



PRECISION
RISK MANAGEMENT

PRM Strategic Business Overview

October 2020

Confidential – Not for Distribution

Agenda

- Introduction
- Strategic Overview
- Operational Capabilities
- Other topics of interest

Launch of Business

Precision Risk Management (“PRM”) is a newly-formed specialty insurance MGA focused on delivering crop insurance to growers

General Agency (Svennes Crop Insurance Agency)

- 20+ years selling crop insurance
- South Dakota portfolio
- Strong focus on precision crop insurance

2018 Transformation and Launch

- Management recruits
- Fronting partner
- Reinsurance capital
- Federal (RMA) license

PRM: Managing General Agency

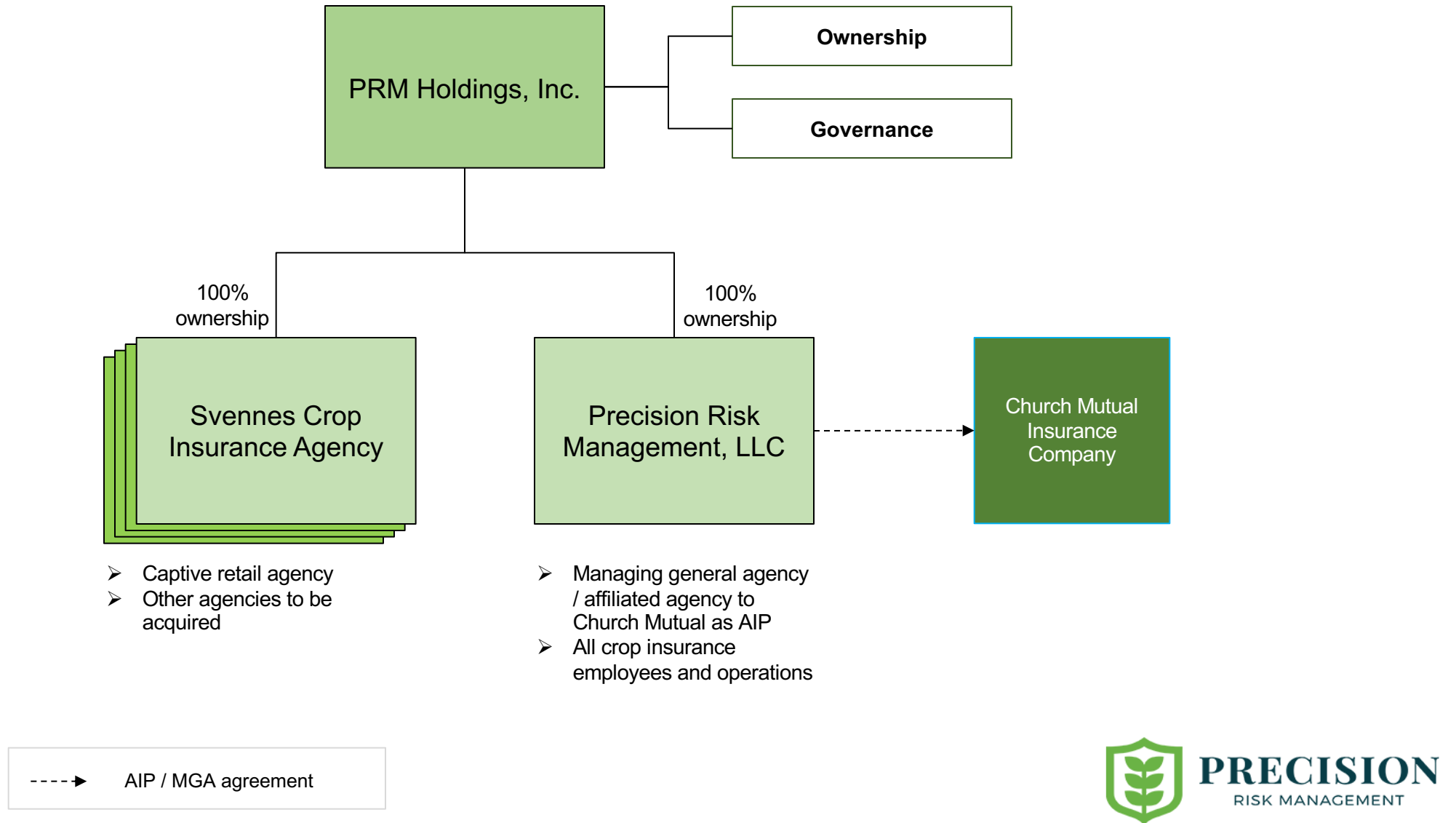
- Crop insurance operations
- Precision Ag support
- Existing book of business
- Captive agency distribution

