In the Field

EASTERN REGION

WINTER 2017

Enthusiasm, Experience Strengthen Underwriting Staff

EMPLOYEE SPOTLIGHT

Everybody has a story, and we think they're all pretty interesting. That's why we like to share them with our readers. In this issue, we're featuring two of our newer employees, both of whom happen to work in underwriting.

Alex Sizemore

As a student at the University of Kentucky, one class in particular helped propel Alex into a career in crop insurance. "I learned about crop insurance in a class on commodity-based futures marketing," he recalls. "I learned the importance of mitigating risk and the benefits of doing it effectively." The class also gave him the opportunity to apply for an internship at a crop insurance agency in Winchester, Kentucky. "That led me to ProAg," he adds.

Born and raised in Louisville, Kentucky, Alex graduated from UK with a degree in agricultural economics and dual minors in business management and food marketing—all helpful in his current role as a specialty crops underwriter at ProAg. As a relatively new member of the team, he's taking advantage of the everyday opportunities to learn that come with the job.

"I have always had the urge to learn new things and adapt to change," he states. "I feel these are keys to being successful here. I enjoy expanding my knowledge of the crop insurance industry and meeting the many faces of ProAg. Everyone is so willing to help and pass wisdom along. The people at ProAg care, and that makes it a good place to work."

In his free time, Alex enjoys playing guitar, going to the gym, hanging out with friends and eating. Though he's still relatively new at ProAg, he's confident he's made a good career move. "Everybody is faced with tough decisions each day, which can lead them to question whether they did the right thing," he summarizes. "I've never looked back after I was given the chance to join the ProAg family."

Cynthia Jackson

Cynthia, a 27-year veteran of the crop insurance industry, joined ProAg as an underwriting supervisor. Her first day in her new role was memorable. "What a day! My first day was September 11, 2017, I was in a new city and was flying into Atlanta during Hurricane Irma—not to mention it was 9-11."

Things have settled down since then, and it would take quite a bit to rattle Cynthia from a professional standpoint anyway. She grew up on a farm in North Carolina, and worked in the banking industry for several years after attending Wake Technical Community College. When the first bank she worked for closed and the second was sold, she decided it was time for a career change. So, in 1990 she entered the crop insurance industry as an underwriter.

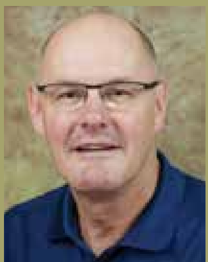
"I held a number of positions with that AIP in marketing and operations," she notes. "Eventually, I became a business analyst for their southeast region. That position gave me experience in compliance, training and working with underwriters and claim processors." Ultimately, that experience led Cynthia to start her own crop insurance agency in 2013.

Now ProAg customers are benefiting from her experience. "I enjoy the details and the challenges of crop insurance," Cynthia states. "Customer service is the best thing we have to offer, and I am passionate about providing the personal attention each customer needs to make the best decisions for their operation."

Cynthia and her husband, Tommy—a retired firefighter—have been married for 26 years. Two stepchildren and four grandchildren occupy much of her time away from the office. "I've been blessed with raising two of my granddaughters, who currently live with us," she says. Christmas is her favorite time of the year, and she enjoys decorating the house for every holiday and the outdoors, especially gardening.

RPowerD™ = Flexible Revenue Protection

By Barry Cermak,
Product Development Manager



We've just introduced an exciting product that provides expanded revenue protection for corn and soybeans. RPowerD™ is a non-reinsured supplement to the individual Federal Crop Insurance policy that allows the insured to choose revenue protection coverage levels from 70% up to 95%—an increase from the 85% upper limit provided by the federal policy alone.

RPowerD provides a high level of flexibility. It allows you to insure only a portion of the liability, effectively acting as a deductible and helping you manage costs. Another cost-saving feature—RPowerD also allows for an ARC-CO offset, so you can opt-in and out of the ARC-CO payment. You can lock in the current market price or choose the projected price, and can elect one or multiple pricing intervals in full- or half-month increments.

The production to count adjustment has been separated by irrigated and non-irrigated practice, a feature not previously available.

RPowerD will pay an indemnity whenever the revenue to count is less than the grower's RPowerD trigger revenue. This product is well-suited for producers who are looking for an opportunity to achieve a higher revenue trigger or lock in the current market price.

