



# Validus Agreed Acquisition of ADM Crop Risk Services

January 30, 2017



ADM  
Crop Risk  
Services



## Overview of Key Transaction Terms

<p>Purchase Price</p>	<ul style="list-style-type: none"> <li>Validus to acquire Crop Risk Services (“CRS”) from Archer Daniels Midland Company (“ADM”) for \$127.5 million gross consideration. Net consideration to be paid to ADM is estimated to be \$117.5 million, reflecting 2016 earnings to be retained in CRS. Total consideration is subject to other working capital and balance sheet adjustments</li> </ul>
<p>Marketing Services Agreement (“MSA”)</p>	<ul style="list-style-type: none"> <li>Validus and ADM to enter into a 7-year MSA between ADM’s grain division and CRS with the option for Validus to extend for 3 more years</li> </ul>
<p>Financing</p>	<ul style="list-style-type: none"> <li>Validus intends to use cash on hand to fund the transaction</li> </ul>
<p>Other Transaction Details</p>	<ul style="list-style-type: none"> <li>Management team of CRS to continue operating the business as a standalone general agent subsidiary of Western World</li> <li>Validus to acquire only the general agent; all risk-bearing entities to remain at ADM</li> <li>Stratford Insurance Company, a Western World subsidiary, to be the Standard Reinsurance Agreement (“SRA”) holder and Approved Insurance Provider (“AIP”), subject to necessary approvals</li> <li>Validus anticipates the closing to take place during the second quarter of 2017 and is subject to obtaining required regulatory approvals and the satisfaction of other customary closing conditions</li> </ul>

# ADM Crop Risk Services (CRS) Profile

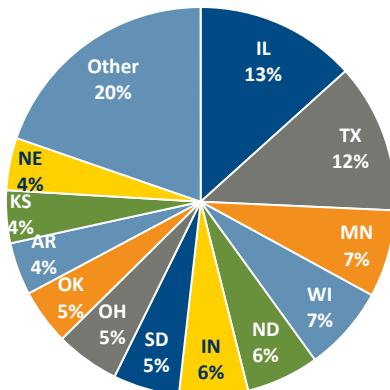
## Company Overview

- First established in 1982 as ASI Agriserve Inc.
- In 2010, ADM acquired 100% of the shares of ASI and the company became ADM Crop Risk Services
- Primary crop insurance general agent headquartered in Decatur, IL with over 400 employees
- 86% of gross premiums written (“GPW”) is multi-peril crop insurance (“MPCI”) and 14% private crop insurance products
- Total Reinsurance Year (“RY”) 2016 GPW of \$548.9 million

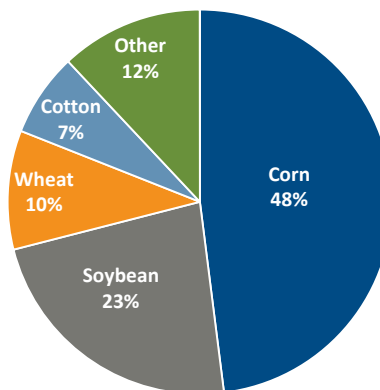
## Key Highlights

- ✓ #9 ranked U.S. crop writer with 4.5% market share
- ✓ Scaled business with 1,170 agents across 36 states
- ✓ Successful joint marketing partnership with ADM grain division
- ✓ Strong proposition for farmers and knowledge of their needs
- ✓ Strong management team with significant experience and relationships in the crop industry
- ✓ Operational excellence in claims, marketing and origination
- ✓ Leading technology, data and analytics integration to improve service and efficiency

### Geography Mix RY 2016



### Crop Mix RY 2016



## Transaction Rationale

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- 1 Primary crop insurance **complements Validus' existing re/insurance portfolio**
- 2 **Expands Validus presence in U.S.** primary specialty lines
- 3 Crop insurance exhibits **attractive industry fundamentals**
- 4 The addition of a primary crop insurance **business has compelling strategic benefits**
- 5 Unique opportunity to enter into **long-term partnership with ADM**
- 6 Significant **opportunity for growth** and margin improvement

# 1 Primary Crop Insurance Complements Validus' Existing Business

Reinsurance + Insurance

## VALIDUS RE

- **Bermuda based reinsurer**
- Focused on treaty reinsurance, including property cat
- Specializing in Property CAT XOL, Marine, and Specialty, including Agriculture

