2020 RAMP SALES GUIDE

Agent Sales Guide

Farmers Mutual Hail
Insurance Company of Iowa

PRICE PRODUCTS: WHAT YOU NEED TO KNOW

What is a Private Pricing Product?

An unsubsidized insurance product offered to enhance federally-subsidized MPCI insurance. Each company creates its own product or develops its own version of an existing product. Private pricing products fall into three product categories:

1. **Expanded Price Period**
   Product which offers insureds the option to use a price that is established outside the normal spring and fall pricing periods.
2. **Yield Loss Boosters**
   Product that increases the value of each bushel, but only pays when there is a yield loss.
3. **Revenue Boosters**
   Product that allows farmers to buy coverage that pays when there is a drop-in yield and/or revenue.

RAMP is flexible and can be set up as a Yield Loss Booster product or a Revenue Booster product, or both types at the same time.

Who needs a Private Pricing Product?

Producers who are not getting enough coverage from MPCI insurance – they may need a private product to show more coverage to their banker or enhance their MPCI coverage when their MPCI guarantee is falling too short of their input costs.

PRIVATE PRICING PRODUCTS COMMON MISCONCEPTIONS

Private pricing products can be very confusing. It is important that you totally understand the private products that you are selling. It is not uncommon for producers to believe they have bought more protection than they actually purchased. Here are some common misconceptions:

1. A farmer thinks additional revenue coverage was bought, but the product only covers yield losses.
2. The product pays only on an EU basis, but the farmer thinks there is OU coverage.
3. A farmer bought a pricing period product and the locked-in price was lower than the spring/fall MPCI price. The farmer believes there is no premium due, but this is incorrect; the premium is still due.
4. A farmer buys a product with $50 of liability along with MPCI which has $600 of liability. The farmer now believes there is $650 of guaranteed revenue. Some products like FMH's RAMP® can work like this, but few others do. Often, with other products no payment is made on the $50 of liability until an MPCI loss is triggered.

RAMP OVERVIEW

ABOUT REVENUE ACCELERATOR MAX PROTECTION (RAMP)

RAMP was one of the first pricing products in the industry. The product has been enhanced and expanded in availability since it launched in 2015 and remains one of the leading pricing products in flexibility for all producers.

RAMP gives producers the opportunity to boost revenues at specific risk levels within their risk management plan, including a trigger up to 95 percent. RAMP supplements the insured's MPCI coverage and is designed to help provide additional coverage when production and/or revenue losses are just over or under the MPCI guarantee.

RAMP is flexible and can be used in many ways to increase the insured's overall coverage. RAMP coverage is either meant to Strengthen/ Supplement their current MPCI policy or it can Build on top of it. What they intend their RAMP policy to accomplish is dependent on which RAMP band of coverage they choose. RAMP has two policy types:

- RAMP Yield (RY) is a plan that pays if the production to count (harvested bushels) falls within or below the selected coverage band.
- RAMP Revenue (RR) is a plan that pays if the harvest revenue falls within or below the selected coverage band.

