

In the Field



WESTERN REGION

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It's Official. HCC Insurance Completes ProAg® Acquisition

Though the timeline was challenging, HCC Insurance Holdings, Inc., completed their acquisition of ProAg on Jan. 1, 2015, officially opening up new opportunities for both companies.

"It was an aggressive timeline, but all three parties—HCC, ProAg, and CUNA Mutual—worked together successfully and hit the January 1 target date," states Kendall Jones, ProAg EVP and COO. "Integration has gone smoothly thus far, and I have no reason to expect that to change as we move forward. The transition has proceeded without any interruptions to our processes throughout ProAg."

HCC Insurance is a leading specialty insurer headquartered in Houston, TX, with offices in the U.S., United Kingdom, Spain, and Ireland. According to HCC Chief Executive Officer Christopher J.B. Williams, ProAg is a good fit for their company.

"We are a true specialty insurance company with lines of business that don't correlate," he elaborates. "What we like about this business is that it doesn't correlate with our other lines of business and fits very nicely in our portfolio. We have been looking for a point of entry into the crop insurance business for some time, and ProAg was our choice."

Why ProAg?

With the understanding that other crop insurance companies were potential options for acquisition, why did HCC choose ProAg?

"First of all, they have a very seasoned management team, and we were looking for experts to run the business," Williams explains. "We also like the geographical spread of the business. Finally, crop insurance is a line of business that requires



a significant amount of infrastructure in place, and ProAg has one of the better platforms out there. As part of that platform, they have a very good policy processing system, which is important to us because so much of the process is automated now."

While the acquisition gives HCC

access to the crop insurance marketplace, the move also provides ProAg with the resources and support needed to grow the business.

"While the transition has been seamless, I don't want to say that it's now business as usual," stresses Jones. "That implies that we aren't constantly changing and improving, and nothing is further from the truth. When HCC was considering this acquisition, we showed them our roadmaps, and they agreed with those. They're encouraging us to continue down that path."

At this point, that path looks very good, starting with 2015. "We are taking advantage of some marketplace dysfunction," Jones notes. "The fact that our name, people, and processes are remaining the same reinforces the impression of stability that already exists regarding ProAg in our key markets. We are in a good place. Now we need some stability from Mother Nature."

As ProAg begins a new chapter with new ownership, all signs are positive for the development of a strong relationship that will be beneficial to both HCC and ProAg.

"HCC has made it clear that they are not here to run the company, but to enhance what we are already doing," Jones concludes. "They are quickly becoming a great owner." 🐾



ProAg is a wholly owned subsidiary of HCC Insurance Holdings, Inc. ProAg is an equal opportunity provider.

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Linda Smith Leaving a Legacy of Service

“Amazing. That’s the first word that comes to mind when I think about Linda,” states ProAg claims supervisor Karen Landman. She’s referring to crop adjuster Linda Smith, with whom she has worked for most of Linda’s 20-year ProAg career. “She knows no other way to work—or to live—than to always give her maximum effort.”

Linda’s health has finally forced her to consider retirement—which has been a big adjustment for coworkers who would never have put “slow” and “Linda” in the same sentence.

We asked Linda to tell us a bit about her life and career. Here is a portion of her story, in her words.

“I got into the crop insurance business in 1991 as a field reporter for the Clark County Farm Service Agency. In 1994, all field reporters were trained in crop insurance adjusting for a mandatory FSA bill that only lasted two years. Since I had the training, I contacted a private crop insurance agency (American Agrinsurance) and went to work for them on a per diem basis.”

Rewarding career

When American Agrinsurance folded, our initial group of Ohio adjusters stuck together. Several of us have been together most of these years. We’ve seen some retire, and welcomed new ones on board. I enjoy working with this group. Plus, I’ve always loved meeting people, so working with the producers is enjoyable. The adjusting tasks I like best are appraising corn to be chopped for silage and doing pre-harvest apple appraisals. (It’s a neat time of year to be in the fields/orchards.)

I’m most proud of the friendships I’ve made—that would be number one. Also, I pride myself in timely, efficient work. If

it meant long days so I wouldn’t have to backtrack, I would put in a long day.

Without a doubt, the most challenging aspect of my job is the ever-changing technology! It’s so important, yet so foreign to most of my generation. It is challenging, yet rewarding to learn something new.

