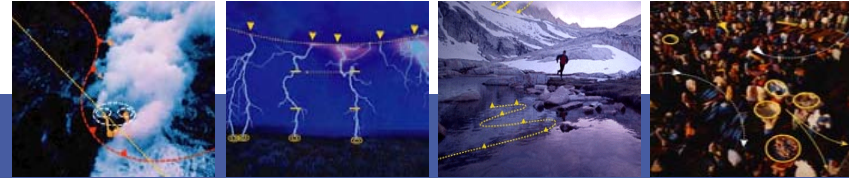




Endurance



CAGNY Spring Meeting

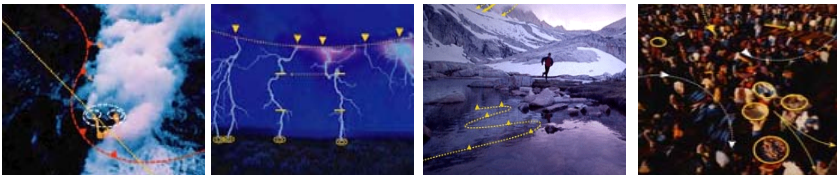
Crop Insurance

Not your grandfather's Crop/Hail anymore

15 May 2006

Overview

- Definition, History
- Types of Insurance
- MPCCI
- Current Developments
- Future Developments



Definition

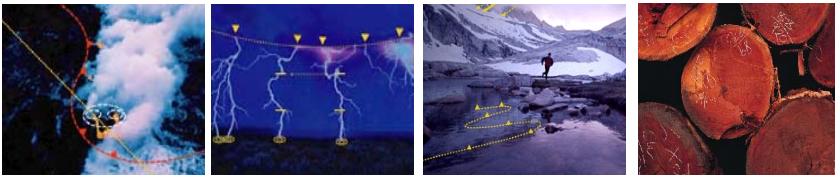
AgriBusiness incorporates insurance and reinsurance services for all renewable organic resource production, including food crops, feed crops, fiber crops, timber, livestock, and aquaculture.

Not:

Livestock mortality

Property Covers (FarmOwners, etc.)

Third Party Liability



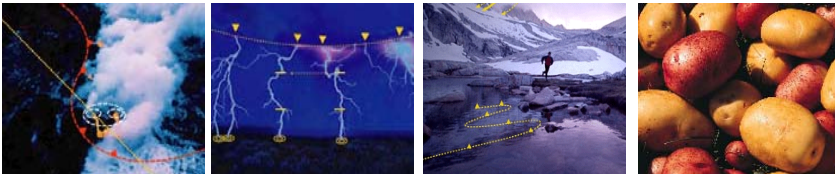
History

- 1880s to 1930s – Crash and Burn attempts
- 1938 – Agricultural Adjustment Act
- 1980 – Federal Crop Insurance Act
- 1994 – Federal Crop Insurance Reform Act
- 1996 – Federal Agriculture Improvement and Reform Act
- 2000 – Agriculture Risk Protection Act
- 2002 – Farm Security and Rural Investment Act



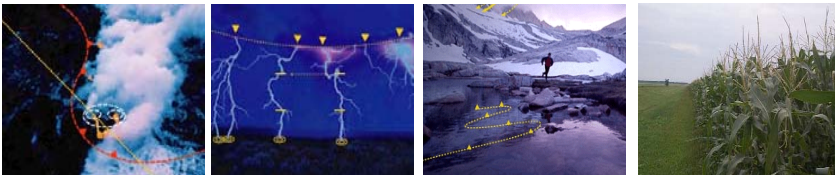
Types of Insurance

- Multi-Peril Crop Insurance (MPCI)
- Crop / Hail
- Named Peril
 - Rain on Raisins
 - Citrus Freeze
 - Tobacco Barn Fire
- Miscellaneous
 - New Zealand KiwiFruit
 - Korean Fish Farms
 - Algerian Potatoes
 - Ukrainian Wheat
 - Pasture / Rangeland



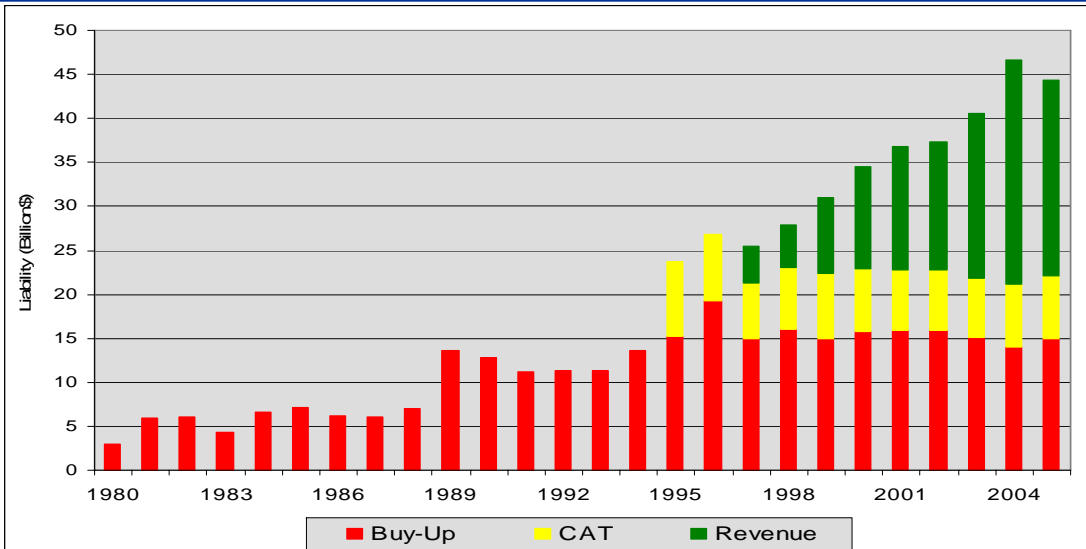
MPCI

- **Multi-Peril Crop Insurance**
 - Hail, wind, fire, rain, drought, disease, insects, cold
 - Prevented Planting
- **Catastrophe Coverage (50% @ 55%)**
- **Buy-Up (Standard MPCI)**
 - 50% to 85% coverage
 - 55% to 100% price election
 - APH, GRP
- **Revenue**
 - additional protection for market fluctuation
 - CRC, RA, IP, GRIP, AGR

