

In the Field



EASTERN REGION

MAY 2016

Inside the C-Suite

Taking a look down the road ahead

By Mike Connealy, Chief Executive Officer

Late April and planting is underway across the Corn Belt. It has been a difficult winter across most of the U.S. agriculture spectrum. Financial plans across the sector will struggle to break even with ongoing weak commodity prices and high input costs. This includes many of the sectors that seemed recently robust, such as livestock, dairy and specialty crops.

The crop insurance industry will likely see 2015 premium levels drop approximately 5% for 2016, based upon the variables that drive this total, including base rates, commodity prices and volatility factors on revenue policies. Lower premium levels for the Approved Insurance Provider (AIP) crowd will put continued focus on key financials, and the one most controllable is the expense ratio. The crop insurance industry, like our farmers, is trying to hit an acceptable bottom line while dealing with a top line of revenue that is known to be shrinking.

There are a couple of bright spots for agents and companies looking to maintain or add to their top line. Pasture, Rangeland and Forage (PRF) is up for premium in 2016 and the Farm-Bill-generated Whole Farm Revenue

Program (WFRP) is gaining traction in areas of the country that have diversified operations. This includes some livestock coverage. Agents and farmers need to be educated on the positives of the expanded coverage this program provides.

Crop hail coverage is still an important part of the risk management portfolio for growers in the High Plains or growers that have experienced recent and repeated losses. Rates are trending up due to recent loss experience and oversight from the reinsurance community applying pressure to the underlying rates. We also are hearing across the industry of difficulty collecting premiums on 2015 crop hail business, as well as MPCl, as a larger than normal number of payment agreements have surfaced for this cycle. This financial situation is also forcing disciplined bankers, with requirements for financial discipline in their customers, to deny renewing loans from 2015 or approving them at a lower volume than last year. Crop insurance is still the foundation that allows this part of the process to move forward—no crop insurance and loans really start to dry up.



The current situation is not lost on Congress; they know what is happening down on the farm. We don't expect to see any tampering in the near future with funding for any of the current Farm Bill programs. We are in a good position in D.C. for 2016 and 2017 in my view.

The old adage is that the "cure for low prices is low prices." This seems to be the case with oil, as it has bounced off its recent lows—below \$30 a barrel to over \$40 as this is being written. Our low spring price on soybeans (\$8.85) saw a rise of near 90 cents in April and might have a chance to clear \$10 (Nov. '16) a bushel if weather woes continue in South America. Let's hope the trend is up and the natural optimistic outlook of our farmer customers is rewarded with decent returns for the hard work that they do to feed the world.

We know that these cycles can reverse quickly. We also know the work we do delivering crop insurance is more vital during tough times. Let's make sure we do our very best and keep a positive attitude going for 2016. 🌱



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Avoiding Acreage Reporting Pitfalls

By Shelly Harrison, ProAg Operations Manager

As spring planting is either underway or completed, acreage reporting season is upon us. As you'll read elsewhere, ProAg continues to develop tools to make the acreage reporting process easier and more accurate. Each year, however, we see a few areas that generate more than their share of reporting issues. I'd like to highlight a few in this article.

Be sure to verify that the entity name and type are correct along with the SSN or Tax ID #.

Verify Unit Structure/Unit Numbering, Legal Descriptions and Share Arrangements. Confirm that any changes are supported with necessary explanations and documentation to support the change, and that proper procedures have been followed per the Crop Insurance Handbook.

Verify Prevented Planting (PP) acreage to ensure appropriate guidelines were followed. Verify that an initial acreage report and an intended acreage report were submitted and separate line entries were reported on the

acreage report for PP acres eligible for 100% of the PP payment and acreage limited to 35% of the PP payment. **NOTE:** Prevented Planting is not applicable to crops insured under an ARPI plan of insurance.

Verify that a contract has been attached or submitted for all applicable contract crops (Popcorn, Sweet Corn, Dry Beans, Cucumbers, etc.).

All planted acreage for the crop in the county is insurable as long as the insured has a share in the crop and it has been planted, harvested or insured in any one of the three previous crop years. Production from insurable acreage must be reported on the Production Report and APH Database.

The other acreage frequently under-reported is uninsurable acreage. Please refer to the Common Crop Insurance Provisions, found at <http://www.rma.usda.gov/policies/2011/11-br.pdf>.

There are two final areas of emphasis to verify. If both the SCO Endorsement and

ARC are elected, verify the acreage report clearly identifies which acreage/FN(s) of the crop is covered by ARC, and that the acreage has been reported by FSA Farm/Tract/Field Number by the acreage reporting date and has been identified with the acreage type of J (ineligible SCO acres due to ARC election). **NOTE:** For additional SCO/ARC requirements, refer to process document 20011-277 — Supplemental Coverage Option.

