Management's Discussion and Analysis

As of and for the year ended December 31, 2013

COMPANY BACKGROUND

John Deere Insurance Company (JDIC) is an Iowa domiciled insurance company operating in its fourth year and formed as a result of the acquisition of a shell insurance company formerly known as HCC Insurance Company (HCCIC). JDIC specializes in writing crop insurance, both crop hail and government subsidized multi-peril crop insurance (MPCI), in 43 jurisdictions through a network of approximately 250 independent general agencies.

FINANCIAL POSITION

JDIC's financial position at December 31, 2013 and 2012, respectively, was as follows:

Balance Sheet	2013	2012
Assets		
Bonds	$ 108,579,538	$ 103,156,805
Cash and short term investments	10,587,084	13,074,834
Total invested assets	119,166,622	116,231,639
Investment income due and accrued	667,891	626,051
Amounts recoverable from reinsurers	73,962,226	62,391,629
Receivables from parent, subsidiaries and affiliates	0	17,361,103
Due from Federal Crop Insurance Corporation	132,194,104	107,068,121
Other assets	19,349,439	21,141,507
Total assets	$ 345,340,282	$ 324,820,050
Liabilities and Capital and Surplus		
Losses and loss adjustment expenses	$ 60,108,071	$ 65,915,228
Commissions payable	17,527,940	8,347,813
Unearned premiums	8,436,846	5,920,884
Ceded reinsurance premiums payable	122,383,016	110,751,208
Payable to parent, subsidiaries and affiliates	10,979,979	0
Other liabilities	3,311,125	21,779,741
Total liabilities	222,746,977	212,714,874
Total capital and surplus	122,593,305	112,105,176
Total liabilities and capital and surplus	$ 345,340,282	$ 324,820,050

Assets

Total assets grew $20 million during 2013. The increase was primarily related to higher receivables from the Federal Crop Insurance Corporation (FCIC) and third party reinsurers, which was caused by the timing of reinsurance payments and current year underwriting results. The balances due from third party reinsurers relate to private reinsurance quota share agreements. These increases were partially offset by a change in the intercompany receivable from/(payable to) parent.

The amount reported as "Due from Federal Crop Insurance Corporation" results from the Company's participation in the MPCI program with the FCIC through the Standard Reinsurance Agreement (SRA). Through the SRA, the Company shares underwriting risk with the FCIC and can earn or lose money according to the claims it must pay farmers for crop losses. The Company earns an underwriting gain when net retained premiums exceed net crop loss claims paid, and vice-versa, incurs an underwriting loss when net crop losses paid exceed net retained premiums. Additionally, the Company receives an administrative and operating subsidy (A&O subsidy) from the FCIC which is based on a percent of premium and is intended to reimburse expenses associated with selling and servicing crop insurance policies, including the expenses associated with adjusting claims.

Liabilities

Total liabilities increased by $10 million during 2013. The increase was related to multiple factors. Ceded reinsurance premiums payable were higher due to an increase in premiums written. The Company also had an increase in contingent commissions payable. Because the Company experienced lower losses during 2013, certain contingent commissions were incurred that were not incurred in the prior year. The increase was also a result of a change in the intercompany receivable from/(payable to) parent.

These increases were partially offset by a decrease in federal and foreign income taxes payable. In accordance with SSAP No. 101, *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10*, the Company changed its method of reporting tax balances from the separate-return approach to the modified separate-return approach effective December 31, 2013. The Company elected the modified separate-return approach as the Company receives reimbursement from Deere & Company for tax attributes (e.g. net operating and capital losses) utilized or expected to be utilized within the consolidated federal income tax return of Deere & Company. This change in accounting principle resulted in no current federal and foreign income taxes payable being reported for 2013, while a payable did exist in 2012.

Capital and Surplus

Capital and surplus grew by approximately $10 million over 2012, primarily due to capital infusions of $30 million by JDIC's ultimate parent, Deere & Company, and cumulative effect of changes in accounting principle of $5 million related to changes to the Company's tax approach described above. These increases were offset by a $27 million net loss.

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As of and for the year ended December 31, 2013

RESULTS OF OPERATIONS

JDIC's results of operations for the years ended December 31, 2013 and 2012, respectively, were as follows:

Statement of Income	2013	2012
Premiums earned	$ 158,345,904	$ 133,291,412
Losses and loss adjustment expenses incurred	156,561,055	141,500,416
Other underwriting expenses and deductions	40,347,124	23,181,932
Net underwriting gain (loss)	(38,562,275)	(31,390,936)
Net investment gain (loss)	2,656,422	1,718,160
Other income	241,338	48,367
Pre-tax income (loss)	(35,664,515)	(29,624,409)
Federal and foreign income taxes incurred	(8,960,056)	0
Net income (loss)	$ (26,704,459)	$ (29,624,409)
Cash Flow		
Cash from operations	$ (56,599,831)	$ 25,535,584
Proceeds from investments	4,823,313	9,835,909
Other cash provided	60,070,299	4,094,906
Net cash	8,293,781	39,466,399
Investments acquired	10,781,531	56,840,160
Net (decrease) increase in cash and short term investments	$ (2,487,750)	$ (17,373,761)

Net Income (Loss)

The Company has experienced net losses in each of the past two years. The losses are primarily related to significant weather events, which have caused higher than normal crop insurance claims. In 2012, the majority of the United States experienced a significant drought, causing higher than normal claim volumes. During 2013, crop yields were lower than expected in several Midwest states due to poor weather conditions. Additionally, corn prices decreased significantly throughout the year which caused increased claims on policies that offer revenue protection.

As noted above, the Company changed its method of reporting tax balances from the separate-return approach to the modified separate-return approach effective December 31, 2013. As a result, the Company recorded a tax benefit of approximately $9 million during 2013, as the Company will receive reimbursement from Deere & Company for the tax attributes (e.g. net operating and capital losses) utilized within the consolidated federal income tax return of Deere & Company. The prior period impact of the change in accounting principle was recorded as an adjustment to unassigned funds (surplus) in 2013.

Cash Flow

During 2013, the cash used from operations was funded through an intercompany funding arrangement and a $30 million capital infusion. The Company plans to invest the capital infusion in NAIC Class 1 rated bonds during 2014.

Liquidity

The Company has sufficient resources to meet all obligations on the balance sheet in both the short and long term. The Company's liquidity needs are met through intercompany funding arrangements.

Conclusion

As described above, the 2013 and 2012 financial results were impacted by significant weather events, which caused higher than normal claim volumes and negatively impacted the results of operations. Despite the net losses, JDIC remains well capitalized due to continued support from its ultimate parent, Deere & Company.