Launched November 2018

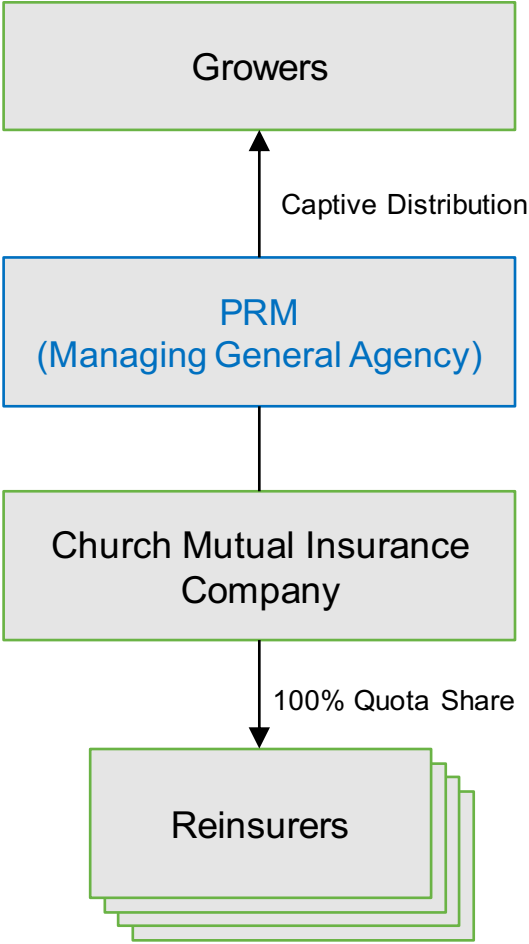
As early adopters of precision ag processes for crop insurance, PRM’s founders recognized the opportunity to focus on supporting large growers and improving upon the crop insurance model



Organizational Structure



Operational Model and Partners



Operating Partners

Working with leading service providers to ensure operating quality

Accounting	Eide-Bailly
Actuarial	Milliman
Crop Processing	AgWorks
RMA Compliance	Henke Bufkin

(Re)insurance Partners

Partnered with 'A' rated Church Mutual Insurance Company as Approved Insurance Provider

Fronting Company / AIP	CMIC
Reinsurance Broker and Modeling	Guy Carpenter
Reinsurers	Validus Allied World Axis Toa

Program is 100% quota share reinsured by 'A' rated or better reinsurers

Strategic Vision: A Unique and Profitable Business Model

Our business strategy to guide our objectives



Captive Distribution

Direct customer engagement where PRM owns the relationship



Customer-Centric

Align resources to support Impact Growers of scale; providing consistent and reliable service



Geographic Focus

Disciplined, analytics-driven approach as an in-region market leader



Precision Data Support

Allows PRM to capture extensive crop data in the field

How and where we will grow

How we will align and reach our customers

How will we differentiate from competitors

Consistent, controlled and repeatable customer crop insurance experience delivering profitable results with minimum premium scale

Key Strategic Elements

	Approach	Description	Target
Core Sales Engine	Organic Growth Strategy	<ul style="list-style-type: none"> Portfolio optimization and key value proposition to growers and other strategies Heavy focus on grower tiering and service 	<ul style="list-style-type: none"> 20% per year
	Agent Recruitment	<ul style="list-style-type: none"> Recruiting agents with experience and existing books Providing training, tools, service team and information to identify growers and build profitable books 	
Business Development	Agency Acquisitions	<ul style="list-style-type: none"> Purchase of whole agencies Principals seeking succession or improved sales / service platform 	<ul style="list-style-type: none"> \$10m per year
	Partnerships	<ul style="list-style-type: none"> Align/partner with non-traditional channels Near-term focus on bespoke opportunities and validation 	<ul style="list-style-type: none"> TBD
Corporate Development	Transformational	<ul style="list-style-type: none"> Large scale acquisitions / spin-outs Business plan acceleration 	<ul style="list-style-type: none"> TBD

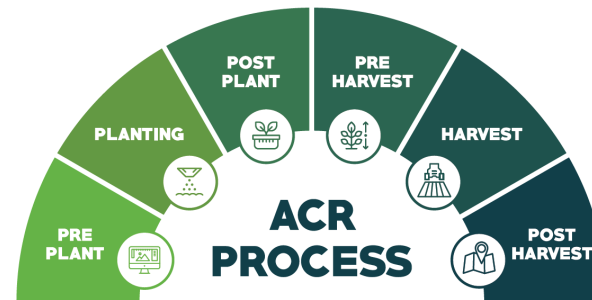
PRM Advantage: Precision Data

“On-farm” assistance with setup and collection of electronic field data automates acreage and production reporting to ensure accuracy