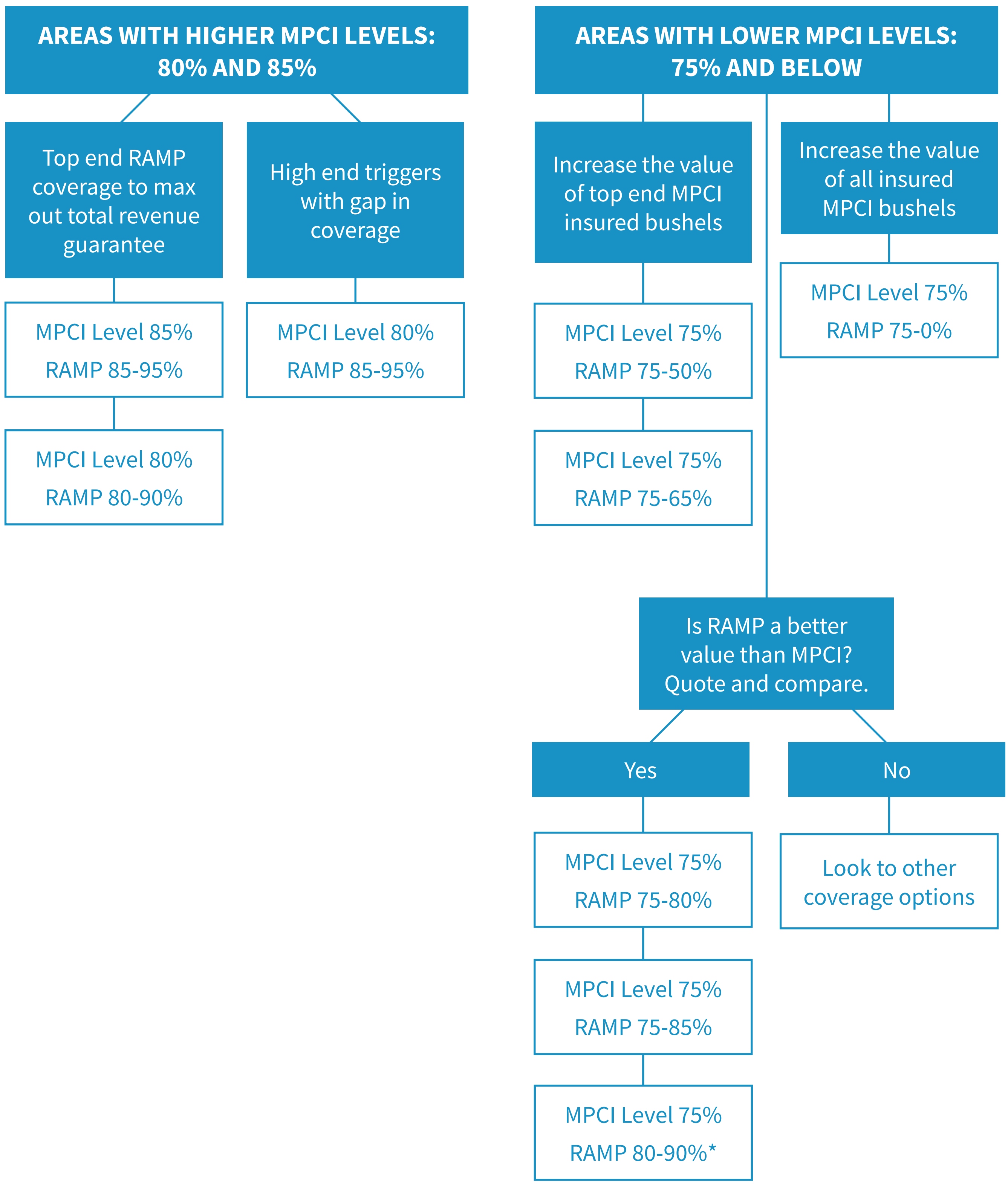
Creating a RAMP Policy in 5 Easy Steps

1. **Choose RAMP Yield or RAMP Revenue.**
   a. RAMP can be bought on a Yield or Revenue basis regardless of the underlying MPCI policy
   b. RAMP Yield covers bushel losses only, while RAMP Revenue covers both yield and revenue losses
2. **Choose the RAMP band of coverage.**
   a. A RAMP band of coverage is represented as a cross section of the producer's APH. RAMP bands have an Upper End (where losses are triggered) and a Lower End (where coverage ends). (i.e. 85%-50%)
3. **Choose RAMP Liability**
   a. The RAMP liability the insured chooses is spread across the RAMP band of coverage
   b. RAMP liability can be chosen in two different ways:
      i. Choose a percentage of the Spring Price for the bushels within the selected band of coverage
      ii. Choose a whole dollar amount of insurance spread evenly within the selected band of coverage
      iii. Liability limits apply to both options
4. **Choose RAMP Unit Structure**
   a. RAMP can be bought on an Enterprise or Optional Unit basis regardless of the underlying MPCI policy's unit structure
   b. Enterprise units come with a discount (Look to underwriting guide)
5. **Choose RAMP Forward Plus Endorsement (Optional)**
   a. Add RFP to the RAMP policy to add upside price protection

BENEFITS OF RAMP COMPARED TO OTHER PRODUCTS IN THE INDUSTRY

- Customizable: Select only the amount of protection the operation needs. RAMP has several coverage band options which allow insureds to cover only the bushels that they want to cover.
- Flexible: RAMP unit structures can differ from MPCI unit structures
- Faster or Slower Payout Options: RAMP coverage can begin before or at the same level as the MPCI policy – the insured chooses
- No Guesswork: RAMP® is just as capable of increasing an insured's revenue guarantee without the guesswork of an expanded pricing period product. They purchase what they want, and the coverage never changes. As an agent, you never have to explain to an insured why he is paying premium for no benefit in coverage.
- Guaranteed Coverage: RAMP® coverage is guaranteed, while it is not guaranteed for a pricing period product. In addition, if RAMP® is being purchased at 10% above current MPCI level, RAMP® can cover the insured for both revenue AND yield losses. The pricing period product would only increase their revenue guarantee with no extra yield protection.
- Go Above MPCI Coverage: RAMP is one of just a few revenue loss products which truly allows producers to elect revenue coverage on top of their current MPCI policy. In some areas, RAMP allows producers to select up to a 95% trigger.

