SRA Side by Side Comparison

2011 SRA – Financial Terms Summary

Current SRA	First Draft (Dec. 4, 2009)	Second Draft (Feb. 23, 2010)	Final Draft (June 10, 2010)

I. A&O Subsidy

A&O Subsidy Payment:

A&O subsidy established as a fixed percentage of Net Book Premium.

(Net Book Premium determined by annual price of commodity; can vary substantially from year to year)

A&O subsidy established as a Percentage of "Adjusted Net Book Premium"

(Adjusted Net Book Premium uses fixed prices based on 10-year NASS average (1999-2008) for 7 major commodities representing about 85% of FCIC business)

Commodity	2011…
Wheat ($/bu.)	3.92
Corn ($/bu.)	2.56
Grain Sorghum ($/bu.)	2.43
Barley ($/bu.)	2.93
Upland Cotton ($/lb.)	0.52
Rice ($/lb.)	0.083
Soybeans ($/bu.)	6.36

First Draft reference prices, except:

1. Reference prices include a premium of 5% for Group 2 & 3 States (All states except IL, IN, IA, MN, and NE)

	Ref. Prices	
Commodity	Grp1	G2&3
Wheat ($/bu.)	3.92	4.12
Corn ($/bu.)	2.57	2.70
Grain Srghm ($/bu.)	2.43	2.55
Barley ($/bu.)	2.93	3.08
Uplnd Cotton ($/lb.)	0.52	0.55
Rice ($/lb.)	0.083	0.087
Soybeans ($/bu.)	6.43	6.75

2. Transition: 2011 = +10% and 2012 = +5% above reference prices.

	2011		2012	
Commodity	Grp1	G2&3	Grp1	G2&3
Wheat ($/bu.)	4.31	4.53	4.12	4.32
Corn ($/bu.)	2.83	2.97	2.70	2.83
Grain Srghm ($/bu.)	2.67	2.81	2.55	2.68
Barley ($/bu.)	3.22	3.38	3.08	3.23
Uplnd Cotton ($/lb.)	0.57	0.60	0.55	0.57
Rice ($/lb.)	0.091	0.096	0.087	0.091
Soybeans ($/bu.)	7.07	7.43	6.75	7.09

Same as current SRA (no reference prices), except:

1. Overall A&O maximum subsidy payment not to exceed certain threshold (approximately $1.3 billion in 2011).

2. Written to protect companies against significant decline in crop prices.

3. Exceptions to limitations:

- New crop/county programs
- Area plans
- Additional A&O subsidy paid in states with 120% or greater loss ratios

4. Maximum limitation adjusted annually for expected inflation.

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AIP Limitation on Payments for Sales Compensation:			
No Limitation	No Limitation	AIPs must not spend more than 80% of A&O per policy on basic compensation to agents; however, profit sharing compensation from underwriting gains may be made at the end of the reinsurance year.	Same as Second Draft, except that: 1. 80% limitation will be enforced at the state level; and 2. AIPs must not spend more than the equivalent of 100% of A&O subsidy for both basic compensation and profit sharing in a state.

II. Reinsurance Gain/Loss Sharing

Current SRA	First Draft (Dec. 4, 2009)	Second Draft (Feb. 23, 2010)	Final Draft (June 10, 2010)
Fund Simplification:			
Number of Funds=7 per state: 1. Assigned Risk Fund 2. Developmental Fund: - CAT - Revenue - Other 3. Commercial Fund: - CAT - Revenue - Other	Simplify: Replace Assigned Risk Fund with single, national Residual Fund to be shared by all AIPs Drop Developmental Fund Consolidate Commercial sub-funds into 1 Commercial Fund per state.	Same as First Draft, except: Modified Residual Fund (see below).	Same as Second Draft, except: Replaced Residual Fund with Assigned Risk Fund (see below)

2011 SRA – Financial Terms

<table>
<tr><th>Current SRA</th><th>First Draft (Dec. 4, 2009)</th><th>Second Draft (Feb. 23, 2010)</th><th>Final Draft (June 10, 2010)</th></tr>
<tr><td colspan="3">Assigned Risk/Residual Fund:</td><td></td></tr>
<tr>
<td>1. One Assigned Risk Fund per state for each AIP.

2. Depending on state, maximum total premium that can be assigned ranges 25%, 50%, and 75%.

3. Depending on state, proportional gain/loss sharing) varies 15%, 20%, and 25%.

AIP share (after proportional retention):
<table>
<tr><th>Loss Ratio</th><th>Current SRA</th></tr>
<tr><td>0-50</td><td>2</td></tr>
<tr><td>50-65</td><td>9</td></tr>
<tr><td>65-100</td><td>15</td></tr>
<tr><td>100-160</td><td>5</td></tr>
<tr><td>160-220</td><td>4</td></tr>
<tr><td>220-500</td><td>2</td></tr>
<tr><td>>500</td><td>0</td></tr>
</table>
</td>
<td>1. A national Residual Fund to be shared by all AIPs.