Meeting a new challenge

I was officially diagnosed with ALS in July 2013. Because there are so many questions surrounding ALS, it usually takes a long time to diagnose, and a person is often diagnosed with something else until more symptoms occur.

I’ve always been a multitasker, going 100 miles an hour from sunup to sundown. Now my whole life has changed. I move at a snail’s pace, but I am still moving. I use a walker and, for long distances, a wheelchair. I have lost my voice and have difficulty swallowing, but so far don’t need a feeding tube. It is very humbling to go from being the one in charge to relying on others to get through the day. But through it all, God has been faithful. I stand on His promises. Family and friends have been wonderful! The ice bucket challenge was so encouraging to all of us with ALS.

I never thought I wouldn’t be working. I was fit as a fiddle, loved my work, and had no plans to retire until ALS made it physically impossible and unsafe to continue. I will miss the people I came in to contact with, my fellow adjusters, and the challenges and rewards of the job.

Editor’s note: There’s more to Linda’s story that space won’t allow, and it’s well worth reading. We’ve posted the entire account on our website at <http://www.proag.com/linda-smith-legacy>. 🍷

Yield Exclusion Is Hot Topic

By Terri Sell, ProAg Senior Vice President of Operations

The key Farm Bill update to discuss in this issue of *In the Field* is one that has generated a lot of interest in the ag community—the APH Yield Exclusion. Here’s some key information on this very important provision.

The APH YE is a provision of the 2014 Farm Bill that allows for the exclusion of an actual yield for a crop year when RMA determines the county per planted acre yield for a crop year was at least 50% below the simple average of the per planted acre yield for the crop in the county for the previous 10 consecutive crop years. When a crop year is determined to be eligible for YE for a crop in a county, producers in contiguous counties will also be eligible to exclude their actual yield for that crop year under YE. Separate determinations will be made for irrigated and non-irrigated acreage, when data is available.

The YE option will be listed in the county actuarial documents showing the crop and eligible crop year(s) for exclusion.

YE allows a producer to exclude an actual yield(s) from an eligible crop year for the county (such as a year in which a natural disaster or other extreme weather event occurs) from their production history when calculating approved APH yields used to establish their crop insurance coverage. The level of insurance coverage available to a producer is based on the producer’s average yields over the four to 10 most recent crop years and, excluding lower-yielding eligible crop years, can increase the producer’s approved yield.

For more information, follow this link to the RMA site: www.rma.usda.gov/help/faq/aphyieldexclusion.html. 🍷

Turning Precision to Your Advantage

By Dennis Daggett, Senior Vice President of Strategic Initiatives, and Nathan Faleide, Manager of Strategic Initiatives

As an industry, we stand at a point in the evolution of precision agriculture that can be compared to the transition from horse drawn plows to mechanized agriculture. Close to 60% of the top 120,000 farmers who farm approximately 75%+ of the tillable acres use precision ag technology, according to Crop Life America. That will increase more in the coming years, and this movement offers us a unique opportunity to become an integral part of this growing trend.

Let's start by looking at the front end of the precision process as it impacts you as agents and us as an AIP. The primary GPS and GIS systems used for reporting data that can be used in the crop insurance process are planting monitors and yield monitoring/scale devices that are connected to GPS systems. These devices generate digital data that reports what, when, where, and how a field was planted and how much it produced with extreme accuracy.

From our perspective as crop insurance providers, these systems can allow more accurate and timely reporting while eliminating errors and increasing efficiency for both the agent and the insured. For example, an insured with the right equipment and accurate data needs only to give a data file to his insurance agent, along with permission to transmit the data and a signature to ProAg. Just that easily, a farmer is done with acreage reporting. The same can be true for yield with similar steps.

As data standardization initiatives (through organizations like AgGateway) gain momentum, the information generated by these devices will become ever more accessible and useful by allowing all systems and devices to seamlessly talk to one another.

Data security critical issue

The ever-increasing number of precision devices creates a corresponding mountain of data. The ownership and security of that data has become the single greatest concern for the precision ag movement and the producers it serves. This is where the greatest opportunities lie for the crop insurance community.

Most growers are unsure of what to do with their data. They need someone to securely store it, and then help them decide how to use it to improve their operation. For many producers, crop insurance agents have been the primary "trusted advisor" with their private data—specific field IDs, acres, and yields. The next logical step is for growers to trust their crop insurance agent with their precision ag data.

Agents can also become providers of precision support services, with the type of services offered depending on location and technical skill level. Many of these services, such as storage, security, and analysis, can be financially lucrative with quick growth potential.