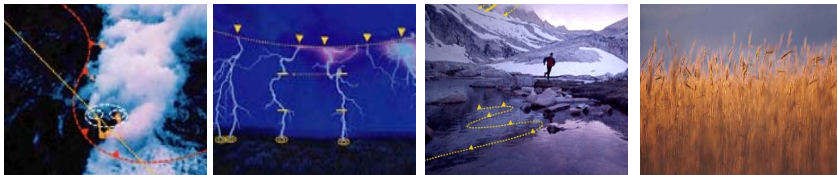
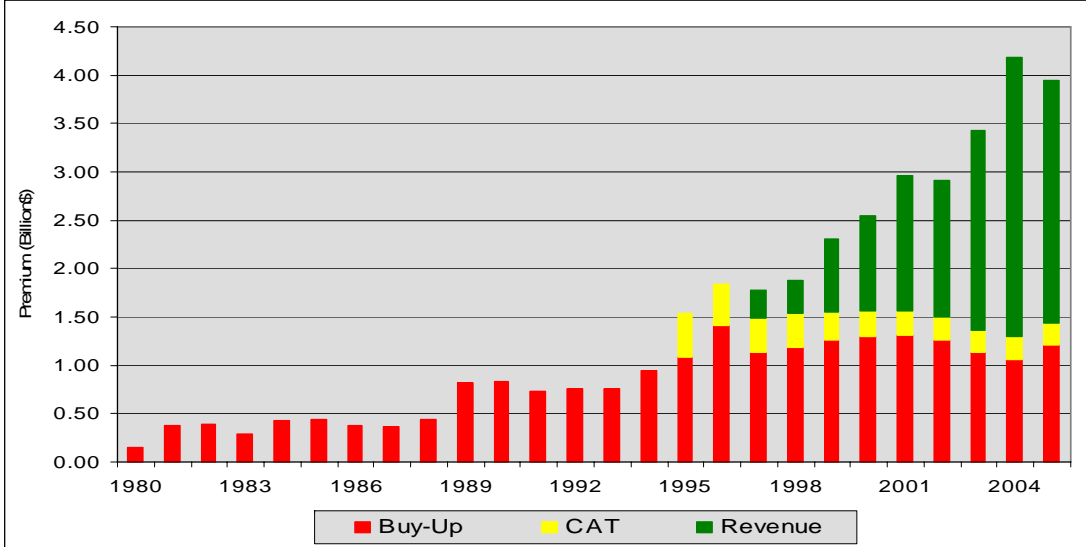