Finally, make sure that Native Sod is reported as a separate line on the acreage report for the first four years of planting. Also, verify Native Sod acreage detail lines have been reported by CLU, have an acreage type attached, and have been reported by Farm Number/Tract/Field ID.

Again, all of these guidelines and checklists can be found on the ProAgPortal® intranet. The Acreage checklist is located under the Forms tab, and the Underwriting Acreage Reports TOPE process is under the Processes tab. 🍌

NCIS: Our Link to the Industry

National Crop Insurance Services (NCIS) provides a unique suite of services to the crop insurance industry, accomplished through the financial support and active participation of NCIS member companies. NCIS member companies participate through a network of regional committees typically comprised of senior company field and loss adjuster staff. In essence, the NCIS regional committee system provides a grassroots, ground-truthing infrastructure for the industry.

“Another part of ProAg’s NCIS membership responsibility is to serve actively by having senior-level company members serve on the industry level standing committees,” states ProAg COO Kendall Jones. “We are proud to be part of this industry and very proud of our employees who add such clear value to the program through their committee participation. When we enter a committee meeting, we exchange our ProAg hat for an industry hat so that the information we share, and what we learn, leads to a better program for farmers.” 🍌

ProAg Staff Participation in NCIS

Board of Directors, Kendall Jones, 2nd Vice Chairman

Audit Committee
Member: Kendall Jones

Program Development (PDC)
Board Liaison: Kendall Jones
Member: Richard Stinson

Communications and Outreach
Chair: Richard Stinson

Crop-Hail Actuarial and Statistics: Mark Lesperance

Crop-Hail Policy, Procedure, and Loss Adjustment: Tom Vetter

MPCI Policy, Procedure, and Loss Adjustment: Jamie Hageman

Technology and Information Processing
Leigha Knotts

Training and Education
Vice Chair: Shelly Jones

Underwriting & Operations
Terri Sell

Congrats to the Losers

The 2016 Spring ProAg Biggest Loser Employee Challenge is in the books. Let's see how the company stepped up and slimmed down to meet this challenge.

Together, ProAg lost a total of 185 pounds during this challenge! We couldn't be more proud of the participants and their efforts to become healthier.

One of the goals in the Biggest Loser Challenge was to lose 10% or more of your total original body weight. Congratulations to our national winner, Shelly Harrison, on losing 14% of her total body weight during this challenge! As overall winner, she received a special gift basket. She will also receive an American Express® Gift Card as will the three other participants who lost at least 10% of their body weight. The gift cards were funded through participant entry fees. Here are our regional and gift card winners:

GIFT BASKET

Teresa Blake - Southern Region
Howard Ritter - Northern Region
Brittlyn Schwartz - Western Region
Lindsay Waggle - Eastern Region

GIFT CARD

Teresa Blake - 11%
Brittlyn Schwartz - 10%
Lindsay Waggle - 10%

Shelly's secret to success? "Eat less from a box and more from the earth," she advises. "It was more of a lifestyle change as opposed to dieting—just eating better for health benefits."

Last, but not least, we would like to thank all of the Regional Captains and Assistants for making this challenge go off without a hitch. Our official team included: Lauren Showalter, Brittlyn

Schwartz, Nicole Hamre, Cassie Dezel, Tammy Chesley, Kathleen Penny and Billie Anne Smith.

Just because this challenge has ended, doesn't mean that we trash our healthy ways. We encourage you to watch our Biggest Loser Employee Challenge Pinterest Board as we continue to keep it active. If you would like to join the Pinterest board pinners and share your healthy lifestyle Pins, just send the email address that you use to log in to Pinterest to social@proag.com and ask to become a Pinterest Board contributor.

HCC continues to sponsor the Biggest Loser Challenge contests and will be holding the next round starting in late summer. We anticipate joining this round as well. 🍌



On the Web

We have more news than we can fit in the newsletter, so be sure to read these stories on our website, proag.com.

The Top 10 Reasons to Use ProAg Map-Based Acreage Reports

We're very proud of our map-based acreage reporting tool and the value it brings to the agents we serve. Here are 10 reasons why it will make your life easier.

Industry Veteran Joins ProAg

With 46 years of experience split almost equally between agencies and insurance companies, Steve Eaton knows the crop insurance business with a depth few others can claim. 🍌

New Tool Pinpoints Weather Conditions

By Jamie Hageman, Customer Account Services Manager

When ProAg® needs to verify weather events that impact claims, we now have a powerful new tool in our toolbox. ProWxVerify™ joins the Hydra and PRISM weather programs that we have been utilizing for several years. Both Hydra and PRISM were developed by the government, and we've used them primarily to verify cause-of-loss conditions on claims and in compliance reviews and RMA cases.