## AlphaCat

- **Bermuda based investment adviser**
- Focused on managing capital for third parties and Validus in ILS and other property catastrophe and specialty reinsurance investments

## TALBOT

- **Lloyd's of London Syndicate**
- Focused on short-tail specialty lines in the Lloyd's of London market
- Market leader in War and Terror and Energy and Marine classes

## WESTERN WORLD

- **U.S. based specialty P&C underwriter**
- Focused on U.S. E&S
- Pioneer in the binding authority business
- Admitted licenses

+

***Consistent with our strategy of building our specialty insurance presence in the U.S.***

## **Crop Risk Services**

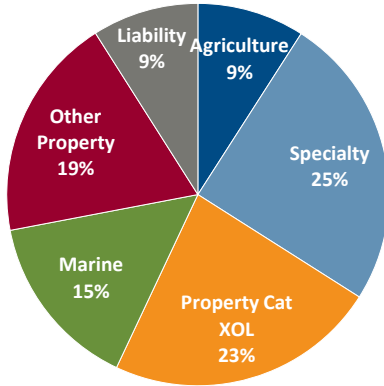
- Low correlation with other P&C lines
- Not impacted by P&C pricing cycle
- Diversifying risk class providing additional source of earnings with lower volatility
- Capital light business
- Short-tail liability with limited reserving risk
- Leading technology capabilities

**Validus Research – “Validus View of Risk”**

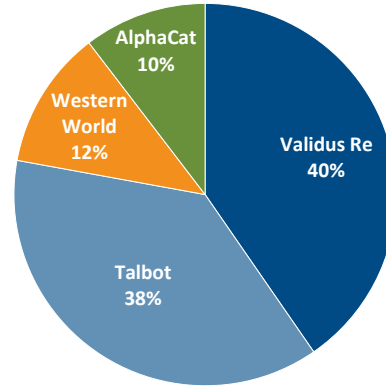
# Acquisition Enhances Presence in U.S. Specialty Primary Lines

**Current Business Mix**

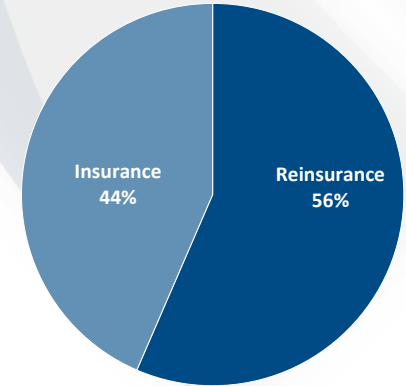
By Product / Class



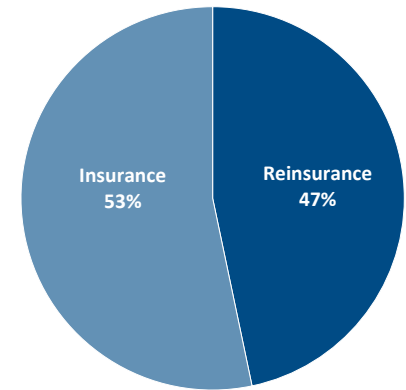
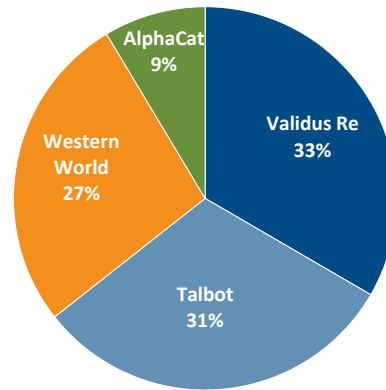
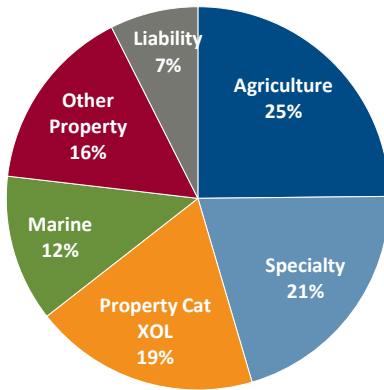
By Operating Segment



By Insurance / Reinsurance



**Pro Forma Business Mix**



**Q3 LTM Standalone GPW: \$2,619 million**  
**Q3 LTM Pro Forma GPW: \$3,168 million**

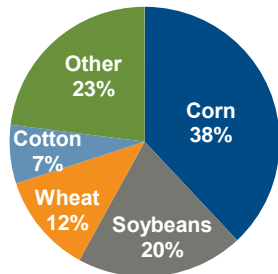
1) Note: Financial information in pie charts represent Q3 last twelve months ("LTM") gross premiums written ("GPW") data. CRS gross premiums written represents RY2016, source ADM CRS Management.