MPCI Growth 1980 - 2005

Liability

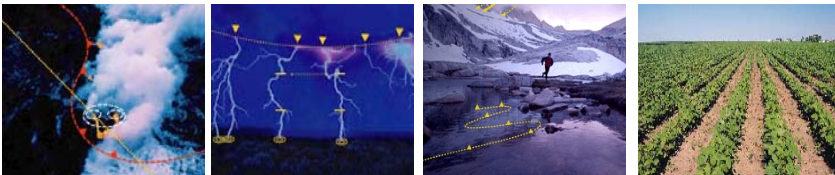


Premium

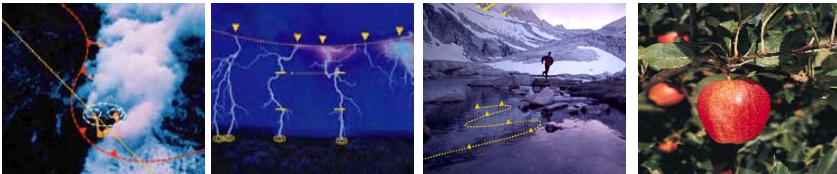
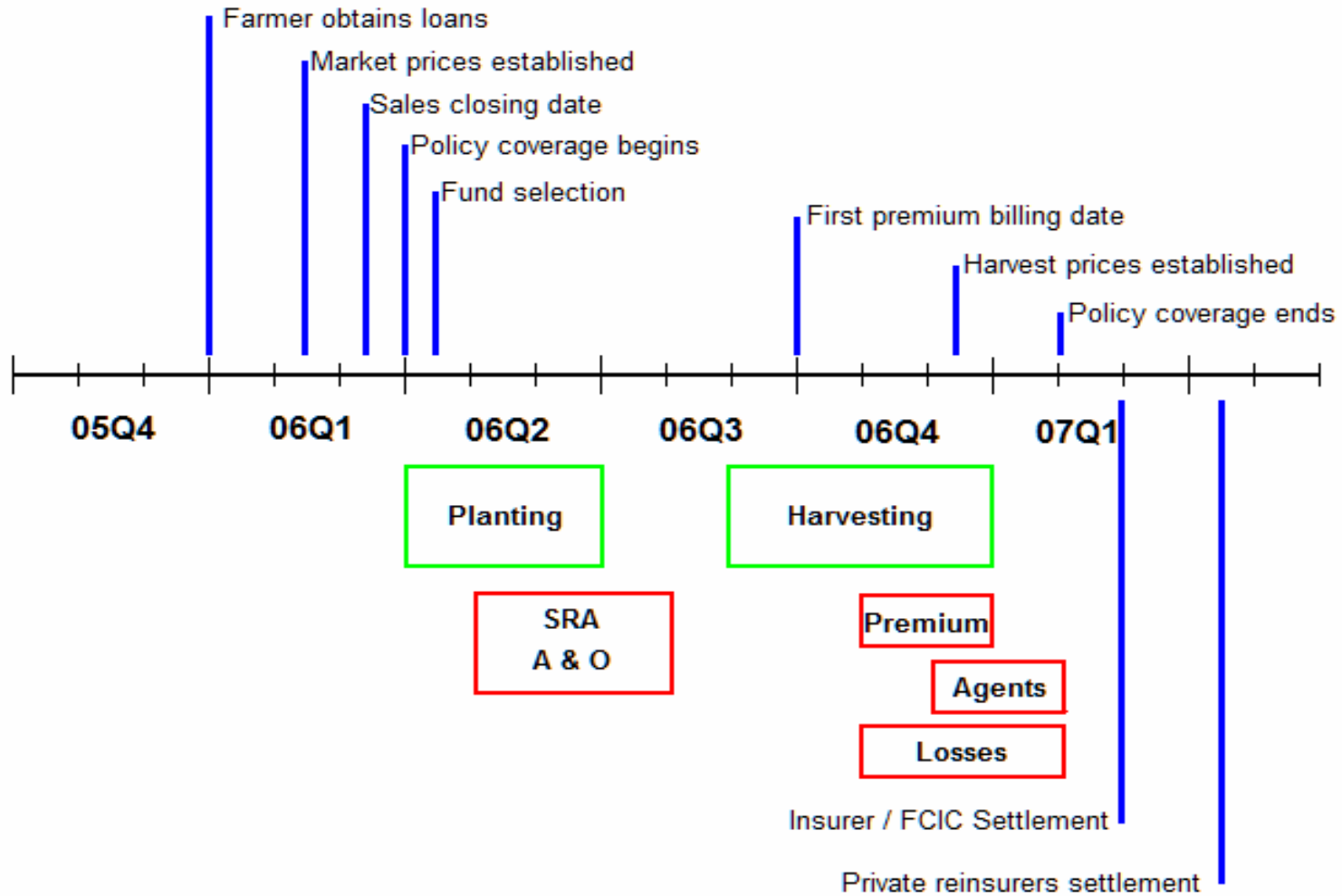


Unique Aspects of MPCl

- Standard Reinsurance Agreement (SRA)
 - Policy forms, rates, underwriting procedures, claims adjustment, reporting same for all carriers
- “Social Welfare”
 - Must accept all approved applications from all qualified producers
 - “all eligible acreage”
- Federal Authority
- Premium Subsidization
- Administrative & Operating Expense
- Timing of Premium / Loss Payments



Spring Planting Cycle



Underwriting of MPCl

➤ SRA holder underwriting

- State
- Cessions
- Fund Designation

➤ SRA holders can allocate to three designated reinsurance “funds” on a per policy basis

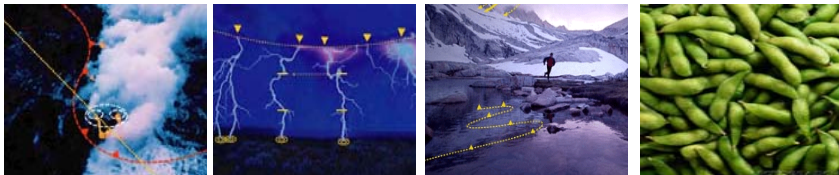
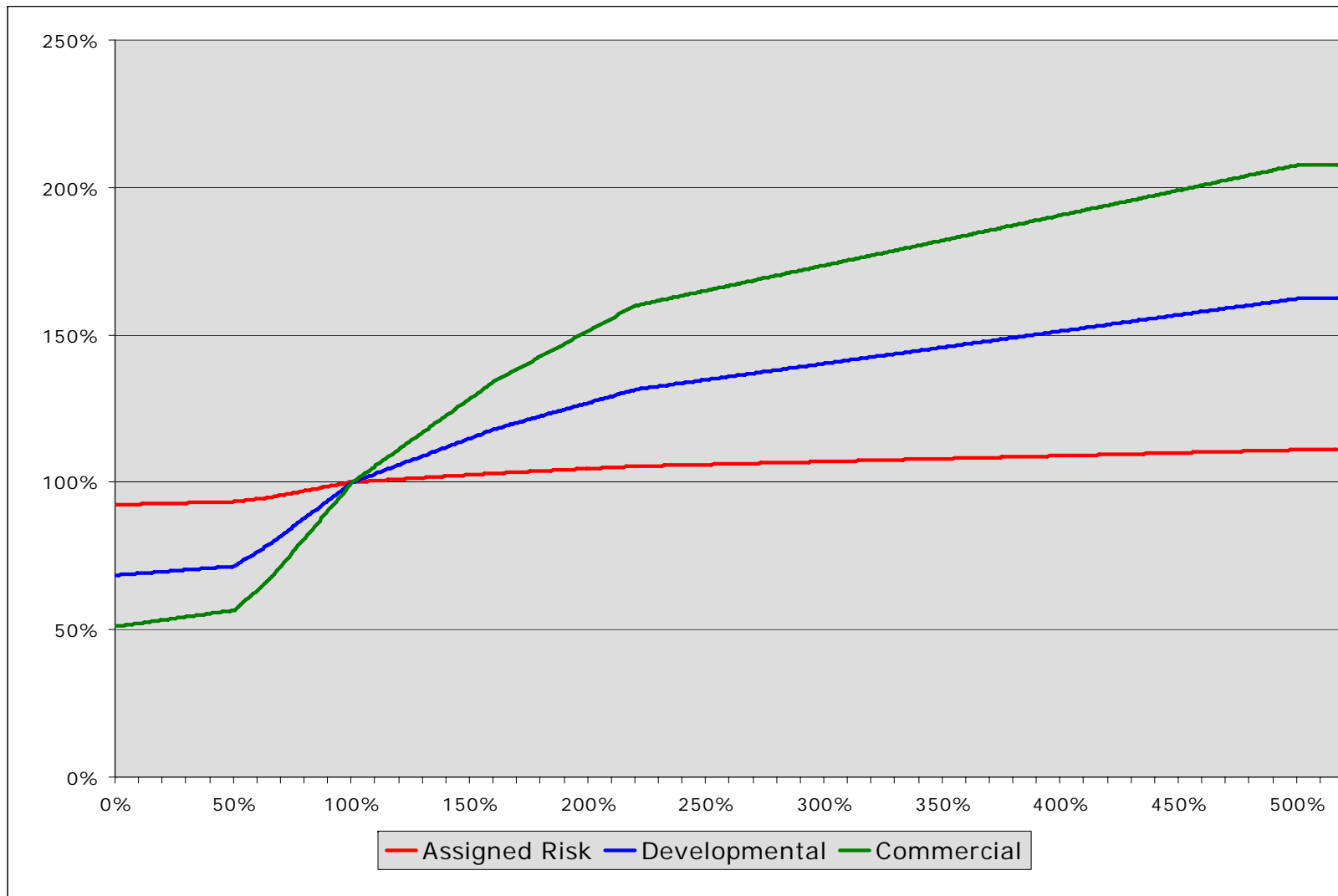
- Assigned Risk – low upside, low downside
- Developmental – moderate upside, moderate downside
- Commercial – highest upside, highest downside

