

# In the Field



WESTERN REGION

NOVEMBER 2014

## ProAg® Takes Its Place in the HCC Insurance Family

In late September, HCC Insurance Holdings, Inc. entered into a definitive agreement to acquire ProAg from CUNA Mutual Group. The transaction, which is expected to close in the first quarter of 2015, is a positive move for both HCC and ProAg.

“Crop insurance is a non-correlated line of business we strategically targeted to add to HCC’s diversified portfolio of specialty insurance businesses. We believe ProAg provides a solid platform to incrementally grow our profitability,” states Christopher J.B. Williams, HCC Chief Executive Officer.

“ProAg is excited about the opportunity to continue building our crop insurance franchise under HCC’s ownership,” says ProAg President and Chief Executive Officer Michael Connealy. “HCC is committed to investing in the growth of ProAg. Their guidance and support will create an environment in which ProAg will thrive.”

ProAg’s current management team, including Mike Connealy and Kendall Jones, EVP and COO, will continue to lead ProAg under HCC’s ownership.

### From hunted to hunter

Missy Waters, ProAg Senior Vice President of Marketing and Service, states that she has spoken with many

agents about HCC. “I’ve received a very positive response from all the agents and others I’ve visited with regarding HCC,” she says. “They’ve done their research on HCC and are quite impressed.”

In every sense, the acquisition by HCC represents a move from one strong partner to another, according to Mike. “We certainly enjoyed our relationship with CUNA Mutual. They provided considerable financial support that allowed ProAg to be in the position it is today. They have been a committed and energetic partner throughout the relationship, including finding a good buyer,” he states.

“As consolidation continues in the industry, we now have a platform that enables us to be part of that, in a very positive way,” Mike continues. “This also allowed us to provide a very positive answer to all the speculation surrounding ProAg in the marketplace and gives us the opportunity to be the hunter instead of the hunted.”

### Integration underway

As ProAg transitions to new ownership, Kendall Jones says that the change should be smooth.

“We anticipate a seamless transition and business as usual as we work our 2014 claims and launch into the 2015

sales season,” she says. “No signatures are required from agents or insureds, so this is an easy transition for them. We’ll keep our employees and agents informed through the new Integration tab on the ProAgPortal® intranet.”

Kendall reinforces the fact that ProAg will continue its singular focus on crop insurance and its guiding principles of integrity, loyalty, and customer service. She adds that HCC will be a powerful resource in that effort.

“HCC is viewed as one of the best in their industry,” she states. “They invest carefully and judiciously in lines of business, and we will be significant for them—a core part of their team—and get to remain ProAg. They are methodical and diligent: things the crop insurance industry needs. This will strengthen us for the future. I see no downside.” 🌾

### Key financial information on HCC as of June 30, 2014:

- Assets of \$10.9 Billion
- Market Capitalization of \$4.9 Billion
- “AA (Very Strong)” from Standard & Poor’s Corporation
- “A+ (Superior)” from A.M. Best Company, Inc.
- “AA (Very Strong)” from Fitch Ratings

# Farm Bill Implementation Hitting Its Stride

By Terri Sell, ProAg Senior Vice President of Operations

While certain portions of the Farm Bill legislation are still being finalized—Whole Farm and the APH plug in particular—we have made considerable progress with a number of other programs. You'll be receiving a lot more detail at the upcoming fall training meetings, but let me give you a big-picture overview of the progress made to date.

Here's a quick list of what has been completed: the authority to correct errors, crop production on native sod, enterprise units and coverage levels by practice (irrigated and non-irrigated), conservation compliance, beginning farmer and rancher, and, most recently, SCO and STAX provisions.

In this article, I would like to offer more detail on some of these provisions, beginning with STAX. STAX stands for Stacked Income Protection Plan. It can function as a standalone or supplemental insurance policy for upland cotton only.

