard of hearing or deaf, or you have difficulty with your speech, you can contact us by using the Relay UK app on your smartphone or tablet, or by dialling 18001 before our number on your textphone.

We're committed to supporting our customers, whatever your circumstances or needs we're here to help.

The National Farmers Union Mutual Insurance Society Limited (No.111982). Registered in England. Registered office: Tiddington Road, Stratford-upon-Avon, Warwickshire, CV37 7BJ. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. A member of the Association of British Insurers.

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