➤ Maximum net loss ratio is 207.6%

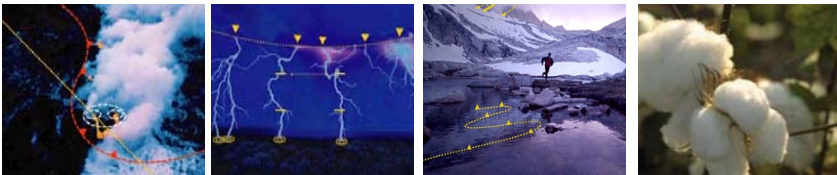
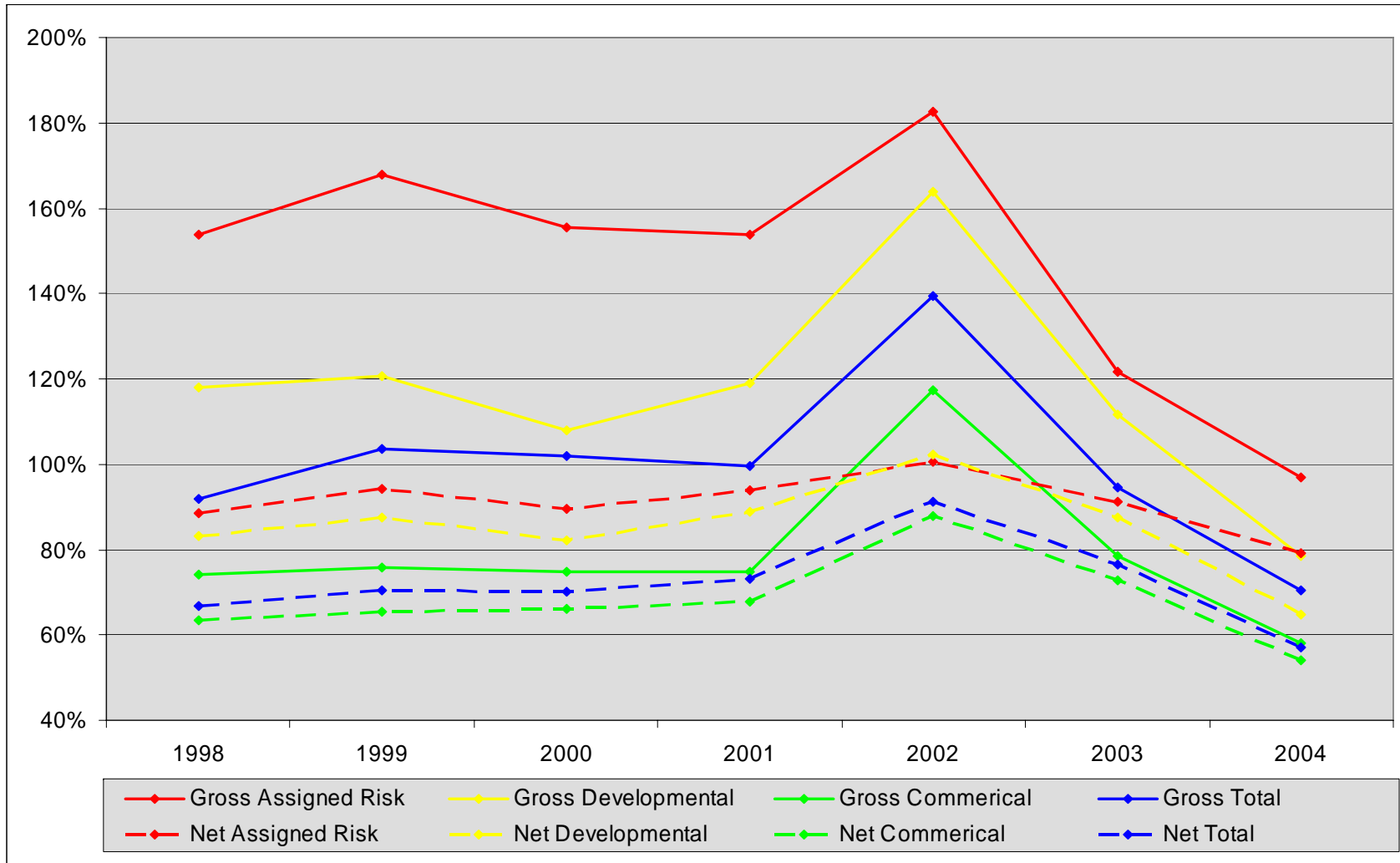
- Even if all policies were Revenue and 100% retained in Commercial