STAX provides coverage for up to 20 percent of the expected area revenue in increments of 5, 10, 15, or 20 percent. Liability is based on the expected crop value for the area, and payments may begin when area revenue falls below 90 percent of its expected level—although a lower loss trigger may be selected. Loss payments reach their maximum when

area revenue falls to 70 percent of its expected level—unless a companion policy has a coverage level above 70 percent, in which case payments end sooner. Like other area plans of insurance, the amount of coverage may also be increased or decreased by selection of a protection factor so that growers may better tailor their coverage to their risks.



## EUs and CLs

The Farm Bill allows a producer to have two enterprise units (EU) for a crop in a county, one for irrigated production and one for non-irrigated production. Previously, only one EU per county was allowed. Enterprise units by practice are only available on additional coverage policies.

In addition, the Farm Bill also allows an insured who produces an agricultural

commodity on both dry and irrigated land the option to elect a different coverage level for each production practice. The insured can elect different buy-up coverage levels by practice when both practices are offered in the actuarial documents.

## Coverage for the whole farm

The new Whole Farm Revenue Protection (WFRP) pilot program combines AGR and AGR Lite with several improvements to target highly diversified farms and farms selling two to five commodities (including specialty crops) to wholesale markets.

Finally, the USDA just announced implementation of the APH Yield Exclusion, which allows eligible producers who have been hit with severe weather to receive a higher approved yield on their insurance policies through the federal crop insurance program. Spring crops eligible for APH Yield Exclusion include corn, soybeans, wheat, cotton, grain sorghum, rice, barley, canola, sunflowers, peanuts, and popcorn. Nearly three-fourths of all acres and liability in the federal crop insurance program will be covered under APH Yield Exclusion.

The specifics of each of these programs can be found on the RMA website. 📄

## It's Training Time

By Ellie Murphy, National Underwriting and Service Training Coordinator

The spring materials are nearing completion, the dates are confirmed, and we're moving rapidly toward what will be a very important season of agent training beginning Dec. 2. Almost 60 meetings have been scheduled throughout the country, and all the dates and locations can be found on the ProAgPortal® intranet. You can also register electronically through the ProAgPortal home page. Not surprisingly, a good portion of the training content will

focus on Farm Bill updates. This year, training participants will have the option to access all the training materials online. If they prefer, they can access the same information found in their hard-cover manual on their iPad or tablet during the meetings.

The link to our online materials will also take you to an online evaluation. Your feedback is very important to us, so we've tried to make it as easy as possible for you to complete your evaluation. 📄

# Building a Better Portal

By Jamie Hageman, ProAg National Training Manager

One of the best sources for ProAg® information and systems is now even easier to use. We've put together a video tour of the ProAgPortal® intranet that will help portal visitors find and access the resources they're looking for.

ProAgPortal houses the latest updates from ProAg as well as ProAg systems release information. You can check out the ProAg calendar for local and national training events and easily access training manuals and videos for many ProAg systems. Underwriting forms, manuals, and processing guidelines are also located here. Finding a contact at ProAg is as simple as clicking on the Contact Us tab to search nationally or within your region!

We continue to add functionality, tools, and resources to

ProAgPortal. For example, because we know that some people learn better by seeing than by reading, we've placed several helpful videos for the ProAgWorks® system on ProAgPortal. One of the newer videos will walk you step-by-step through the entry process for a perennial crop policy. We also know your time is valuable, so we keep the videos to under 10 minutes.

If you're new to ProAgPortal, you can access the three-part video tour by first logging into ProAgPortal, then clicking on Systems. Select ProAgPortal from the drop-down menu and then click on Tips and Tricks. The video series provides you with an overview of the navigation features and functions, as well as a review of the tab functions and step-by-step instructions for setting up an alert. 📺

## Summit Encourages, Connects Professional Women

Opportunities to network, learn, and grow drew a record crowd to this year's Women in Agribusiness Summit, held Oct. 6-8 in New Orleans. Attendance has risen every year, from roughly 200 the first year to more than 600 in 2014.

Providing personal and professional growth opportunities for employees is a strong priority at ProAg—one reason the company sponsors the Summit. Once again, a contingent of ProAg employees made the trip to New Orleans.