NARROWING THE CHOICES: RAMP DECISION TREE



*Available in select states.

HOW IT WORKS

MPCI AND RAMP: HOW THEY WORK TOGETHER

RAMP is flexible and can be used in many ways to increase the insured's overall coverage. RAMP coverage is either meant to Strengthen/Supplement their current MPCI policy or it can Build on top of it. What they intend their RAMP policy to accomplish is dependent on which RAMP Band of coverage they choose.

Using RAMP to **Strengthen/Supplement the MPCI Policy**

To strengthen or supplement the insured's current MPCI policy, choose a RAMP band of coverage that triggers at the same level as their MPCI policy.

These RAMP bands of coverage can increase the total coverage, but do not trigger losses before MPCI does. They require the producer to fall below their MPCI coverage before a payment can be made. When the producer does fall below their MPCI guarantee, they will receive a payment from their RAMP policy and their MPCI policy.

Here is a table with the band options at 80% MPCI level:

MPCI Level	Upper RAMP Band	Lower RAMP Band
80%	80%	70%
80%	80%	50%
80%	80%	0%

Using RAMP to **Build on Top of the MPCI Policy**

To build on top of the insured's current MPCI policy, choose a RAMP band of coverage that is entirely above the current MPCI level. All these options add to the total revenue guarantee and will be paid in full before the insured has an MPCI loss. You may notice some of these bands do not start at 80%. In some circumstances, a gap is allowed between the MPCI and RAMP coverages. For more on this, look to "RAMP Strategy: Leveraging Gap Coverage."

These options are often used to increase total revenue coverage. When MPCI guarantees fall short, insureds can look to add RAMP on top of their current MPCI policy.

Here is a table with the band options at 80% MPCI level:

MPCI Level	Upper RAMP Band	Lower RAMP Band
80%	95%	85%
80%	90%	80%

Important Notes:

- There are some RAMP bands of coverage that start above the MPCI level and extend below the MPCI level. These bands of coverage both strengthen and build on the insured's current MPCI coverage.
- RAMP can be bought on Revenue or Yield plans and on enterprise or optional units. All options may impact a claim payment.

RAMP SALES STRATEGIES

RAMP STRATEGY TO **BUILD COVERAGE:**

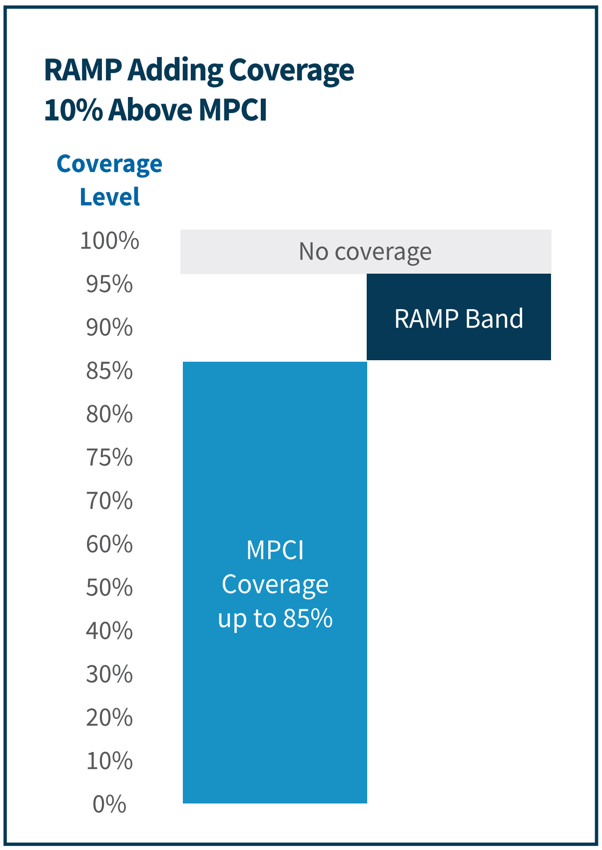
Add Coverage on Top of MPCI Policy with 10% RAMP Band

RAMP has been a very popular product and by far the most popular strategy is to add the 10% RAMP band on top of an 80 or 85% MPCI policy.

