In the Field

WESTERN REGION

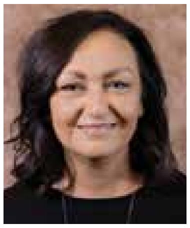
WINTER 2018

Experienced and Ready to Serve

EMPLOYEE SPOTLIGHT

Providing direction for one of ProAg's four regions is a big job. This key member of our team brings plenty of experience and a passion for service to this important position.

Tyffany Basila



New in title only, regional vice president (RVP) Tyffany Basila has spent the past 10 of her 22 years in the crop insurance industry with ProAg. "I started out as a claims processor, worked in underwriting, moved up to compliance review and became a compliance and claims supervisor before coming to ProAg," she says. "Then, I was an area claims supervisor before becoming a regional claims manager and now RVP."

Thanks to her background, Tyffany has a deep familiarity with both crop insurance and western agriculture. "My family farmed, raised livestock and also wrote crop insurance," she recalls. "Before moving into crop insurance, I worked for a cotton gin and a raisin processor. It's always been ag for me."

Tyffany has always credited the ProAg team for her success, and that won't change. "ProAg has a very family-type atmosphere, where everyone really gets to know each other and genuinely gets along," she states. "I take a lot of pride in the job that I do and know that, in order for me to do my best, I need the help of all of my co-workers. We are truly a team."

Tyffany stays busy away from work. She has three daughters, ages 18, 16 and 12. The family raises livestock and are heavily involved with 4-H, FFA and Camp Fire.

Left to Right: Missy Waters, Jessica Dilbeck, Aaron Janes, Brenda Koenig, Jacqueline Da Rocha, Kendall Jones, Scott Schaefers

National Sales Award Recipients

The National Operations, Underwriting and Sales teams met in Scottsdale, Arizona in October. In recognition of their hard work and dedication, four members of our sales team received awards.

Congratulations to the award recipients:

- Jacqueline Da Rocha for receiving the most new business premiums
- Aaron Janes for the most new business policies
- Jessica Dilbeck for the most business retention from IAIS
- Brenda Koenig for the most new agency appointments

Changes for Sugar Beets, Sesame, Specialty Corn

By Terri Sell, ProAg Senior Vice President, Underwriting

As new crops grow in popularity, pilot programs expand and insurance products change to meet the needs of our insureds, we strive to keep both our agents and their insureds informed. With that end in mind, I wanted to address several important changes for sugar beets, sesame and specialty corn. Here are the highlights:

- The stage guarantees in the current provisions have been removed and the new language reads, 100% of the production guarantee regardless of stage. Also, the stage removal endorsement option has been incorporated into the base policy.
- In the current provisions, the APH reporting requirements are for standardized tons of sugar beets. The new reporting measurement will be pounds of raw sugar. Stay tuned for more information (check ProAgPortal® and/or with your underwriter) on how this conversion will happen within our processing system.
- An early harvest factor has been added into provisional language to address those occasions when sugar beet processors request an early harvest of their contracted acres. The new language will increase the yield recognized for that year's harvest and prevent a decline in the producer's future insurable yield due to early harvest.

Specialty corn and sesame

Specialized crop insurance is now available for both white and waxy specialty corn. Coverage is available for white corn in 10 states and for waxy corn in six states.

The Sesame Pilot Program has been expanded to 36 counties and, by written agreement, to an additional 252 counties in Kansas, Oklahoma and Texas for the 2019 and succeeding crop years.

Contact your account representative or visit ProAgPortal for more information on these changes.

Whole-Farm Revenue Changes for 2

By John Sheeley, ProAg Senior Attorney

When the RMA issued the Whole-Farm Revenue Protection plan of insurance, it was well-received by the insurance community and agricultural producers. Two areas, however, did cause some issues—expected yield and expected price. For 2019, the RMA has attempted to address these areas of concern.

One frequent question was, did the expected yield have to match the APH for the underlying MPCI policy? The RMA has added a section on expected yield in the policy, which specifies the expected yield will be the same as the APH unless certain conditions exist. Those conditions would be:

- If the producer can document that the APH is not reflective of the expected yield (+/-) and we agree, a six-year "APH" based

RMA Changes May Trigger Assigned Yields

By Vikki Blettner, ProAg National Compliance Manager

Important recent changes from RMA will impact the compliance review process for some of our insureds. Prior to the November 30 contract change date for the 2018 reinsurance year, when we did a compliance review that involved an APH review, we would compare the insured's evidence of production and acres to their certified APH. If there were differences between the two, we would correct to the verified information, regardless of the impact on coverage. If coverage went up, we would cap liability using the Liability Adjustment Factor.

With the 2018 reinsurance year, the ability for us to correct these discrepancies was taken away if the difference is greater than 5%. In fact, in those cases, we are required to remove the reported history and apply a penalty by giving them an assigned yield of 75% of the prior year's yield.

The greatest impact, however, is that the new language states that if an insured doesn't have acreage and production evidence that is an exact match for what they certified on their production reports, the RMA defines that as not having verifiable records to support their production report. The exception—if you under-reported or are within 5%, assigned yields won't apply. We will still correct to the verified numbers.

All of this is based on the annual yield within the APH database. If we are working with ten years of history and only one is over-reported, all 10 are penalized and the assigned yields apply to the entire crop. And, if we assign yields and the producer has optional units, they lose their optional unit structure.

Finally, we have to look at total production for the crop. If verified production shows that the total crop was over-reported by more than 5%, we would also assign yields.

We encourage you to attend our training sessions, reference your manual and contact your ProAg account representative if you still have questions.

on the yields in the whole-farm history period plus the lag year may be used in lieu of the approved yield.