### 3 Overview of the Crop Insurance Sector

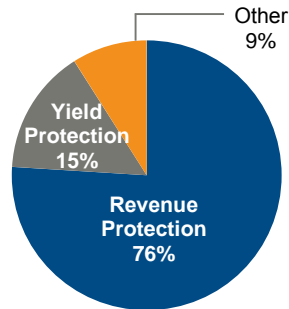
#### Overview

- U.S. crop insurance market consists primarily of two products:
  - Multi-peril crop insurance (“MPCI”): ~90% of the crop insurance industry and is a public/private program facilitated through the Federal Crop Insurance Corporation (“FCIC”)
  - Crop / Hail: ~10% of crop insurance industry, private coverage offered by same writers of MPCI
- MPCI program operated by the Risk Management Agency (“RMA”) and subsidizes crop insurance premiums through 16 Approved Insurance Providers (“AIPs”)

Industry Wide  
Premium by Crop RY 2016



Industry Wide  
Premium by Coverage RY 2016



#### Crop Insurance Is an Attractive Sector

- ✓ **Stable track record of underwriting profitability**
  - Since 1998, the MPCI market has only suffered two years of underwriting losses (2002 and 2012)
- ✓ **High barriers to entry**
  - Only 16 AIPs exist today under the MPCI program
  - Standard Reinsurance Agreement (“SRA”) approval required in order to write crop insurance
- ✓ **MPCI program**
  - Effective risk management tool as it provides significant downside protection
  - No price competition
- ✓ **Further movement for strategic, primary insurance carriers to be owners**
  - Crop insurance M&A activity has been significant in recent years with push towards primary and (re)insurance carriers owning crop AIPs
  - Illustrates strategic logic, including risk and diversification benefits, of matching traditional P&C risks with crop insurance

## A Primary Crop Insurance Business Brings Strategic Advantages

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### Financial

- Ability to granularly shape a portfolio through individual risk underwriting
  - Increased access to well-priced and low volatility business
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### Risk Management

- Enhanced risk management capabilities with access to real-time data
  - Ability to unlock value by leveraging existing analytical capabilities
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### Distribution

- Addition of a reliable, growing book of business that broadens our customer base and decreases individual client concentrations
- Access to agent distribution



## 5 Partnering World Class Capabilities to Deliver Crop Insurance to Farmers



Marketing Services  
Agreement



Validus and CRS to complement ADM's relationship with the farming community to enhance distribution

### ADM Resources

- Scale and presence as a leading agriculture processing company
- Knowledge of farmers' needs and relationships
- Over 32,300 employees serve customers in more than 160 countries
- Global value chain that includes 428 crop procurement locations

### Validus Resources

- Risk appetite and capital resources
- Ability to deliver best in class claims and service via CRS
- New product development (private products)
- Risk management and analytics

Significant opportunity to partner with a Fortune 50 company  
and leader in agriculture and food processing

## Levers Available to Validus for Long-term Value Creation

### Growth Opportunities

- ✓ Farm credit driven expansion
- ✓ New geographies / states
- ✓ Agency force growth
- ✓ Achieving benefits from scale
- ✓ Alignment with ADM grain