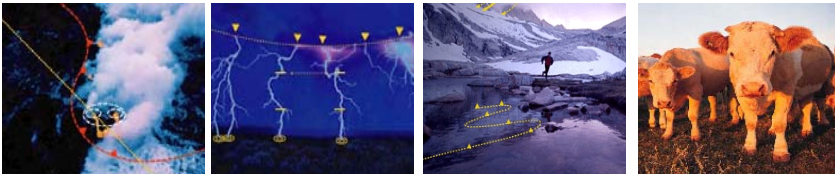
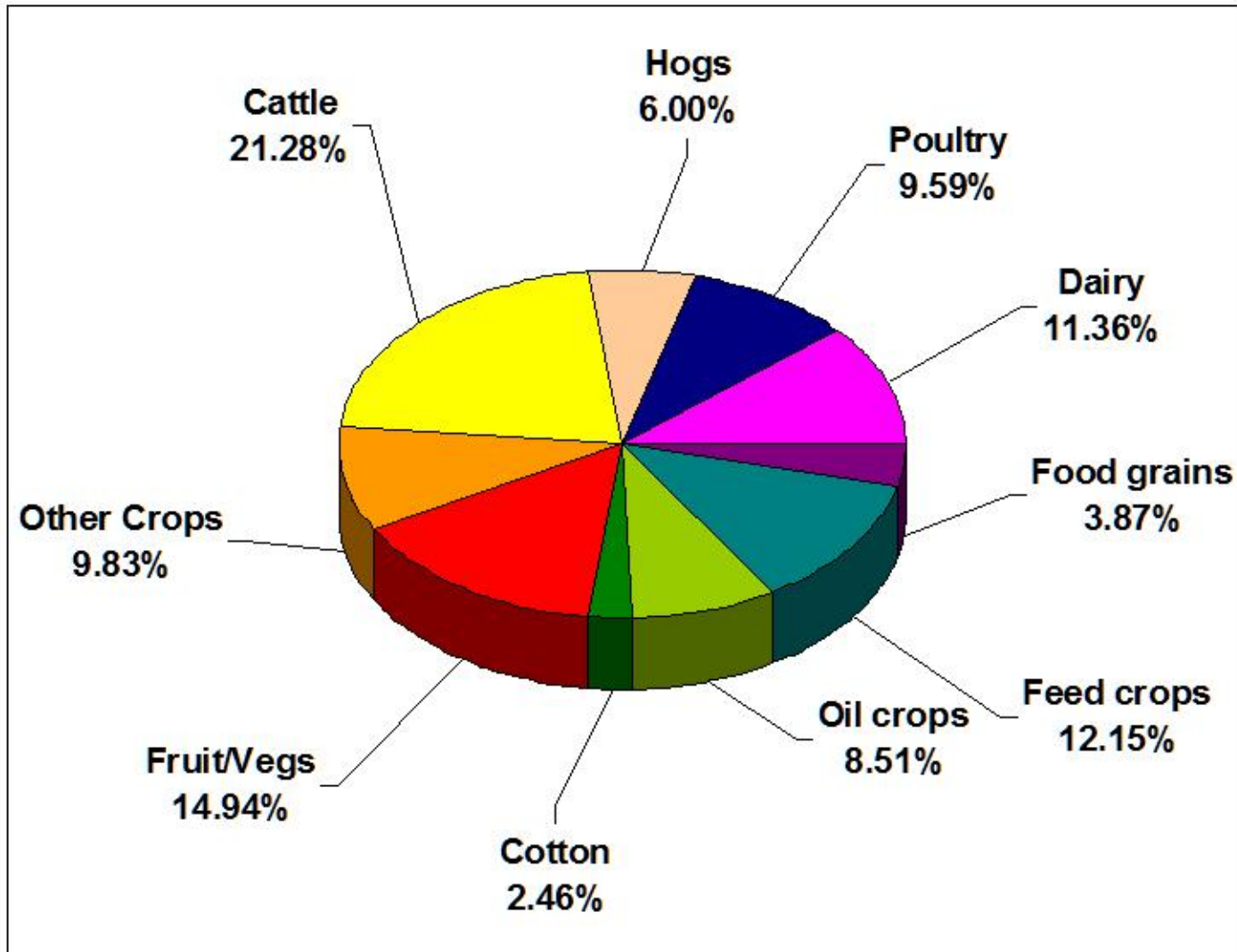
SRA Gross versus Net