PRISM provides daily, monthly and historical data on precipitation (or lack thereof) and temperature. More information about PRISM can be found on the NCIS website: www.ag-risk.org/NCISPUBS/NCISPubHist.htm#OlderTodayArticles. Access to each of these systems is restricted to government entities and those that are contracted with the government.

We're very excited about ProWxVerify. This tool has been in development and testing for the last year and has only recently been released for use by the ProAg claims and compliance staff.

This is a powerful program with the ability to monitor damage from hail, excess rain, excess snow, freezing rain, high and low temperatures and wind—or any combination of all the perils listed. Reports can be generated using the storm reports function, which shows the location of storm events for a particular day, or a single report can be run by clicking on the map to pinpoint a location, or by entering the address or GPS coordinates.

If hail is the selected peril, you can view



the swath of the hail storm by selecting a checkbox that will display a 20-mile radius from the selected points on the map to help the adjuster identify fields that might have sustained damage.

Finally, ProWxVerify has the ability to run historical reports for a single event or an entire season.

ProWxVerify is one more feature that sets ProAg apart when it comes to claim processing accuracy and speed. 🍌

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Agency Growth Opportunities—Pasture, Rangeland and Forage



By Jeffrey Vanlandingham, Regional Vice President – Eastern Region

As part of our valued partnership with agencies, we often receive feedback and questions regarding possible opportunities for agency business growth. With the downward pressure of commodities compounded by banking concerns, we feel risk management opportunities offered by the Pasture, Range and Forage (PRF) program may have been overlooked in the 2016 reinsurance year.

How does the program work? PRF insurance offers land managers the opportunity to insure their hay and pasture acres. At the end of the insurance period, the Risk Management Agency (RMA) uses accumulated rainfall (based on rainfall estimates provided by the National Weather Service) to calculate an index for determining indemnities. This program is designed to give growers the ability to buy insurance protection for losses of forage produced for grazing or harvested for hay, which result in increased costs for feed, destocking, depopulating or other actions.

Insurance payments are determined by using NOAA CPC data for the grid(s) and index interval(s) you have chosen to insure. When the final grid index falls below your “trigger grid index,” you may receive an indemnity. This insurance coverage is for a single peril—lack of precipitation. Coverage is based on the experience of the entire grid. It is not based on individual farms or ranches or specific weather stations in the general area.

What made 2016 a missed opportunity? Other than the expansion of the Rainfall Index program to all 48 contiguous states—some of which did NOT have the program in 2015—the RMA has introduced a new pricing methodology that will better reflect replacement costs for feed and actual losses from the grower’s experience. This started with the 2016 crop year.

The RMA is also offering an irrigated hay practice in some states designed to cover above-normal irrigation expenses when normal precipitation shortfalls are observed. Please note that normal irrigation costs are not covered.

How can a grower better determine if this program is best for their operation? Growers are not required to insure all acres, but they can’t exceed the total number of grazing or haying acres they operate. The program provides protection while allowing the grower to insure only acres important to their grazing program or hay operation. By selecting a productivity factor, one can establish a value between 60 percent and 150 percent of the county base value and match the amount of their protection to the value of forage that best represents the specific grazing or hay operation.

How can you learn more? ProAg will offer specific PRF training opportunities to be announced later this summer. We feel we have the training and resources to manage this risk portfolio and allow you to successfully expand your business opportunities in the 2017 reinsurance year. Thank you for your valued business relationship! 🌾



The Top 10 Reasons to Use ProAg Map-Based Acreage Reports

By Mike Weber, ProAg Product Supervisor

- 1. Constantly updated CLU information.**
 - Revolving bi-monthly updates via RMA.
- 2. Track non-cropland fields alongside your insured fields.**
 - View all operational land in an area. This will be tied in with the AR process in the future as an extension of the ACRSI project.
- 3. Reduce processing time for CLU matching.**
 - Information is provided at the CLU level to streamline the matching process.
- 4. Individual fields are displayed.**
 - The entry grid at the bottom of each page makes it simple to capture unique data at the field level when needed.
- 5. Multiple format options.**
 - Different sorting and display options allow you to create the form that works best for your situation.
- 6. Supplemental imagery.**
 - Multiple imagery options allow you to customize the form to your specific needs.
- 7. Imagery makes processing sub-fields much easier.**
 - Expedite the process of splitting fields by providing a visual reference.
- 8. Existing maps are transferred from year to year.**
 - Once a policy map is created, only minor maintenance is needed in the future to prepare for the acreage reporting process.
- 9. Ability to generate PDF documents by agency.**
 - Our mapping team can quickly create PDF document versions of the forms you need with the settings you prefer for your entire agency.
- 10. Electronic delivery for a fast turnaround time.**
 - Once the forms are generated, you will be provided with a link to conveniently download your requested files.

The mapping team is constantly talking with others throughout our organization to determine how we can be better. If you have suggestions, or simply need further information and training, please don't hesitate to contact us at mapping@proag.com.