Why buy a 10% RAMP band?
The introduction of 10% RAMP bands allowed producers to capture the highest levels of coverage. This strategy has been most popular in areas with higher levels of MPCI. The 80-90% and 85-95% RAMP bands have been the most popular. They were split on Optional vs. Enterprise Units.

Here are the 10% RAMP bands that are available and the MPCI levels they can be attached to:

RAMP Band	MPCI Levels to Build On
70-80% RAMP	70%
75-85% RAMP	75%
80-90% RAMP	80%
85-95% RAMP	85% or 80% (Gap Coverage)



What strategies can we implement with a 10% RAMP band?

- Add RAMP Revenue band 85-95% to an 85% MPCI policy or RAMP Revenue band 80-90% to an 80% MPCI policy. It increases the revenue trigger and yield trigger up to 95%. Add the RAMP Forward Plus Endorsement to this strategy for the most comprehensive revenue coverage.
- Add RAMP band 75-85% to a 75% MPCI policy. This could be an option in areas with traditionally lower MPCI coverages. It is possible this RAMP band will be cheaper than the corresponding jump in MPCI coverage. You read that correctly, RAMP can be cheaper than MPCI. The only way to know is to check against an MPCI quote.

Important Notes:

- You may buy these coverages on an OU basis on top of an EU policy and vice versa.
- In making decisions about RAMP coverage, you should have an MPCI quote to make the right comparisons. You may have to make assumptions on the Spring Price and volatility before the price is established.

RAMP STRATEGY TO **STRENGTHEN COVERAGE:**

Increase the Value of Insured Bushels Using RAMP

In areas with typically lower MPCI levels and high yield variability, a producer may consider adding RAMP to increase the value of lost bushels. If a producer has a yield loss, they will be paid from both their MPCI policy and the RAMP policy. This is a feasible option for those looking for additional coverage at a low cost.

How to Set Up a RAMP Policy to Add Value to Each MPCI Guaranteed Bushel

1. **Choose a RAMP Band**
   To increase the value of all the insured's MPCI bushels, choose a RAMP Yield policy with the upper level band at the MPCI level and lower level band at 0%. The table to the right has RAMP bands that fit this strategy.

MPCI Level	Match to MPCI Covered Bu.
70%	70-0%
75%	75-0%
80%	80-0%
85%	85-0%

2. **Calculate the Insured RAMP Bushels**
   To add X cents to each MPCI bushel, first you need to know how many bushels you are covering. Here is the simple formula to calculate insured RAMP bushels:

   (Upper End of RAMP Band * APH) – (Lower End of RAMP Band * APH) = Insured RAMP Bushels

3. **Determine RAMP Liability**
   Then multiply the covered bushels by your desired increase in price (X cents) to determine what liability to place on the RAMP policy:

   (Insured RAMP Bushels) * (Desired Increase in Price) = RAMP Liability

4. **Add RAMP Liability to RAMP Policy**
   Place the calculated RAMP liability on the RAMP Yield policy to increase the value of each bushel lost. This is a cheap and efficient way to increase your overall coverage.

Smaller RAMP Band: Increase the Value of a Portion of Insured Bushels

Adding to the value of each insured bushel is an easy concept but may not always be the most practical. The coverage extends all the way down to zero bushels, but how likely is it that the insured will have an entire loss? For some it may be a possibility, but for others the bottom half of coverage will never be collected.

These coverage bands allow the producer to add to the value of each bushel between their MPCI level and 50% of the APH or just down 10% from their current MPCI level. These options dramatically decrease the liability needed and therefore, the premium. They also cover only the bushels a farmer considers to be in danger of not producing.