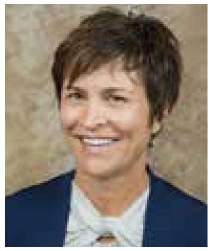
From an agent's perspective, the flexibility of RPowerD may be the best feature of this product. It allows you to tailor coverages and prices through the liability limiting factor, providing your insured with control over premium costs.

Talk to your ProAg account representative for more information on RPowerD.

RPowerD™ is a trademark of Watts & Associates, Inc.

Solid Performance in the Face of Adversity

By Kendall Jones, President & CEO



It wouldn't be an exaggeration to designate 2017 as a year of weather disasters affecting different parts of the country and various crops and livestock. Wildfires in Kansas, Oklahoma and Texas kicked off the year, followed by not one, but two hurricanes, drought in the Dakotas and Montana, and then coming full circle to end with the wine country wildfires.

Breaking the year down in more detail, moisture extremes and hail did affect corn and soybean crops this growing season, though the impacts were generally not widespread. With harvest prices below the projected base price for corn and beans—corn at 12% under and beans less than 5%—any yield loss on corn could impact indemnities.

Timing prevents greater losses

Though no time is a good time to endure a hurricane or wildfire, the situations in Texas and California could have been much worse. In both cases, the bulk of the cotton and wine grape crops were harvested prior to Harvey's landfall and the outbreak of the wildfire. However, we are prepared for the potential that California wine grapes will experience some level of production reduction in 2018 due to fire damage this year.

Irma was harder on ag, to an extent, with most of the damage done to nursery and citrus in Florida, and some claims on pecans and cotton in Georgia.

The year ahead

Looking ahead to 2018, the big unknown, of course, is the next farm bill. We have heard that the House Ag Committee has a farm bill ready, but will wait to present it until early 2018. We expect to see something in the bill for cotton and dairy, and an effort to strengthen the ARC county program on the grain side. With many requests for funding, it is inevitable that tradeoffs will have to be made.

Of course, there will be opposition, but the farm bill coalition—those who have the greatest investment in and the best understanding of the importance of this bill—needs to stay in lockstep to make the necessary changes. As long as they remain united, farmers facing the unknown events should be in good shape.

Throughout the buildup to the farm bill creation, the importance of crop insurance has been reinforced by many diverse segments of the agricultural industry. It is a sound financial program where farmers share in the cost of risk management. In fact, for 2014 and 2015, the crop insurance program came in under budget by $2.7 billion. At ProAg, we're proud of our contribution to the program, and will continue to work hard to help American farmers manage the risks that are unique to their business and way of life.

Transforming Values Into Action

When we talk about being a 'Good Company' it is not merely an evaluation of size or market share, but rather a statement about the values we aim to represent. Our daily focus should be on doing the right thing and always acting for the benefit of our customers and society. We must constantly remind ourselves our job is to be a trusted advisor, who delivers a sense of safety and security. By understanding our role and how we can bring value to our customers, we will ensure our ongoing relevance (and deliver results as a consequence).

Here at ProAg, as well as within all of the Tokio Marine HCC group of companies, we would like to create a corporate culture where we are always trying to achieve this vision. We will be there for our customers, playing our part

Whole-Farm Improvements for 2018

Interest in the Whole-Farm Revenue Protection (WFRP) product continues to grow and improvements should make it even more attractive in 2018. Here are a few marketing suggestions unique to the 2018 policy you can share with your growers.

Fiscal year tax filers will receive better crop value evaluations due to the additional fall sales closing date of November 20. Prior to 2018, grower pricing for late fiscal year filers was determined unrealistic during the spring, at the time of the sales closing date of the application. The November date will provide a market situation more relative to current expected revenue and markets, prior to the onset of the fiscal year.

A second key change—growers that have utilized private crop insurance will no longer be required to count such indemnities as “revenue to count” for their WFRP policy. This is provided they are not insuring amounts (considering both private and federally subsidized policies) greater than their total crop and animal values for planned 2018 revenue. Federal crop policies assist with premium discounts, and those discounts will continue for 2018. Private crop policies offer no WFPR premium discounts, and their indemnities will no longer adversely affect the WFRP indemnities, as long as the grower does not “over insure” the expended revenue sales for the current fiscal or calendar year.