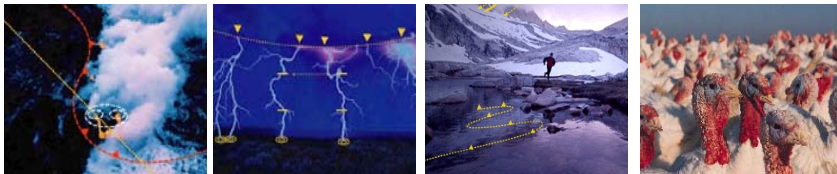
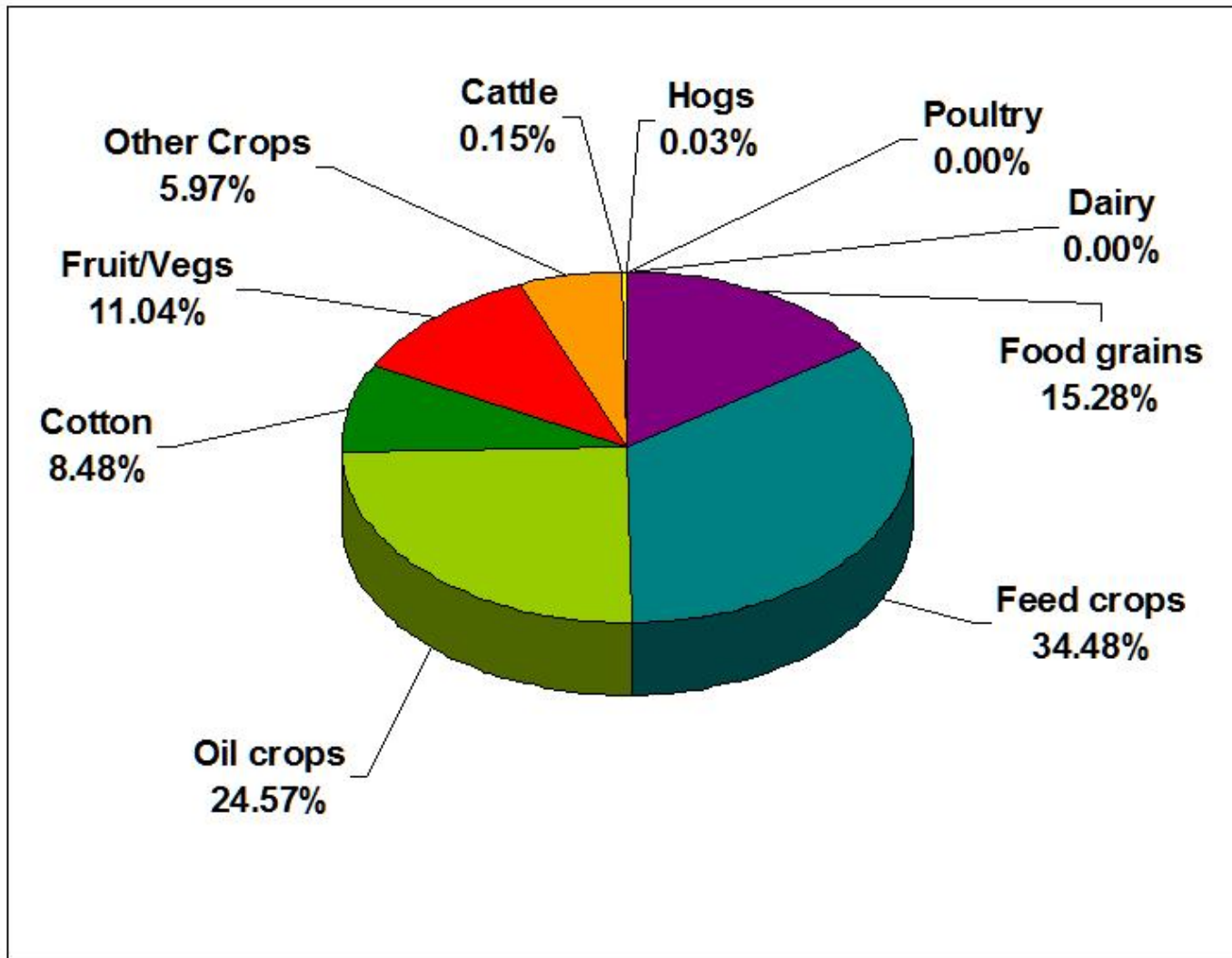
FCIC Historical Experience by Fund



Average 2002-2005 Farm Cash Receipts



2005 FCIC Gross Premium



Livestock Programs

➤ Livestock Risk Protection (LRP)

- Protects against adverse development in commodity price
- 90-, 120-, 150-, 180-day policies (swine)
- 21-, 26-, 30-, 34-, 39-, 43-, 47-, 52-week policies (cattle)
- Prices and coverages change daily

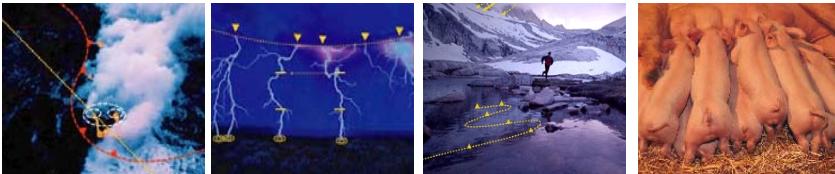
➤ Livestock Gross Margin (LGM)

- Protects against adverse development in producers' margin
- Six month policies incepting every calendar month

➤ Not policies of “indemnity”

- Producers can receive payment even if they do not have a “loss”

➤ Livestock policies subject to LPRA (analogous to SRA)