For producers who rarely see very large yield losses, they may consider the coverages in the table below:

MPCI Level	Down 10% of APH	Down to half of APH
70%	70-60%	70-50%
75%	75-65%	75-50%
80%	80-70%	80-50%
85%	85-75%	85-50%

Important Notes:

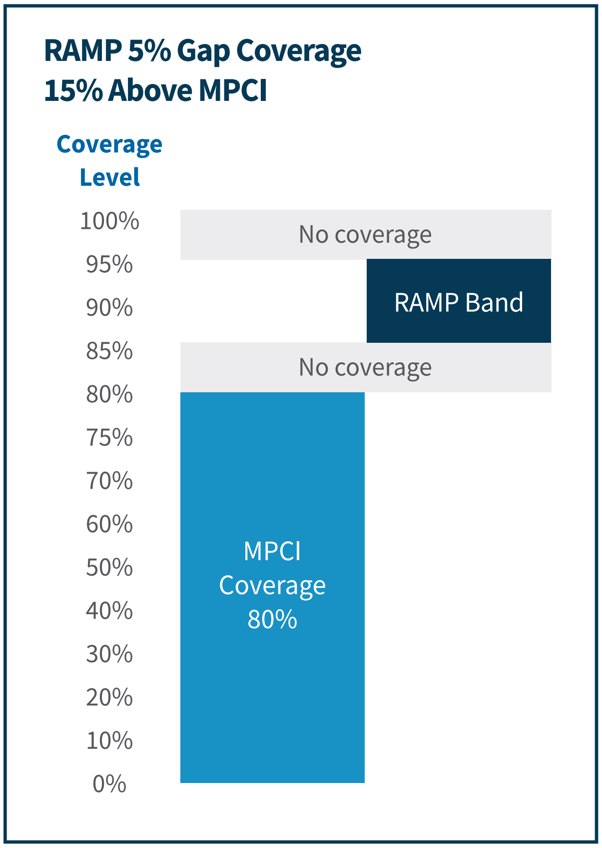
- These coverages add to the total coverage, but do not add to the total yield or revenue guarantee
- A producer must fall below their MPCI guarantee before they trigger a loss
- These are the most affordable options to add RAMP coverage

RAMP STRATEGY TO BUILD COVERAGE:

Leverage Gap Coverage to Trigger Losses Sooner

FMH allows a gap between the insured's RAMP coverage and their MPCI coverage. The following is an explanation of how this works and why it may be a useful tool:

- Scenario 1 = 75% MPCI with 80-90% RAMP*
- Scenario 2 = 80% MPCI with 85-95% RAMP



Why would anyone want to leave a gap in their coverage?
A producer may choose to leave a gap in their coverage for premium savings and faster payments. They no longer need to buy the 85% band to receive those high triggers.

The premium savings comes by not needing to pay for that 5% gap in MPCI or RAMP coverage in order to receive a 90 or 95% trigger. Here are further details about both scenarios:

- **Savings and Strategy in Scenario 1 – 75% MPCI with 80-90% RAMP**
  This scenario allows the producer to get a 90% trigger without having to buy an 85% MPCI policy. The premium between 80% and 85% MPCI can be significant.
- **Savings and Strategy Scenario 2 – 80% MPCI with 85-95% RAMP**
  This scenario allows the producer to get a 95% trigger without having to buy an 85% MPCI policy. Again, the premium between 80% and 85% MPCI can be significant.

Important Notes:

- The savings by implementing a gap can be applied to a hail, wind, or replant product; or simply pocketed.
- Leaving a gap in coverage may have its benefits, but it also has drawbacks. A gap remains as a part of the insurance package and coverage between RAMP and MPCI is not seamless. Lowering coverage to leave a gap can also have negative effects on prevented planting payments.

*Available in select states.

RAMP FORWARD PLUS

RAMP ENDORSEMENT: RAMP FORWARD PLUS

FMH offers an endorsement to the RAMP policy that protects farmers from increases in the Fall Price. The endorsement is called RAMP Forward Plus, or RFP. The endorsement pays when prices in the fall are higher than the spring, and there is a yield loss within the selected RAMP band of coverage.

Currently, RAMP Revenue only covers a producer for “downside” price protection: if prices are lower, the producer’s revenue is adjusted accordingly. However, if the price increases and the producer has a yield loss, the price per bushel they receive is based on the Spring Price.

When should an insured purchase the RAMP Forward Plus endorsement?
RAMP Forward Plus allows the producer to capture that higher Fall Price. This “upside” price protection is an important element to an MPCI RP policy that can now be matched with RFP. Here are some scenarios in which RFP can protect the producer (all assume a higher Fall Price):

- The producer uses RAMP coverage to market additional MPCI bushels. If the price goes up in the fall and the producer is short grain, RFP is there to cover increases in price of undelivered bushels.
- The producer plans on selling grain at harvest but comes up short of the RAMP guarantee. Normally, the covered RAMP bushels the producer planned to sell would be paid back at the lower Spring Price. RFP allows those bushels to be paid back at the higher Fall Price.