**PRECISION
DATA**

Automate acreage and production reporting



PRE PLANT

- Clean up & help manage Client/Farm/Field names
- Create Setup file
- Clean up & help manage Display Data
- Upload Setup file
- Setup Display and input initial settings

PLANTING

- Verify settings & ground truth
- Answer questions and/or solve problems with various systems

POST PLANT

- Export Display Data
- Upload Planting Data to sharfile
- Clean/manage data in software program
- Prepare Data to be used for ACR
 - Notify Underwriting of Completed Data
 - Export from SMS to Import for ACR
- Print Maps & Make Books

PRE HARVEST

- Create Variety Locator file (if applicable)
- Create Setup file
- Upload Setup file
- Setup Display and input initial settings

HARVEST

- Verify settings & ground truth
- Calibrate Yield Monitor to within 3%
 - Include Calibration Report
- Answer questions and/or solve problems with various systems

POST HARVEST

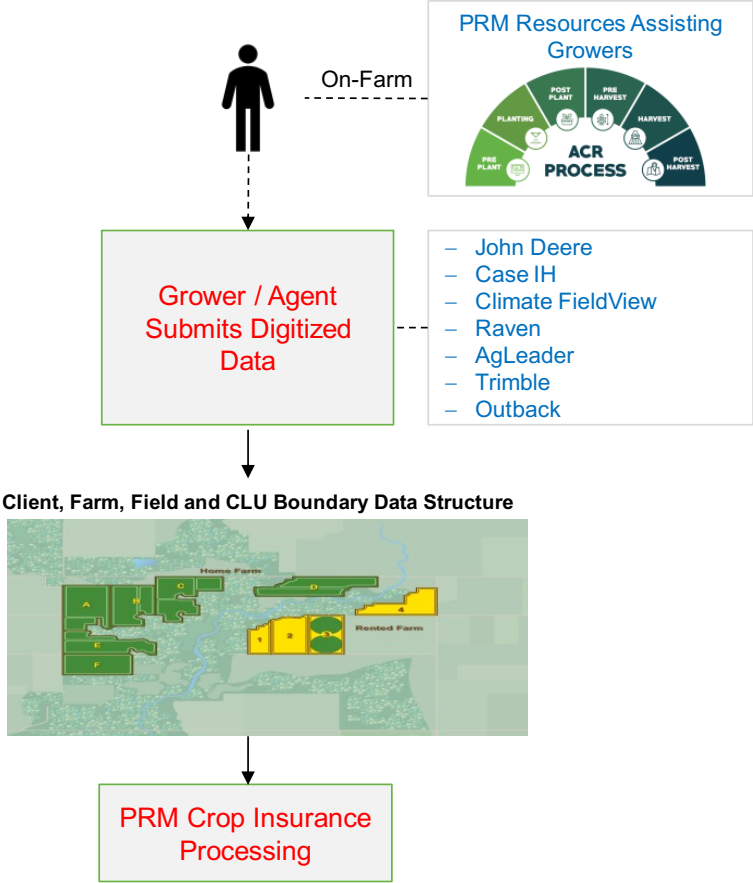
- Export Display Data
- Upload Harvest Data to sharfile
- Clean/manage data in software program
- Prepare Data to be used for ACR
 - Notify Underwriting of Completed Data
 - Export from SMS to Import for ACR
- Print Maps & Make Books



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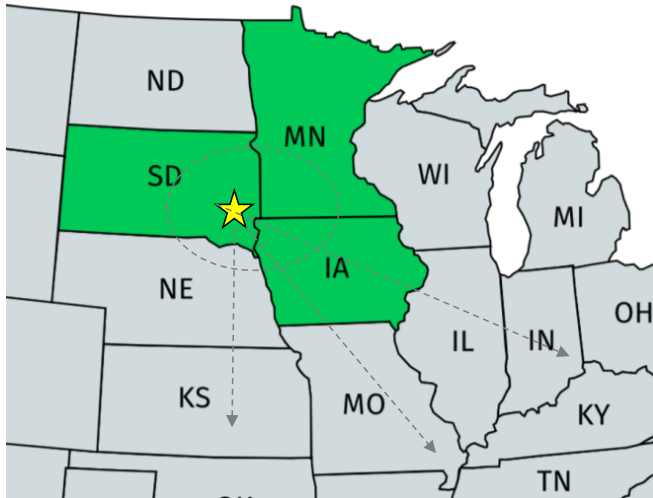
Rationale for Precision Ag Model