### Value Creation Opportunities

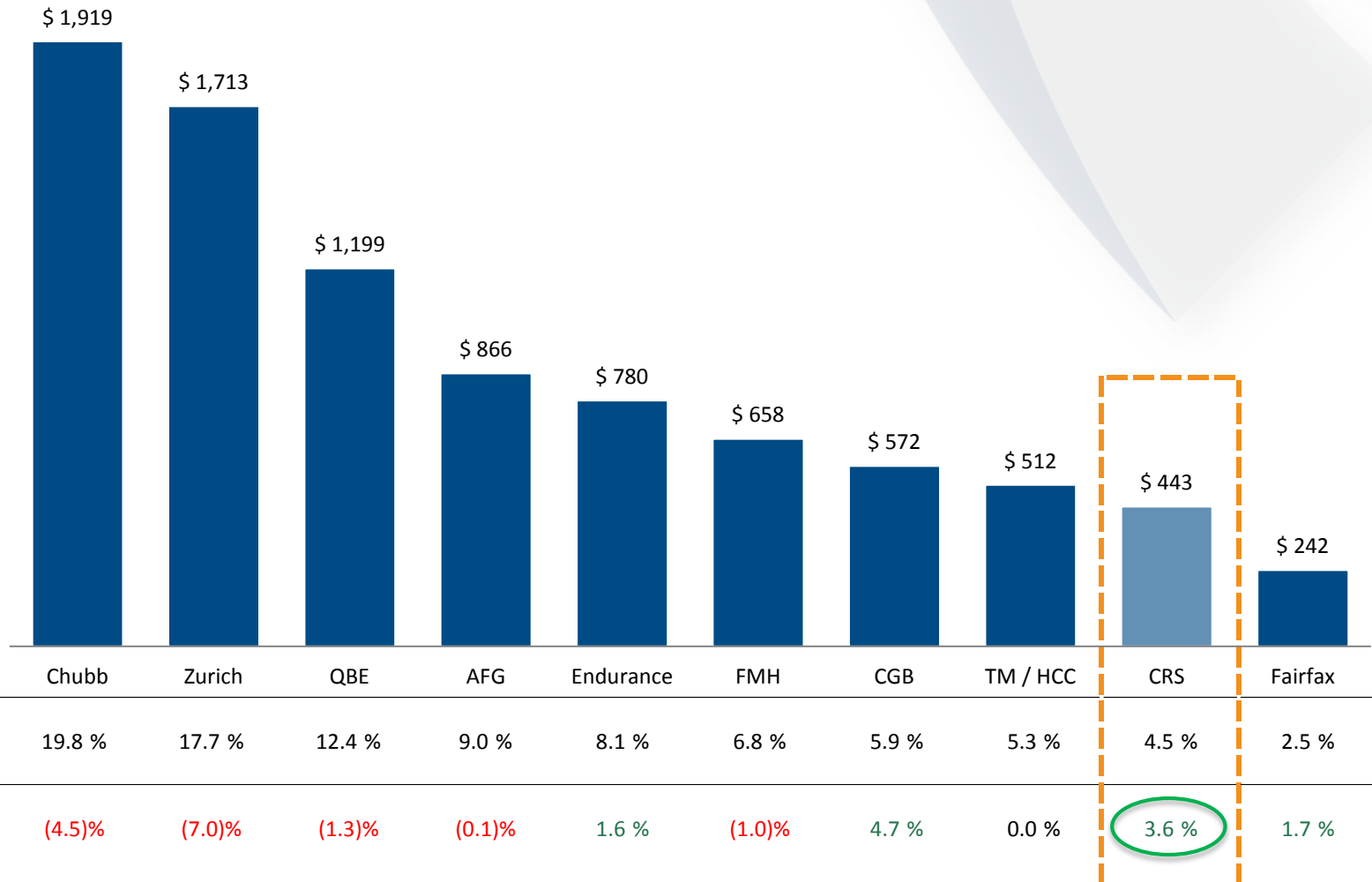
- ✓ Analytical capabilities for fund designation
- ✓ Capital efficiency
- ✓ Actuarial resources for private products
- ✓ Improved efficiency in reinsurance placement

### Strategic and Financial Benefits

- ✓ Increased primary market presence
- ✓ Risk diversification benefit
- ✓ Margin improvement

