Heartland Crop Insurance, Inc.

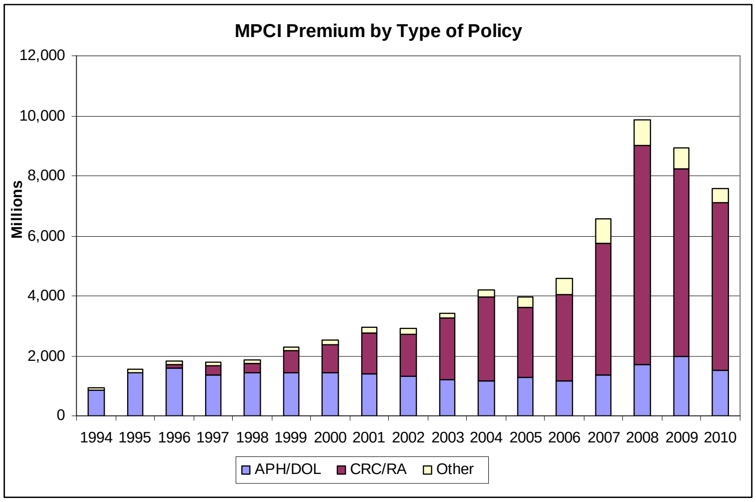
a member of the Everest Re Group

Wade Shuler
CARe Seminar C-7
Philadelphia, PA
June 7, 2011

Primary MPCI Coverage

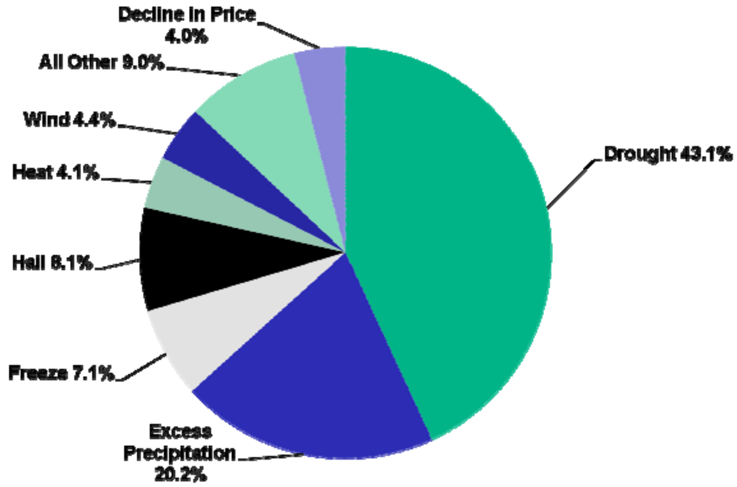
- Yield Protection– covers yield losses due to natural disasters; coverage and payments based on historical average of the individual farmer's yields
- Revenue Protection – covers revenue losses of one crop due to low yields or low prices; coverage based on historical average of the individual farmer's yields and the higher of early season commodity price or harvest season commodity price
- Group Risk Income Protection – county-wide revenue losses of a crop due to natural disasters or price movements trigger payments to all farmers with GRIP policies

MPCI Premium



MPCI – Causes of Loss

Crop years 2002+



Key MPCI Dynamics

- Underwriting
  - Risk pricing – crop insurance premium rates are established by FCIC
  - Risk selection – all risks presented to carrier must be written
  - Competition among crop writers is based on ability to:
    - Attract agents who control the highest quality books of business
    - Effectively select which policies should be ceded to FCIC
    - Optimize the spread of risk geographically
- Claims
  - Settled quickly with minimal loss reserves outstanding at year-end
  - Claim payments are escrowed by RMA until Annual Settlement
  - In the case of an underwriting loss, RMA will continue to escrow claim payments, however the company must pay RMA for its portion of the underwriting loss on a monthly basis
- Cash Flow
  - Premiums are not collected until end of the insurance period and are offset against claims
  - For 2012 and subsequent, A&O reimbursement and underwriting profits will be delayed

2011 SRA Risk Sharing Impact
Assigned Risk Fund

- Maximum Assignment Limit
  - 2005 SRA: Varies by state (50% to 75%)
  - 2011 SRA: 75% limit for all states
- Minimum Premium Retention
  - 2005 SRA: Varies by state (15% to 25%)
  - 2011 SRA: 20% for all states
- State/company basis
  - Ultimately Unchanged
- All Gain/Loss shares increased by 50%
  - Minimal impact on expected return

2011 SRA Risk Sharing Impact
Developmental Fund

- The Developmental Fund has been removed from the 2011 SRA

2011 SRA Risk Sharing Impact
Commercial Fund

- Sub - Funds
  - 2005 SRA: CAT / Revenue / Buy-Up
  - 2011 SRA: No sub - funds
- Minimum Premium Retention
  - 2005 SRA: 50 percent
  - 2011 SRA: 35 percent

2011 SRA Risk Sharing Impact
Commercial Fund

	Loss Ratio	2005 SRA Buy-up	2005 SRA Cat	2005 SRA Rev	2011 SRA Group 1	2011 SRA Group 2
Gain	0-50	11%	8%	11%	5%	5%
	50-65	70%	50%	70%	40%	40%
	65 -100	94%	75%	94%	75%	97.5%
	Total	**48.9%**	**37.8%**	**48.9%**	**34.8%**	**42.6%**
Losses	100-160	50%	50%	57%	65%	42.5%
	160-220	40%	40%	43%	45%	20%
	220-500	17%	17%	17%	10%	5%
	Total	**101.6%**	**101.6%**	**107.6%**	**94.0%**	**51.5%**

Underwriting Management

- Proprietary Integrated Fund Designation Software application developed under the direction of Executive Management, utilizing:
  - Base Scoring Model by State, Crop, and County
  - Recast Historical Premium and Loss at Contract Level
  - Current Agronomic Conditions
- Utilize outside fund allocation models as parallel cross-check