Grower Impact	Leveraging grower use of technology; fewer manual processes; accuracy
PRM Sales Approach	Providing teams that pair technical resources with crop insurance expertise
PRM Operations	Improved efficiencies; RMA compliance
Competitive Positioning	Slow adoption and inconsistent approach by agencies/insurers
Market Focus	Positioned to support growing / under-addressed segment



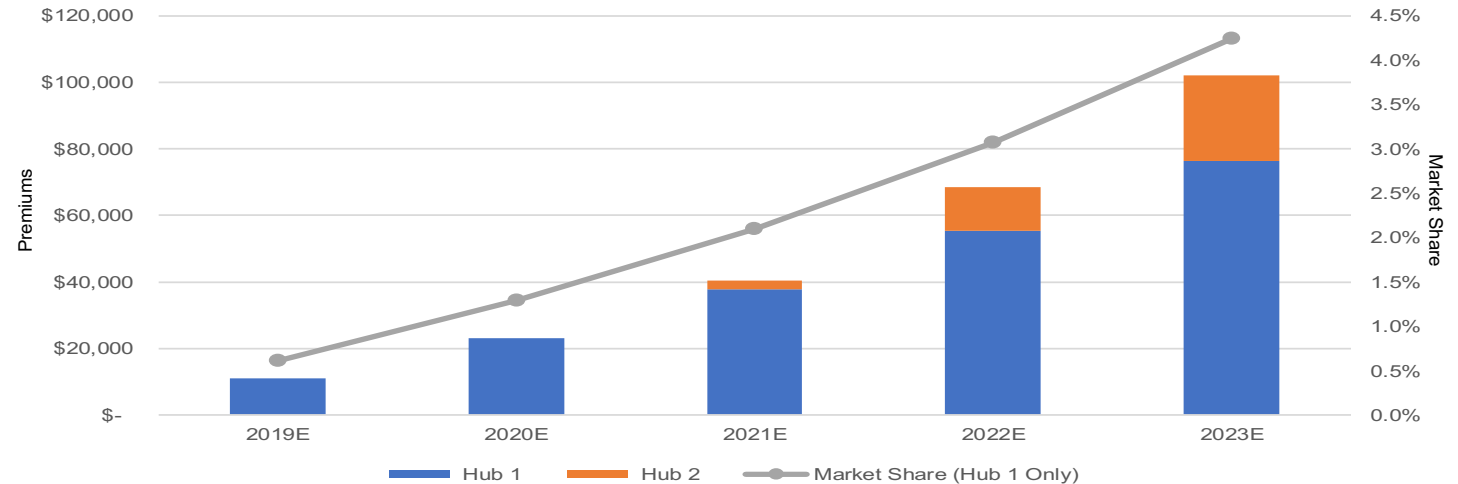
Geographic and Growth Plan

Core Footprint



- Core footprint with approximately \$1.8bn of industry MPCl premiums (about \$600m in each of the three states)
- Operating out of single corporate office in Sioux Falls, SD until expansion to Hub 2

Premium Growth



Establish Platform (Years 1 – 2)