Genetically Modified (Transgenic) Crops

➤ Can generally be split into two categories

- Genes affecting “input” traits
- Genes affecting “output” traits

➤ Inputs

- Pesticides (StarLink[®] Corn, Bollgard[®] Cotton)
- Herbicides (RoundUp Ready[®] Soybeans, Liberty Link[®] Corn)
- Viruses (UW Rainbow[®] Papaya)

➤ Outputs

- FlavrSavr[®] Tomatoes
- High Protein, High Oleic Soybeans
- Golden Rice
- Pharmaceutical Crops



➤ Identity Preservation



Private Supplemental Programs

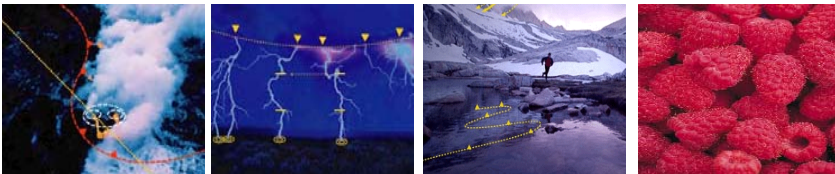
➤ Insurance Products

- Embedded Products
- YieldBand[®]
- VIP[®]

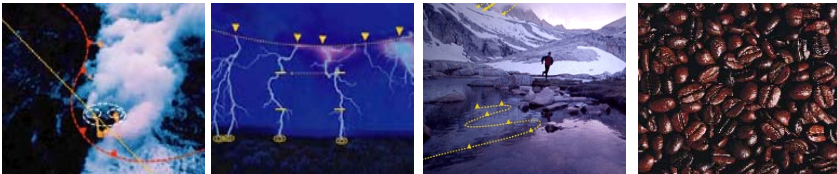
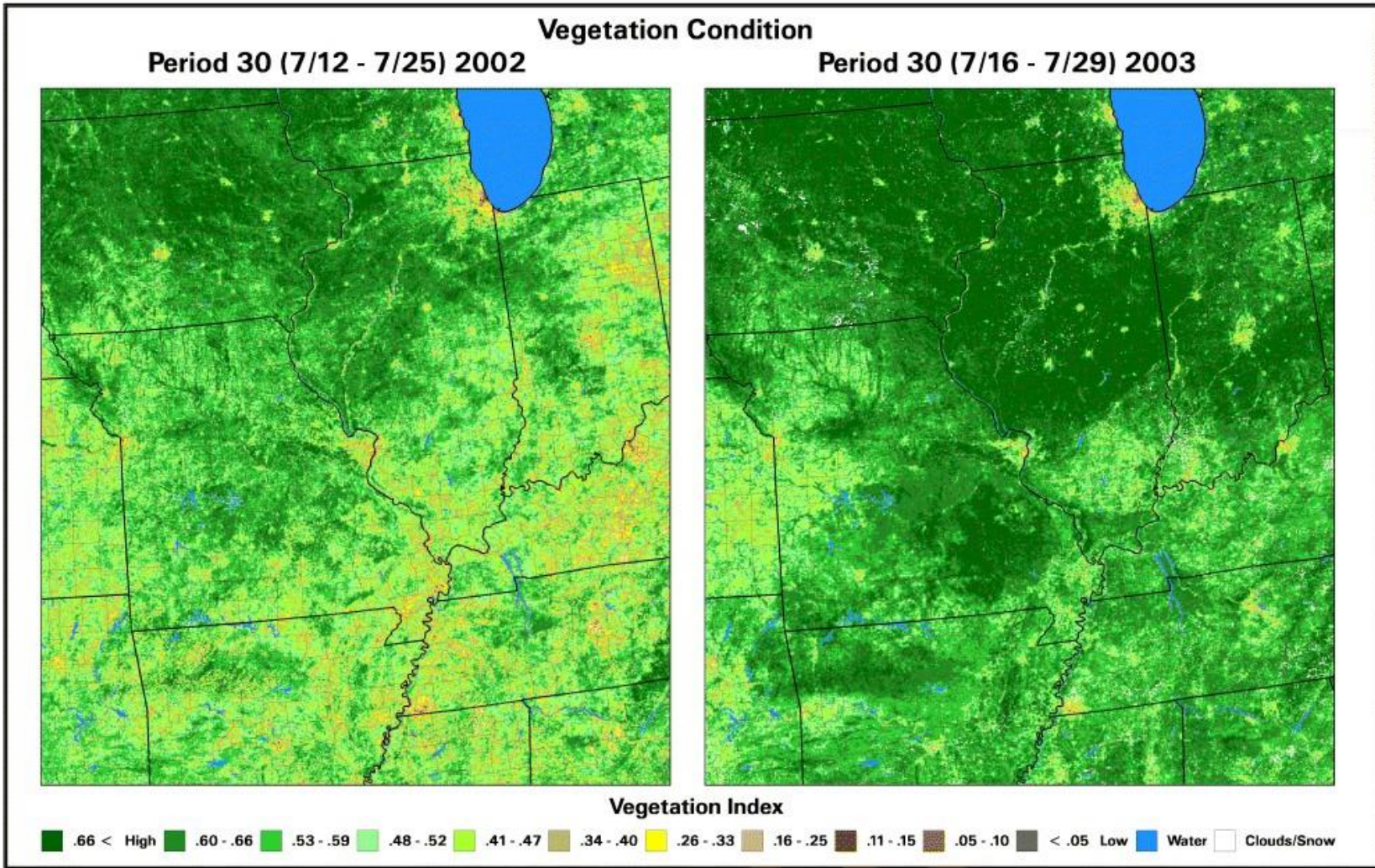
➤ Derivative Products