Important Notes:

- RFP has upward price caps. RFP will pay on price increases of up to $1 on corn and $3 on soybeans.
- RAMP coverage less than 100% of the Spring Price on the RAMP policy will impact potential RFP payments.
- RAMP Forward Plus can only be added to a 10% RAMP band.

ADDING FORWARD PLUS TO YOUR RAMP COVERAGE

Insured Sample Selections

MPCI Coverage: 80% Revenue Protection	APH: 200 bu./acre
RAMP Band: 80-90% at 100% Spring Price	Spring Price: $4.00/bu.
Production to Count: 170 bu./acre	Harvest Price: $4.75/bu.

RAMP Guarantee
(200 bu. APH x 90% (Top End of RAMP)) = 180 RAMP Bushels

MPCI Guarantee
(200 bu. APH x 80% MPCI) = 160 MPCI Bushels

RAMP Payment without RFP
(180 – 170) * $4.00 = $40 per acre

RAMP Payment with RFP
(180-170) * $4.75 = $47.50 per acre

RAMP CALCULATIONS

RAMP YIELD ADDING COVERAGE **ALONGSIDE YOUR MPCI**

Insured Sample Selections

MPCI Coverage: 85% Yield Protection	APH: 200 bu./acre
RAMP Band: 85-50% Yield policy	RAMP Coverage per acre: $75

- **Total payment** if harvested bushels fall below 100 bu./per acre
- **Partial payment** for bushels harvested between 170 bu./per acre and 100 bu./acre
- **No RAMP payment** if harvested bushels are above 170 bu./per acre

Coverage Highlights

- Payments begin when your MPCI YP policy begins
- Strengthens your existing coverage and pays out slower
- Provides savings
- Protects bushels only

RAMP YIELD ADDING COVERAGE **ABOVE YOUR MPCI**

Insured Sample Selections

MPCI Coverage: 85% Yield Protection	APH: 200 bu./acre
RAMP Band: 95-85% Yield policy	RAMP Coverage per acre: $50

- **Total payment** once harvested bushels fall below 170 bu./per acre
- **Partial payment** for bushels harvested between 190 bu./per acre and 170 bu./per acre
- **No RAMP payment** if harvested bushels are above 190 bu./per acre

Coverage Highlights

- Begins after production falls 5% below your APH
- All RAMP liability will be paid before an MPCI claim is triggered

RAMP REVENUE ADDING COVERAGE **ALONGSIDE YOUR MPCI**

Insured Sample Selections

MPCI Coverage: 85% Revenue Protection	APH: 200 bu./acre
RAMP Band: 85-50%	Spring Price: $4.00/bu.
RAMP Coverage per acre: $75	

- **Total payment** if harvest revenue falls below $400
- **Partial payment** if harvest revenue falls between $680 and $400
- **No RAMP payment** if harvest revenue is above $680

Coverage Highlights

- Payments begin when your MPCI RP policy begins
- Strengthens your existing coverage and pays out slower
- Provides savings
- Protects bushels and revenue

RAMP REVENUE ADDING COVERAGE **ABOVE YOUR MPCI**

Insured Sample Selections

MPCI Coverage: 85% Revenue Protection	APH: 200 bu./acre
RAMP Band: 95-85%	Spring Price: $4.00/bu.
RAMP Coverage per acre: $50	

- **Total payment** if harvest revenue falls below $680
- **Partial payment** if harvest revenue falls between $760 and 680
- **No RAMP payment** if harvest revenue is above $760

Note: If a higher harvest price occurs, RAMP Revenue works like RAMP Yield

Coverage Highlights

- Begins after harvest revenue falls 5% below your APH revenue (APH x Projected price)
- All RAMP liability will be paid before an MPCI claim is triggered

RAMP RESOURCES

RAMP RESOURCES IN THE FMH AGENT CENTER

Additional agent resources for RAMP, including this sales guide, can be found in the in the FMH Agent Center under Tools & Resources:

ACCESS: FMHA > Tools & Resources > Tools & Resources > RAMP Information

Go here for:

- **RAMP Indemnity Estimator**
- **RAMP Calculation Worksheets for RR or RY**
- **RAMP FAQs, including:**
  - Important Dates
  - Agent Processing
  - Coverage