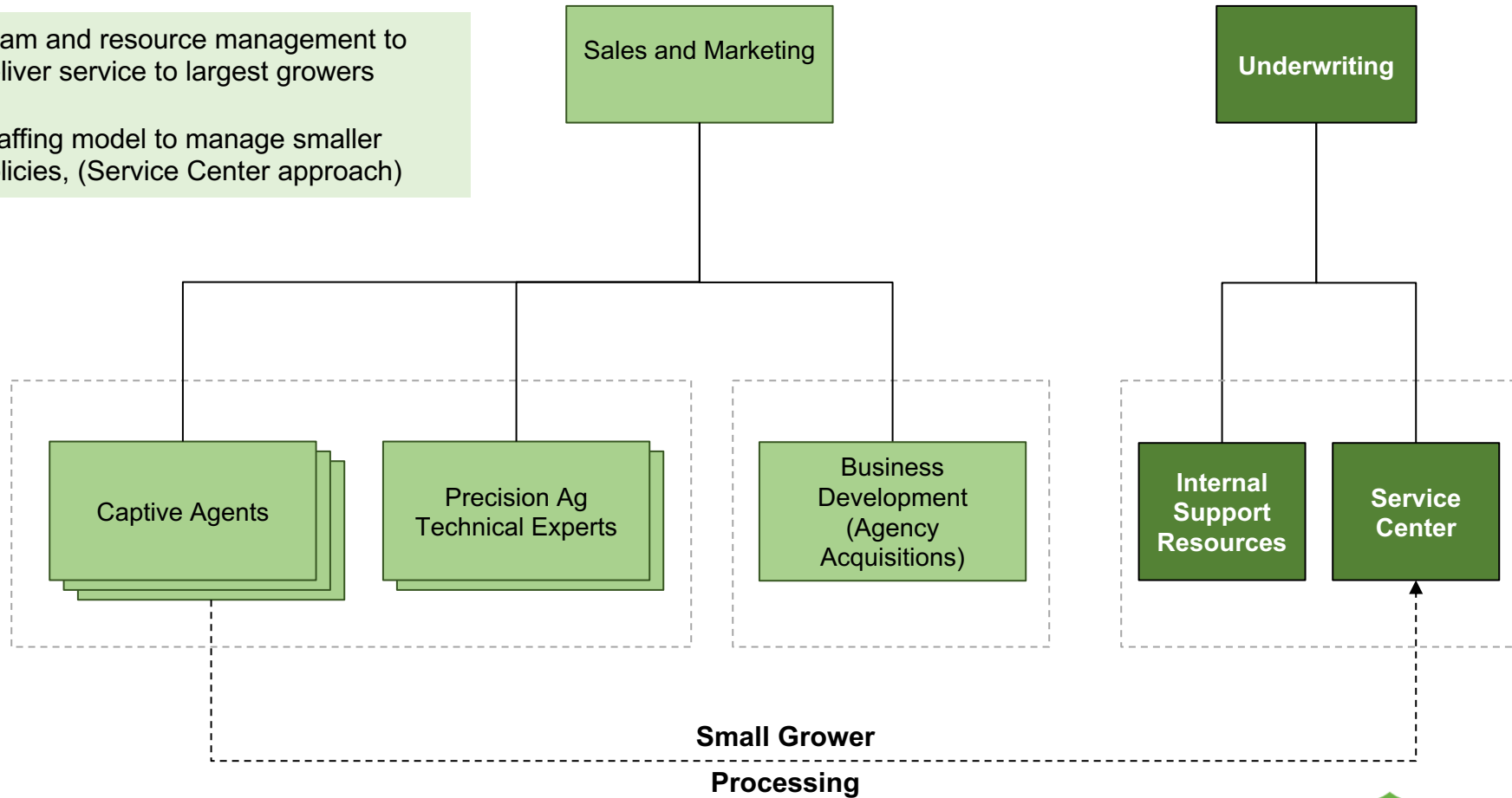
- Disciplined focus on growth and expense control in Core Footprint
- Initial agency acquisitions and pipeline development
- Refine precision ag operational model
- Achieve scale / break-even
- Identify Hub 2 targets

Scale and Profit (Years 3 - 5)

- Market leadership in core footprint
- Expand geographic reach to Hub 2
- Incorporate bolt-on acquisitions
- Corporate scale recognition
- Improved reinsurance terms

Sales Team Operating Model

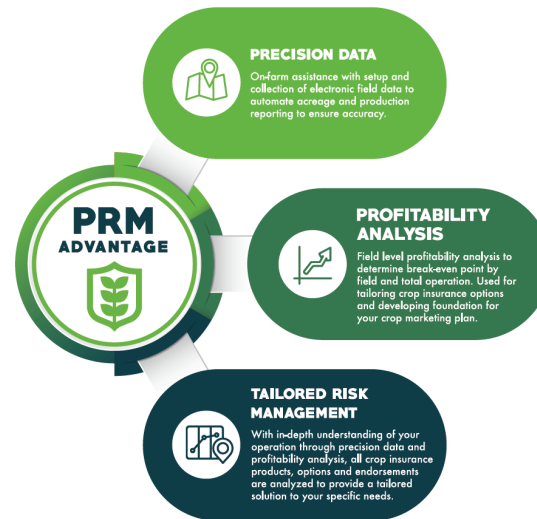
- Team and resource management to deliver service to largest growers
- Staffing model to manage smaller policies, (Service Center approach)



PRM Advantage and Dual Support Approach

PRM's unique captive sales model will combine insurance risk management expertise and precision ag technical expertise

- With PRM, growers work directly with a company representative who is a crop insurance expert
- Crop insurance experts are supported by an ag-data specialist, fully implementing precision farming technology into the crop insurance policy
- By selling direct, growers benefit from a consistent, repeatable risk management experience



Crop Insurance Sales Resources

- Expertise with federal crop insurance products
- Working with growers to balance field-level profitability and risk management