- RailGuard[®]
- MilkMoney[®]
- Weather-related triggers

➤ Satellite Imagery

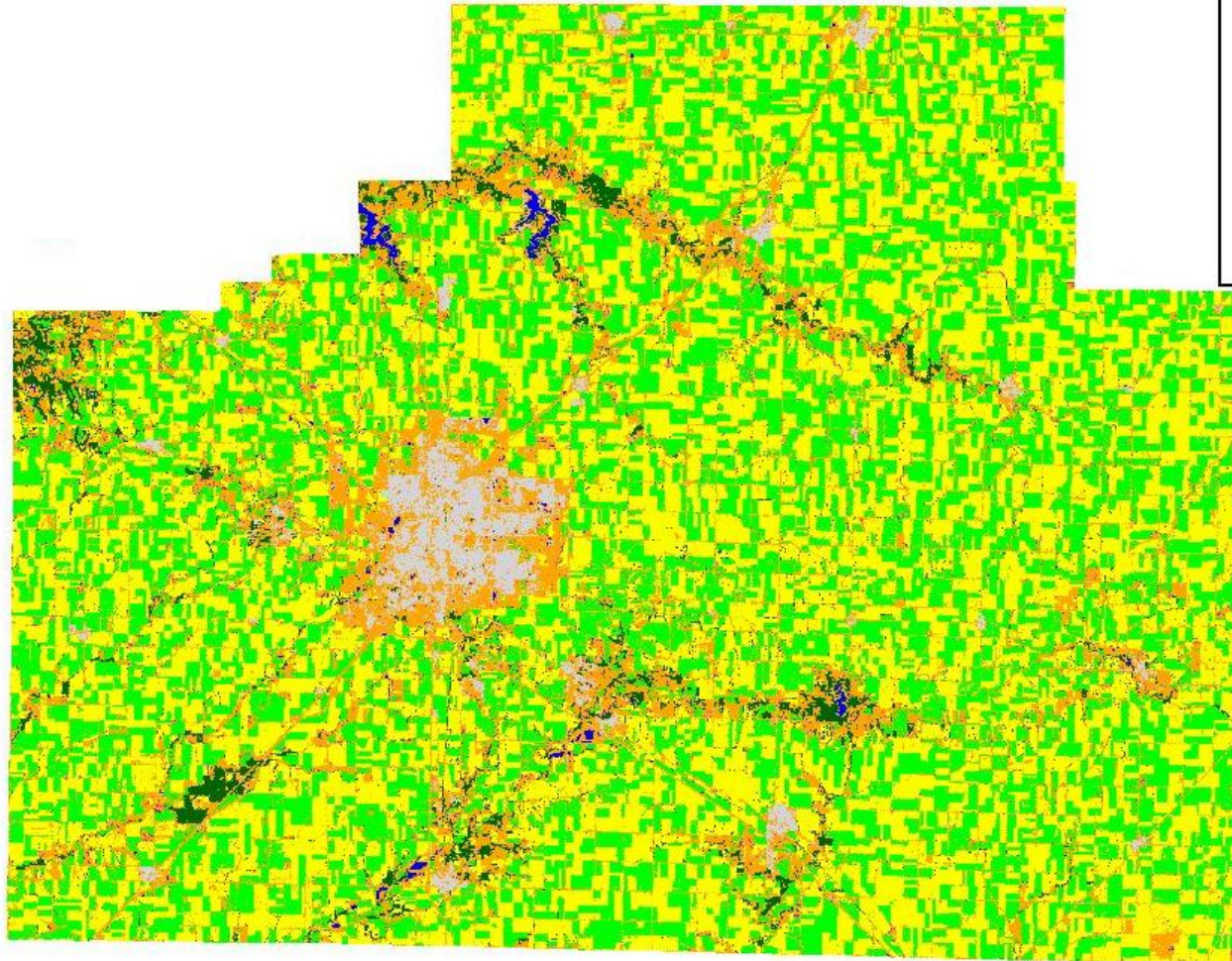


Estimated Yield Forecast

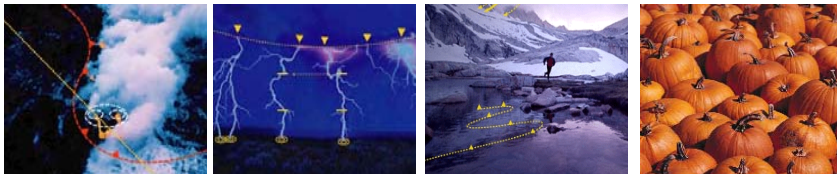


Estimated Acreage Forecast

2003 McLean County Illinois Cropland Data Layer

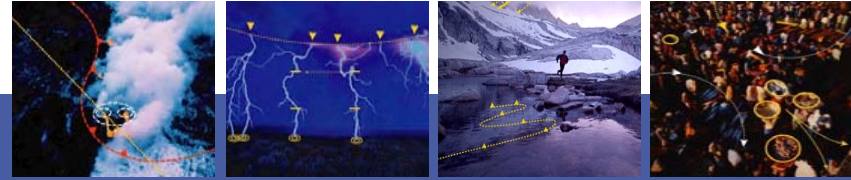


Categories	
Yellow	Corn
Green	Soybeans
Red	Other Crops
Magenta	Winter Wheat
Purple	Other Small Grains
Tan	Idle Cropland
Orange	Pasture/Non Ag/CRP
Dark Green	Woods
Blue	Water
Grey	Urban
White	Clouds





Endurance



Questions ?