Our role at ProAg is to support you as you interact with the growing world of precision ag and serve your insureds in this area. Be assured that the security of your farmers' data is an extremely high priority for us. We are focused on ensuring that the processes we use at ProAg are closely aligned with the data standards established by the industry.

ProAg would like to request your help by filling out a short survey on Precision Ag. Find it at www.proag.com/precagsurvey. 🍌

Named Peril Products Provide Growth Opportunities

By Rick Warner, Senior Sales Manager

What keeps our insureds up at night? How can we come up with a solution that will help them sleep more soundly?

Those are the key questions that precede the development of innovative new insurance products at ProAg®. The latest development in this arena is Higher Input Protection (HIP).

HIP is designed to protect against loss of net income as a result of higher expenses occurring during the year. For example, suppose your gross revenue exceeds expectations due to higher yields or prices in the fall. If you have a flexible farm lease, rental expenses could go up if yields or commodity prices exceed a certain level.

This coverage is available in 12 states. To determine availability in your state, talk to your field representative. For more information and an example of this coverage, see www.ProAg.com/HIP.

HIP joins other ProAg products designed to provide key coverage options while also serving as business-building tools for our agents. These tools include:

- **Price-Flex**—allows the producer to choose alternative price discovery periods. The highest projected price—as determined by ProAg—for these alternative price discovery periods is used to establish the revenue guarantee.
- **HarvestMax**—designed to help growers guard against shallow yield losses while protecting revenue and profits.
- **eWeatherRisk**®—proprietary weather data provides producers with the ability to customize transactions to address specific weather risks.
- **Private Area Revenue (PAR)**—allows producers to purchase additional coverage for area-level revenue risk that supplements the individual-level

coverage from an MPCCI policy.

Set yourself apart

From an agent's perspective, what do these products bring to the table? Apart from the obvious advantage of meeting an unmet need for producers, they have the potential to generate additional revenue for your agency. They also offer you an opportunity to differentiate your agency from others in the area and strengthen the agent-insured relationship.

If you determine these products have a place in your market, you can become the expert on a particular product or on a spectrum of specialized coverage options.

Your RVP, or the sales staff at ProAg, can help answer any questions regarding these products. 🍌



4910 E. CLINTON WAY
SUITE 103
FRESNO, CA 93727

www.ProAg.com

Whole-Farm Revenue a Potential Plus

By Bill Haar, Regional Vice President, Western Region



The last few weeks have been a time of intense investigation and decision-making, as farmers come down to the wire on choosing Farm Bill program options. Even though that aspect of the Farm Bill doesn't have as much impact here in California as it does in the Midwest, it does affect our small grain and row crop growers in

Montana and Washington.

Here in Fresno, we're right in the middle of the production season. For us, it's the conservation requirements of the Farm Bill that are a huge issue for our perennial crop growers. Initially, the requirements were so steep that it appeared likely that the county FSA offices might be overwhelmed. Fortunately, those were scaled back, so that instead of having to establish the farm record, perennial growers just have to establish the entity. That was a big relief, but the requirement to get into the office is still significant because these are producers who aren't used to dealing with the FSA.

Also significant is the move to whole-farm revenue protection. Washington, Oregon, Idaho, and California have been the leading writers of whole-farm predecessors AGR and AGR-Lite. When we saw the initial draft of that whole-farm product, we were not enthused.

There was language in the original draft that would have potentially limited the writing.

An agency we work with that writes the bulk of this business in Washington expressed their concerns to us and several other AIPs. We agreed on a position and, as a group, went back to the RMA and asked them to take a closer look at these provisions. Ultimately, the RMA agreed with us. This was a situation where the industry took a consolidated stance on these items and turned the product back in a positive direction. We now believe

this product will give us the opportunity to write some new business.

In the Southwest and California, our crops are irrigated and we don't face the hail issues Midwest farmers deal with. Production losses aren't the concern that revenue losses are. When you can place a revenue product on your whole farm, once agents have the opportunity to market it and producers have a chance to take a look at it, I believe whole-farm revenue protection will be a winner for everyone.

Thus far, the yield exclusion provision isn't having as large an impact as we had anticipated, though that could change with time. Like everyone else, we're working through the changes and learning as much as we can along the way. So far, I would say Farm Bill implementation has been going pretty smoothly in our part of the world. 🌱