A highlight for several in the ProAg

group was keynote speaker Krysta Harden, USDA Deputy Secretary. "Krysta had a lot to say about the Farm Bill and the industry as a whole," says ProAg Senior Vice President of Operations Terri Sell. "She also emphasized the importance of women mentoring and empowering other women in the workplace—something she practices with her own staff."

Those attending agreed that having a chance to talk with other professional women in agribusiness, hear their stories, and make connections is both very

motivating and, from a business standpoint, extremely valuable.

"Frankly, we have an awesome group of women working at ProAg," summarizes ProAg COO Kendall Jones. "The Summit fits beautifully into our plan for continued employee development and gives our staff opportunities to meet and network with people from other ag industries. Employees who continue to develop both professionally and personally bring value to our agents and strengthen our management team." 📺

## Road Warrior Takes to the Skies

Officially, his office is in Maple Grove, MN. As Senior Sales Manager, however, Rick Warner can seldom be found in it.

"I travel from coast to coast, visiting all the marketing representatives and regional vice presidents, and also getting in front of agents," Rick states. "I've learned a lot about our country, our people, and the different regional cultures ProAg serves."

Travel is nothing new to Rick, who joined the ProAg team at the end of June. He brought 16 years of experience in agricultural risk management with him—nine of them spent as a commodity broker and the past seven as a crop insurance agent and team leader with the Farm Credit Association in Northfield, MN. In that position, he would put in 35-40,000 miles worth of windshield time selling crop insurance in his region. Now more of those miles are spent in the air.

In his new role, Rick reports to Missy Waters, ProAg Senior Vice President of Marketing and Service, and he will work closely with the regional vice presidents to generate new business opportunities.

"My job is to open doors and establish relationships with our large independent agencies and other untapped markets," Rick

elaborates. "Then our local marketing reps can build on these new connections while also strengthening their existing client relationships."

"Rick is going to focus on some of our untapped markets and work to develop sales initiatives there," Missy explains. "His experience as an agent will help us grow our marketplace in areas where we don't currently have a strong market share."

Though only a few months into his new position, Rick is excited about the opportunities ahead.

"The HCC acquisition puts us in a strong position in the crop insurance industry," he says. "Personally, I'm particularly excited about the promotion and sales of both our existing and yet-to-be-developed named peril products. That's one way we're going to grow our multi-peril footprint." 📺





4910 E. CLINTON WAY  
SUITE 103  
FRESNO, CA 93727

[www.ProAg.com](http://www.ProAg.com)

## From Drought to Deluge, We've Seen It All

By Bill Haar, Regional Vice President, Western Region



While we wish there were other topics to discuss, the number one issue in our Fresno office continues to be the California drought. However, because our region as a whole includes farmland from Hawaii to Montana, we've been dealing

with weather at both ends of the moisture spectrum.

In California, some of the yields are coming in and we're seeing some very unusual production patterns. What seems to have come along with the drought is that instead of having a winter, we had a perpetual springtime. As a result, we didn't have enough chilling hours and the trees and vines didn't go into dormancy. Consequently, the cherry crop was poor, and grape growers in the San Joaquin Valley are seeing very light yields. However, North Coast growers are reporting a high-quality grape crop, due to the fact that stressed vines produce a quality grape.

All this to say that results are very hit and miss in California, and it's hard to anticipate where the losses will come. Everyone thought the almond crop would be a disaster, but the losses we're paying are on cherries and grapes. There are areas of the state where orchard growers don't have wells and rely on surface

water. If they are unable to purchase water, those producers can lose everything. Because agriculture in this state is so diverse, the effects of the drought vary as well.

Then we have Montana, which has the opposite problem—too much rain. The winter wheat crop was excellent, but some areas then received so much rain that the spring wheat was sprouting at harvest time. It's tough on those growers to have a nice crop that they can't bring in because it's too wet. Now, in some of those areas the farmers are looking at planting winter wheat because they have the moisture to do it.

As we gear up for the 2015 re-insurance year, we have no way of knowing what the coming months will bring. We do know, however, that we have a skilled team in place to adjust, process, and pay claims promptly and accurately. We're ready for whatever 2015 has in store. 