2. AIP may designate up to 75% of total premium to Residual Fund in any state.

3. AIPs in aggregate retain 100% of premium and liabilities.

4. Non-proportional gain and loss sharing in Residual Fund same as current SRA Assigned Risk.</td>
<td>1. A national Residual Fund for each AIP.

2. AIP may designate up to 75% of total premium in any state to Residual Fund.

3. AIP must retain 50% of premium and liabilities of its national Residual Fund.

4. Non-proportional gain and loss sharing in Residual Fund same as current SRA Assigned Risk.</td>
<td>Same as current SRA (one Assigned Risk Fund per state per AIP), except:

1. Proportional gain/loss sharing fixed at 20% for all states.

2. Maximum assignment % fixed at 75% of total premium for all states.

3. All non-proportional layers raised by 50%.

AIP share (after 20% retention):
<table>
<tr><th>Loss Ratio</th><th>Third Draft (All States)</th></tr>
<tr><td>0-50</td><td>3</td></tr>
<tr><td>50-65</td><td>13.5</td></tr>
<tr><td>65-100</td><td>22.5</td></tr>
<tr><td>100-160</td><td>7.5</td></tr>
<tr><td>160-220</td><td>6</td></tr>
<tr><td>220-500</td><td>3</td></tr>
<tr><td>>500</td><td>0</td></tr>
</table>
</td>
</tr>
<tr><td colspan="4">Rebalancing (State Groupings):</td></tr>
<tr>
<td>No rebalancing</td>
<td>States are categorized into four groups according to past underwriting performance.

Group 1: IL, IN, IA, MN, and NE

Group 2: CA

Group 3: KY, OH, OR, TN, WA, WI

Group 4: All others</td>
<td>States are categorized into three groups:

Group 1: IL, IN, IA, MN, and NE

Group 2: All others not in Groups 1 and 3.

Group 3 (For purposes of NBQS only—combined with Group 2 for gain/loss sharing): ME, NH, VT, MA, RI, CT, NY, PA, NJ, MD, DE, WV, NV, UT, WY, HI, AK.</td>
<td>Same state groupings as Second Draft.</td>
</tr>
</table>

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Gain and Loss Sharing – Developmental and Commercial Fund:

Current SRA

Commercial Fund for AIPs least risky policies.

Developmental Fund for AIPs moderately risky policies.

AIP share of Commercial Fund (after retention of 50-100% by state for all states):

Loss Ratio	CAT	Revenue	Other
0-50	8	11	11
50-65	50	70	70
65-100	**75**	**94**	**94**
100-160	**50**	**57**	**50**
160-220	40	43	40
220-500	17	17	17
>500	0	0	0

First Draft (Dec. 4, 2009)

Elimination of Developmental Fund.

Elimination of Commercial sub-funds.

Separate risk sharing terms by state groupings.

AIP share of Commercial Fund (by state grouping after retention of 35-100% by state):

Loss Ratio	Group 1	Group 2	Group 3	Group 4
0-50	5	5	5	5
50-65	20	20	30	30
65-100	**65**	**75**	**85**	**95**
100-160	**50**	**50**	**50**	**40**
160-220	20	20	20	20
220-500	5	5	5	5
>500	0	0	0	0

Second Draft (Feb. 23, 2010)

Same as First Draft, except changes in state groupings and share percentages.

AIP share of Commercial Fund (by state grouping after retention of 35-100% by state):

Loss Ratio	Group 1	Group 2&3
0-50	5	5
50-65	40	40
65-100	**75**	**95**
100-160	**65**	**45**
160-220	45	20
220-500	10	5
>500	0	0

Final Draft (June 10, 2010)

Same as Second Draft, except for changes in risk sharing terms for Group 2 and 3 States to provide increased profit potential and reduced share of loss in the first layers.

AIP share of Commercial Fund (by state grouping after retention of 35-100% by state):

Loss Ratio	Group 1	Group 2&3
0-50	5	5
50-65	40	40
65-100	**75**	**97.5**
100-160	**65**	**42.5**
160-220	45	20
220-500	10	5
>500	0	0

Net Book Quota Share (NBQS):

Current SRA

For each AIP, FCIC retains 5% of net underwriting gains or losses from AIP, after other FCIC reinsurance.

First Draft (Dec. 4, 2009)

For each AIP, FCIC receives 10% of net underwriting gains or losses, after other FCIC reinsurance.

FCIC will distribute up to 5% of any NBQS gain received in a reinsurance year back to AIPs that meet certain announced objectives in serving under-served producers, crops, or areas.

Second Draft (Feb. 23, 2010)

For each AIP, FCIC receives 7.5% of net underwriting gains or losses, after all other FCIC reinsurance.

FCIC will distribute up to 2.5% of any NBQS gain received in a reinsurance year to AIPs that sell and service Group 3 States according to premium generated in those States; not to exceed the total A&O paid for those States.

Final Draft (June 10, 2010)

For each AIP, FCIC receives 6.5% of net underwriting gains or losses, after all other FCIC reinsurance.

FCIC will distribute up to 1.5%, without any other limit, of any NBQS gain to AIPs that sell and service Group 3 States according to premium generated in those States.