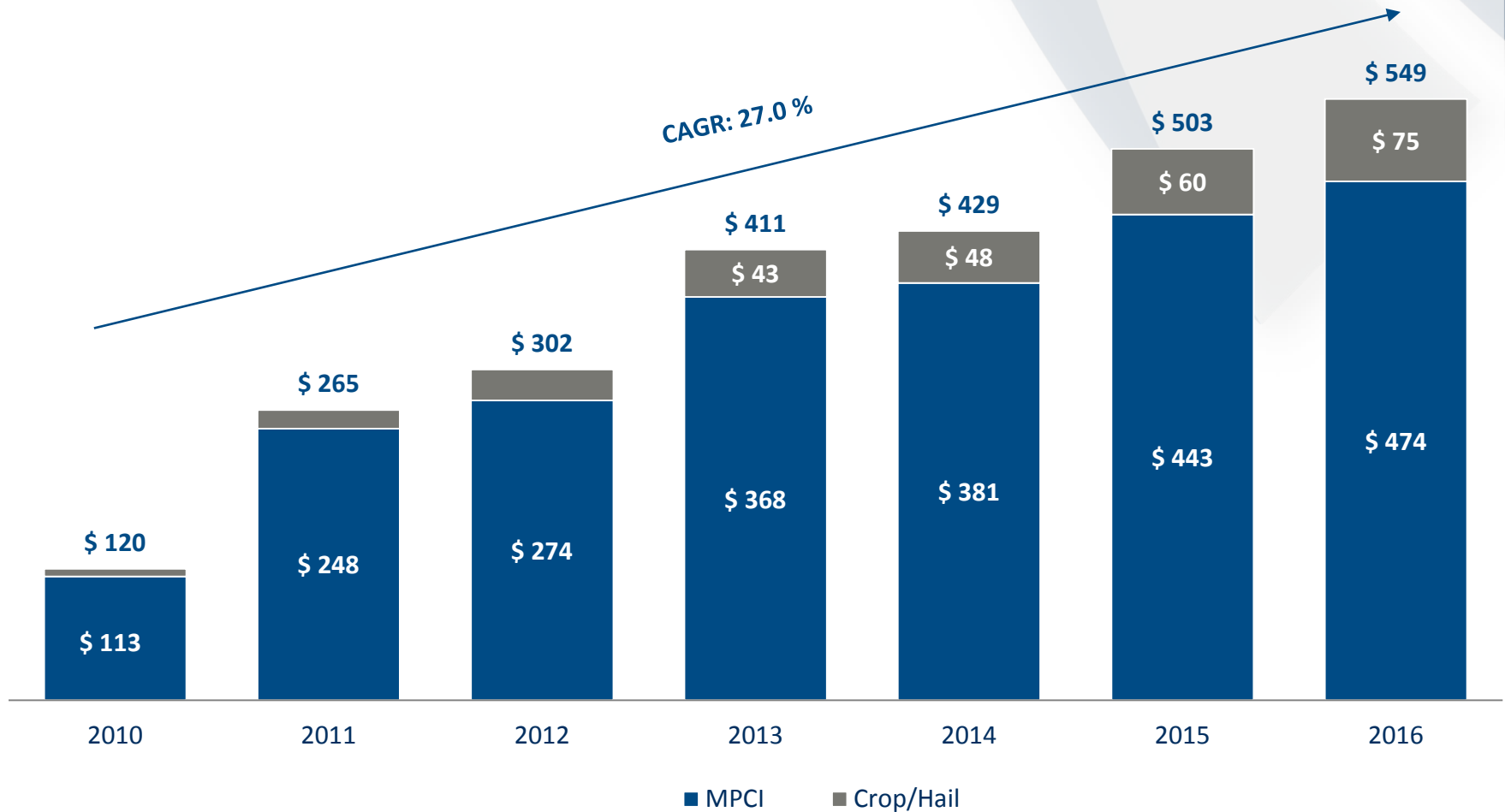
# CRS is the 9<sup>th</sup> Largest AIP and has Achieved Excellent Growth