- If there is no underlying policy or APH but the insured has produced the crop, then actual yields in the whole-farm history period plus the lag year may be used. For insureds with less than three years of actual production, the policy now provides a means to add replacement yields to compute a six-year "APH."
- If the crop is new to the insured, the policy now specifies acceptable sources to use for the expected yield.

Another change for 2019—the producer's own three-year average price was put into a separate category that can only be used if other sources are not available. Even then, it can be adjusted for local market trends.

Also, if the producer cannot produce documentation to support an expected yield or expected price, it will be valued at zero. But, all revenue from that crop would still be considered revenue to count.

Expansion factor

Additional guidance is provided on the expansion factor, particularly in regard to new perennials and new orchards coming into production. The current RMA position is that if there is any revenue from an orchard in the farm history period, it does not qualify for expansion.

For livestock, simply increasing the number of head without other physical changes in the operation doesn't qualify as expansion.

Also, RMA has clarified the fact that it has to be a net physical expansion. For example, if an insured rents an additional 200 acres but loses the lease on another 100 acres, the net expansion is 100 acres.

In the same way, if a perennial operation pulls an orchard larger than the orchard coming into production, there is no expansion. Differences in density and varietal value don't matter—it's acres-to-acres.

As a general clarification, the focus is on the actual physical expansion and what is happening on those acres in the year of insurance. The handbook has always contained a formula that clearly shows how to compute an expansion factor. With all the changes made for 2019, it's extremely important to read the handbook and the policy.

The Year in Review—and a Look Ahead

By Kendall Jones, President and Chief Executive Officer

As we move into the holiday season and prepare to close the book on another year, it's valuable to look back and recall the major events of the past 12 months. We need to appreciate what we've accomplished as we work toward the future. As is always the case, our first quarter is all about initial sales, getting prices set and wrapping up claims from the previous year.

In 2018, commodity prices experienced low volatility, which seems counterintuitive, but the trade war hadn't commenced when prices were set. However, we were already dealing with extensive drought in the Southwest, so we knew we would need to be prepared for claims from Kansas, Oklahoma and Texas.

Drought continued into the second quarter, where it joined forces with extreme heat in the eastern Corn Belt and excessive moisture in Minnesota and Iowa during planting. Opening volleys were fired in the trade war and commodity prices declined, so we began to plan for those repercussions.

July 1 marked the start of our third quarter and the 2019 reinsurance year. That is also the day we moved our underwriting team away from sales and into operations. This move reflected our laser focus on underwriting and taking care of our policyholders. Toward the end of the third quarter, Susan Rivera became the president of our parent company, Tokio Marine HCC (TMHCC).

In the fourth quarter, we had the opportunity to hear from Susan as she spoke at our annual underwriting/sales/operations meeting. It was exciting to hear the future objectives and priorities of ProAg and TMHCC are closely aligned. From an insurance perspective, this quarter was a mixed bag, as drought eased in the Plains while hurricanes Florence and Michael battered the Southeast, and another round of widespread excessive moisture pushed harvest back throughout the Corn Belt.

Traveling together

I've frequently said that we—the people of ProAg—are on a journey together. As we experience the changes and challenges of this business—new leadership, new regulations, organizational realignments and the normal hurricanes, droughts and floods—we change, too. Hurricanes show us a better way to service our policyholders. All weather events give us reason to search for different coverages to reflect the changing coverage needs faced by farmers.

As a result, we are not the people we were last year and ProAg is not the same company. That is a very good thing. People and organizations that cannot, or will not, adapt face a difficult future. We need to celebrate who we are today while looking forward to the company we will be tomorrow.

Because of the support of our parent company, the talent on our management team, and the skill and dedication of our ProAg people, our future is extremely bright. I am proud and excited to be on this journey with all of you.

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Easier Dialing

ProAg now has national toll-free phone and fax numbers. The existing local and regional office phone numbers remain the same.

Toll-free phone number: **(800) 366-2767**

Toll-free fax number: **(866) 306-3038**

ProAg.com

Embracing the Opportunities

By Tyffany Basila, Regional Vice President – Western Region

As the new regional vice president, I'm excited about the opportunities for growth and service I see. We cover a big territory, from the Mexican border to the Montana/North Dakota state line—plus Hawaii. One of my goals is to find ways to work even more closely together.

I'm really looking forward to meeting with our agents. This is a great company with great people, and I see our region becoming even stronger moving forward.

Focusing on our day-to-day activities, this is crunch time for underwriting in the Pacific Northwest and California. One of the big topics here is the almond price released by RMA at $1.90. They have been receiving many calls from growers, agents and AIPs, and they are considering some additional pricing, as a result.

For 2019, ProAg is once again offering our PIPE policy which provides an increasing payment—.25, .35 or .50 cents—to offset the low almond prices. This follows the MPCI almond policy, using the same sales closing dates.

Dairy Revenue Protection is off to a good start with strong interest by growers and agents throughout the country. As an industry, there have been in excess of 500 policies written, and we will continue to provide training and information on this program, as requested by our agents.

As has been well-publicized, California is once again facing another growing season with minimal rainfall. Without a change in pattern, we'll see lower water allocations, harder freezes and an ongoing risk of devastating wildfires.

Finally, our underwriters are booking premiums for 2019 while the claims department is settling 2018 claims as production becomes available. In order to provide the highest level of claims service, we continue to add quality adjusters in both the Pacific Northwest and California regions.

As I grow into my new role, I want you to know that I appreciate your trust in us and am always ready to talk about your needs. On behalf of all of us in the western region, we wish you a wonderful holiday season.