Here are some additional changes to the WFRP product for 2018:

- Expected yield determinations—commodities with underlying individual crop policies.
- A new form has been added to document expected values.
- Physical expansion is defined—what it is and what it isn’t.
- A cancellation provision has been added for insureds who do not provide the required reports by sales closing date.
- Capping provisions have been added for commodities purchased for resale. The expected revenue is capped on commodities purchased for resale at the Revised Farm Operation Report—similar to capping procedures for Animals and Nursery.
- Replant payment calculations have been clarified.

FOR MORE INFO

Talk to your account representative for all the details on the 2018 WFRP product.

in times of need. We will balance our strength as an organization with compassion as individuals, looking beyond profit to deliver fully on our commitments.

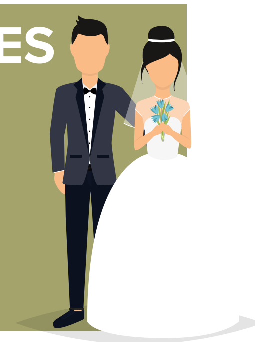
Our agricultural world was delivered a major blow during Hurricanes Harvey and Irma, along with the devastating drought in the Upper Midwest.

In the spirit of doing business as a Good Company, rather than sending out Christmas cards with associated postage, ProAg is redirecting those monies to the FFA state organizations in the affected areas this holiday season. Stay tuned for specific details around other ways we will be spreading cheer this season.

TERRI’S TOP 4 TIPS

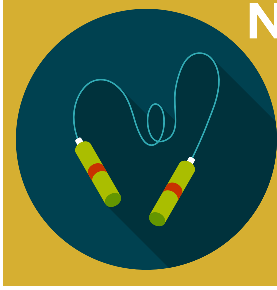
FOR FILLING OUT APPLICATIONS

CH-CH-CHANGES



Ask about status changes—marriage, death, social security #s—for parties with substantial interest in the crop.

NO SKIPPING



Verify every field. Missing options and endorsements are problems.

JOHN HANCOCK, PLEASE

Make sure the signatures match the entity name.

HUSTLE UP!

Timeliness is critical. Speed up front gives you time to process all applications and meet RMA deadlines.

Incomplete applications = coverage issues at claim payment time

FIND OUT MORE

You can find TOPE documents on all of these processes on the ProAgPortal® intranet

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Livestock Gross Margin – Help for Dairy Producers

By Jeffrey Vanlandingham, Regional Vice President – Eastern Region

As we see the continued development of Farm Bill legislation to help struggling dairy producers, I feel compelled to remind agents of an existing program that may offer value. While a new program for dairy is a possibility in the proposed legislation, if producers are not currently involved in the MPP program with their FSA office, they should consider a second look at the Livestock Gross Margin (LGM) Dairy policy.

The primary feature of LGM-Dairy is that it is highly customizable. As a risk management instrument, LGM-Dairy insures average farmer-selected IOFC margins, rather than a sequence of bi-monthly margins, and offers protection against a decline in average margins over a period of up to 10 months.

Farmers can purchase a single month, or some combination of months, during the 10-month contract period. Multiple contracts can cover a particular month's milk production, as long as more than 100% of milk marketed is insured. The feed ration—corn and soybean meal—can be customized to accommodate dairies that buy feed, those that grow feed, or those who face little feed market risk and want to use LGM-Dairy to insure milk revenue.

Under LGM-Dairy, the indemnity at the end of the coverage period is the difference, if positive, between the total guaranteed gross margin, less the deductible, and the total actual gross margins realized over the coverage period. The guaranteed gross margin is the difference between revenue from milk sales and purchased feed costs, and is determined by the purchase of the insurance contract based on Chicago Mercantile Exchange (CME) futures prices for class III milk, corn and soybean meal. The actual gross margin is based on CME settlement prices measured over the last three days prior to the applicable futures contract expiration. By insuring an average gross margin over the life of the contract it is possible for low margins in covered months to be offset by higher margins in other covered months with the net result that there is no payout at the end of the contract.

Dairy farmers may participate in either the MPP program or LGM-Dairy, but not both. LGM-Dairy is available for purchase one day each month, and is a fully customizable market-based instrument offering protection only at prevailing market prices.

We offer detailed and required agent training for sales of this important risk management tool. Please contact your ProAg account representative if we can help meet the needs of your current grower or provide an available sales expansion opportunity. We value and appreciate your business.