Precision Ag Technical Resources

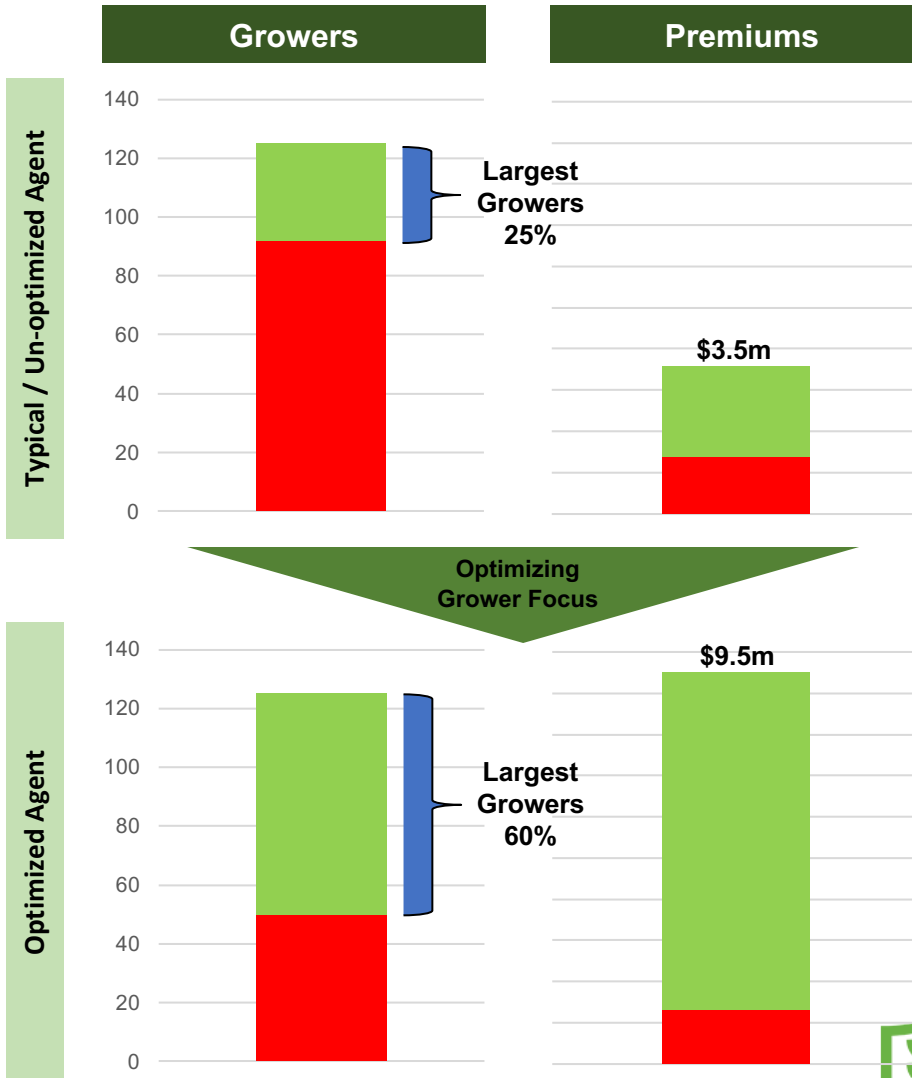
- Educating growers to integrate precision data into crop insurance
- Background in equipment and technical expertise
- Pipeline of relationships from equipment / dealer background

PRM Value Proposition to Large-scale Growers: Direct customer engagement creating accurate, efficient and data-driven crop insurance solutions

Grower Tiering

Tiering	Grower Size (Acres)	Profile and Approach
Tier 1	5,000 +	<ul style="list-style-type: none"> Core organic marketing focus
Tier 2	2,500-5,000	
Tier 3	1,000–2,500	<ul style="list-style-type: none"> Grower prospect database
Tier 4	250-1,000	
Tier 5	< 250	<ul style="list-style-type: none"> Emerging growers Likely roll-overs Likely through roll-over and rental relationships Move to Service Center