## Top 10 AIP MPCI GPW in \$US Millions and Market Share in RY 2015



# CRS has a Track Record of Strong Organic Growth

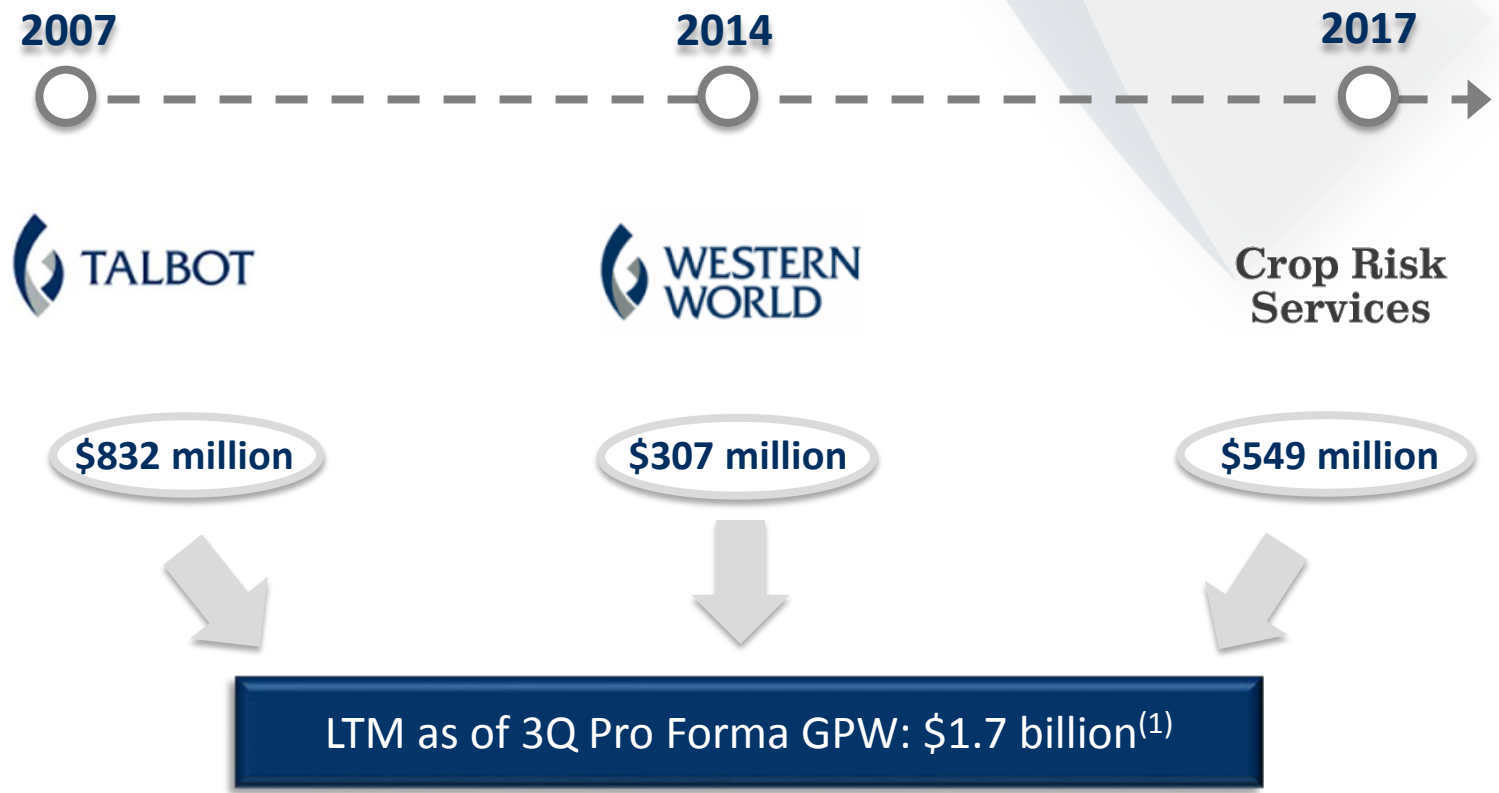
## Gross Premiums Written in \$US Millions (Reinsurance Year)



# Excellent Addition to Validus' Growing Primary Specialty Business

## Global Specialty Insurance Business

Year of Acquisition
Business
LTM GPW as of Sept-30-2016



1) Talbot and Western World direct gross premiums written LTM as of 30-Sept-2016.  
 2) CRS gross premiums written represents RY2016, source: ADM CRS Management.

## Western World is an Ideal Partner for CRS

### Advantages of Operating CRS as Part of Western World

- ✓ Segment diversification from E&S into admitted specialty lines complements Western World strategy
- ✓ Oversight and business development capabilities to ensure a successful implementation of CRS business plans
- ✓ Utilize existing Western World infrastructure including IT systems, economic capital and human resources
- ✓ Validus' proprietary research capabilities

## Summary

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- Unique opportunity to acquire an industry-leading crop insurance business
- Crop insurance is an attractive industry with favorable dynamics
- Enhances position in U.S. specialty market
- Long-term partnership with ADM, a Fortune 50 company with strong ties to the agriculture community
- Participation in primary crop market brings compelling strategic benefits
- Opportunities to leverage Validus' analytical capabilities, capital efficiency and offshore jurisdiction to maximize the value of CRS
- Proven ability to acquire and integrate high-performing businesses



**For more information on our company, products and management team please visit our website at:  
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