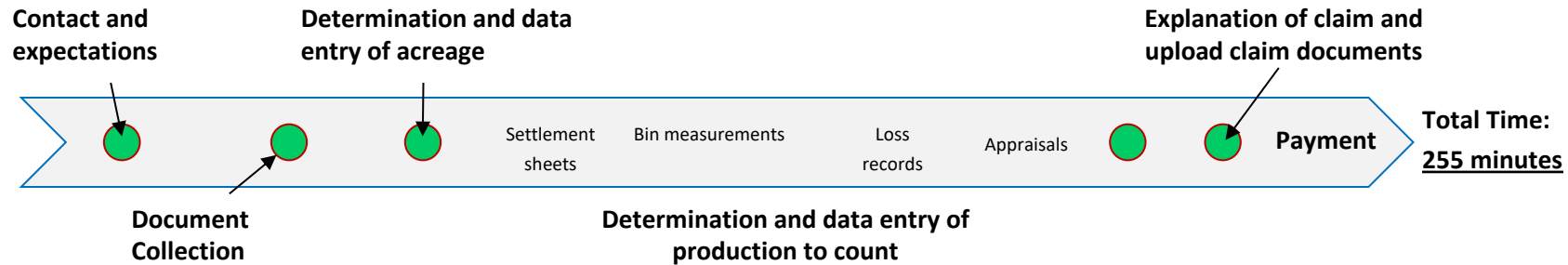
- By focusing on the largest growers, PRM will drive higher premiums per agent and lower relative operating costs
- Processes and discipline for small accounts will be critical to managing potential dilution
- Alignment is key – employee/portfolio-level P&L and EBITA targets



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Precision Ag and Claims

Manual Process*



Production determination based on farm storage structures measurements, feed records, collection of settlement sheet. Data Entry based on bin measurements, individual weight tickets and feed and scale records. Hundreds of entries into the Automated Crop Entry System are possible.

Precision Ag Process*



Production determination based on maps, calibration record and harvested data from yield monitor. Minimal entries into the Automated Crop Entry System are required. Process can be handled in the mobile office.

Precision Ag reduces loss adjusting time and expense

Agency/Agent Acquisition Overview

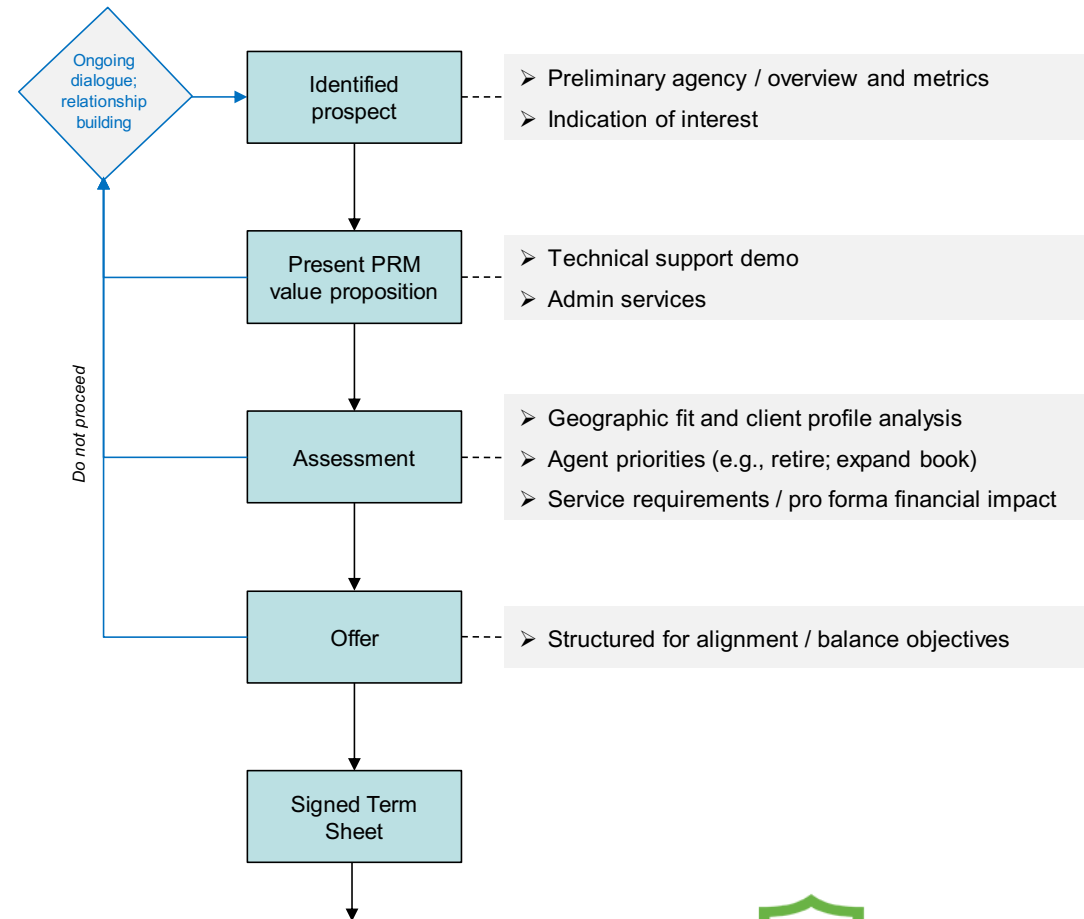
Approach

- Identified target counties and licensed agents within counties
- Integrated prospecting (agents and agencies)
- Transition opportunity given demographics of agency force
- Business development support for target identification
- PRM technical demos utilized for clients of prospective agencies
- Ability to assign agent as pathway to acquisition
- Utilization of earnout and seller financing

Status

- Initial prospecting occurring
- Several agency dialogues (disrupted by sales closing); re-engaging efforts post-April-1
- Development of acquisition process with focus on client tiering evaluation
- Situations are disparate (e.g., seeking transition; seeking leverage; attracted to PRM service)

Process Overview



PRM Financials Overview

PRM Acquisition Input

Target Premium

MPCI	\$	2,700,000
Hail	\$	300,000
Total	\$	3,000,000

Revenues

MPCI	11.80%	\$	318,600
Hail	20.00%	\$	60,000
		\$	378,600

Multiple

2.75

Valuation

\$ 1,041,150

34.7%

Payment

Down	100.00%	\$	1,041,150	
Payment 1	0.00%	\$	-	
Payment 2	0.00%	\$	-	
Payment 3	0.00%	\$	-	
Payment 4	0.00%	\$	-	
Payment 5	0.00%	\$	-	\$ 1,041,150
Retention Bonus	20.00%	\$	208,230	\$ 208,230

Profit Share Potential

Yr 1		\$	2,700,000	
Subsequent	2.80%	\$	75,600	
Years	2	\$	151,200	

Total

\$ 1,400,580

46.7%

PRM Acquisition Model

	Year 0	Retention	Year 1	Year 2	Year 3	Year 4	Year 5
MPCI Premium	\$ 2,700,000	90%	\$ 2,430,000	\$ 2,430,000	\$ 2,430,000	\$ 2,430,000	\$ 2,430,000
Hail Premium	\$ 300,000	90%	\$ 270,000	\$ 270,000	\$ 270,000	\$ 270,000	\$ 270,000
Total Premium	\$ 3,000,000		\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000	\$ 2,700,000
Retained Net MP Premium		92%	\$ 2,235,600	\$ 2,235,600	\$ 2,235,600	\$ 2,235,600	\$ 2,235,600

REVENUES:

	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5
A&O Rate		14.5%	\$ 352,350	\$ 352,350	\$ 352,350	\$ 352,350
Profit share		25.0%	\$ -	\$ -	\$ -	\$ -
Hail Cede		20.0%	\$ 54,000	\$ 54,000	\$ 54,000	\$ 54,000
MPCI Cede		9.3%	\$ 206,793	\$ 206,793	\$ 206,793	\$ 206,793
Total Revenue			\$ 613,143	\$ 613,143	\$ 613,143	\$ 613,143

EXPENSES:

Purchase Consideration		\$ 1,041,150	\$ -	\$ -	\$ -	\$ -
Purchase (Profit Sharing)		\$ -	\$ -	\$ 75,600	\$ 75,600	\$ -
Purchase (Retention Bonus)		\$ -	\$ -	\$ -	\$ 208,230	\$ -
Total Consideration		\$ 1,041,150	\$ -	\$ 75,600	\$ 283,830	\$ -

Additional Staff		\$ 50,000	\$ 51,000	\$ 52,020	\$ 53,060	\$ 54,122
Benefit	1	\$ 8,200	\$ 8,200	\$ 8,610	\$ 9,041	\$ 9,967
Employee Taxes		7.65%	\$ 3,825	\$ 3,902	\$ 3,980	\$ 4,059
Burden(1)		4.96%	\$ 133,812	\$ 133,812	\$ 133,812	\$ 133,812
LAE		\$ 50,000	\$ 51,000	\$ 52,020	\$ 53,060	\$ 54,122
Operating Expense		\$ 245,837	\$ 248,324	\$ 250,872	\$ 253,484	\$ 256,163

Total Cash Outflow

\$ 1,286,987	\$ 248,324	\$ 326,472	\$ 537,314	\$ 256,163
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NET CASH FLOW

\$ (673,844)	\$ 364,820	\$ 286,671	\$ 75,829	\$ 356,980
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CUMULATIVE CASH FLOW (PAYBACK)

\$ (673,844)	\$ (309,025)	\$ (22,354)	\$ 53,475	\$ 410,455
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(1) Burden

Front Fee	2.0%	\$ 50,112
Premium Tax	2.0%	\$ 5,400
AgWorks	1.9%	\$ 51,300
Other	1.0%	\$ 27,000
Total		\$ 133,812

16 % of Gross Premium



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