

The

A publication of the United Farmers Agents Association

SPECIAL EDITION

October 2008

Voice

UFAA OFFERS FARMERS AGENTS A REAL CHOICE

ERRORS AND OMISSIONS POLICY

“Agents Helping Agents®”



The United Farmers Agents Association is a professional association committed to helping our members through education, communication, support and information and to establishing a true partnership with Farmers Group, Inc.





UNITED FARMERS AGENTS ASSOCIATION, INC.

9785 Mackenzie, Suite 104 • St. Louis, MO 63123

800-275-8668 • 314-631-7963

www.ufaa.com • no@ufaa.com

YOU HAVE A CHOICE

Over the last year, the United Farmers Agents Association requested multiple independent insurance experts to review the current Farmers Agents Errors and Omissions policy for any possible deficiency. Their objective was simple, analyze the policy and recommend solutions. The results were shocking to say the least and the conclusion was unanimous, immediately offer an alternative policy to the agency force.

Through much searching, UFAA has been able to secure a large insurance carrier to offer agents an alternative to the current E&O program. Lexington Insurance Company will be the UFAA Alternative E&O carrier.

You will receive email information in the next couple of days comparing the current policy against the alternative policy. There will be web pages and links to inform you and guide you through the process. You can also visit the ufaa.com website for this information. UFAA is very excited to bring you this alternative E&O program and hopes that you will consider it. Ultimately, the choice is up to each agent. Thanks to UFAA, you now have a choice.

As with anything, to make a change will require some action. To enroll in the UFAA Alternative E&O program simply log onto ufaa.com or go to <http://www.groupeando.com/farmersagents-errors-and-omissions-insurance-coverage-program.php> for more information.

In order to obtain a no obligation quote, every agent will need to answer all the questions and submit the application. When the carrier responds the agent will need to make a decision as whether to accept the offer or reject it. The premiums are extremely competitive. However, let us be very clear that UFAA set out this mission solely because of concern with the current coverage's and the potential negative impact on the agents. It was imperative that UFAA find a reputable and stable insurance carrier that would provide comprehensive coverage and not just battle over the premium dollar.

You are not required to be a UFAA member to apply for your E&O provisional quote. You simply fill out the application in full and submit your loss history. This process is simple and is explained in full under <http://www.groupeando.com/farmersagents-errors-and-omissions-insurance-coverage-program.php>. Once you receive your E&O quote, if you wish to submit for coverage, you must either be a UFAA member or join as an E&O limited member for \$120.00 per year. The \$120.00 is payable in full and must be remitted every year to receive a renewal. This Alternative E&O program is only for full-time Farmers agents.

Tom Schrader
President
United Farmers Agents Association



Application for Membership

United Farmers Agents Association



9785 Mackenzie Rd, Ste #104, St. Louis, MO 63123
 Phone 800-275-8668 Fax 314-631-7963 Email no@ufaa.com

Mission Statement - The United Farmers Agents Association is a professional Association committed to helping our members through education, communications, support and information, and to establish a true partnership with Farmers Group, Inc.

APPLICANT INFORMATION		
Name		Agent Code
Current address:		
City:	State:	Zip Code:
Phone	Fax	Email

TYPE OF MEMBERSHIP			
Regular Members: Farmers Insurance Agents with an in force Agent Appointment Agreement.	Annual \$360	Semi-Annual \$180	Bank Draft \$30 Month
Associate Member: Former agents of Farmers Insurance Group who no longer have an in force Agent Appointment Agreement and who are not employees, agents or representatives of an insurance company that offers one or more of the same lines of insurance as Farmers Insurance Group.	Annual \$50		
Affiliate Member: Any person or organization not qualifying under Regular Membership or Associate Membership	Annual \$50		
Career Agent: An active Farmers Agent Still in the Career Program, Renews at Regular Member rates	First Year of Membership \$50		
E&O Agent: Limited to E&O Group Membership	Annual \$120		

PAYMENT MODE					
Attached is my Check for (Circle One)					
Annual - \$360	Semi-Annual - \$180	Bank Draft - \$30	Associate/Affiliate - \$50	Career - \$50	E&O Membership - \$120

OR

Charge My Credit Card: (Circle One)		MasterCard	Visa		
Annual - \$360	Semi-Annual - \$180	Bank Draft - \$30	Associate/Affiliate - \$50	Career - \$50	E&O Membership - \$120
Credit Card Number			Expiration Date		

ADDITIONAL FUNDS			
In addition to my dues, I wish to contribute:	\$ _____ to the General Fund	\$ _____ to the Legal Fund	\$ _____ to the DRA Fund

BANK DRAFT AGREEMENT
<p>Authorization to Honor Checks Drawn by the United Farmers Agents Association, Inc.</p> <p>For my benefit and convenience, I hereby request and authorize the United Farmers Agents Association, Inc. to draw a check in the amount of \$ _____ on or about the 10th day of each month payable to its own order.</p> <p>This authorization will remain in effect until revoked by me in writing and until they actually receive such notice.</p>

"AGENT HELPING AGENTS®"

THE GENERAL OBJECTIVES OF UFAA ARE:	THE SPECIFIC SECURITY OBJECTIVES OF UFAA ARE:
<ol style="list-style-type: none"> 1. To create meaningful communication between company and agent. 2. To improve professional status in the community. 3. To improve company-client relationship. 4. To improve agent to agent relationships. 5. To stand united to accomplish these objectives. 	<ol style="list-style-type: none"> 1. A two-way negotiated contract. 2. For rendered services contractual compensation schedules encompassing full commission of all premiums. 3. Agent ownership of policies and expirations. 4. Termination for just stated-cause only. 5. Ending discrimination of agent or agent authority. 6. To foster cooperation for mutual benefit, between other agent associations.

I am currently a Farmers Insurance agent and do hereby apply for membership in the United Farmers Agents Association, Inc., and agree to abide by the bylaws and the code of ethics. I further agree with the above stated principles.

Signature of applicant:	Date:
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UFAA INTRODUCES ALTERNATIVE E & O POLICY

Since September 2007 there has been an effort underway to provide you with an alternative to the Farmers Group Inc E&O plan underwritten by Arch Insurance Company. Today we are much closer to making this a reality. The application process is underway for the proposed United Farmers Agents Association Errors and Omissions plan.

The Farmers Group Inc. Agents E&O insurance plan has been reviewed, found to be written primarily to benefit Farmers Group Inc. (with the agents paying the premiums) and a superior alternative has been proposed. Today you are able to explore the benefits of the proposed program offered by Lexington Insurance Company, A rated size XV.

Emails are currently being sent to all agency offices where contact information is available. If you did not receive an email outlining the proposed program, please go to the web site at <http://www.groupeando.com/farmersagents-errors-and-omissions-insurance-coverage-program.php> for coverage details and to complete your application.

This proposed program will be available to agents where Farmers Group Inc. has the first right of refusal of all applications and the agent is at least a limited member of the United Farmers Agents Association. **There is no cost and you are not required to be a member to submit an application.**

[Your participation in the Farmers Group Inc. Agents E&O plan is voluntary](#)

No agency appointment agreements, including FFS, specify that you must have your coverage “approved” by Farmers. You may insure wherever you wish and Farmers has no contractual language controlling your coverage.

You are not limited to any “cut off date” in the benefits enrollment as it relates to the E&O coverage. If you do nothing, you are automatically enrolled in the Farmers E&O coverage. You must “opt out” of coverage to change coverage. You will NOT be charged a fee by Farmers to change coverage. The rates are monthly and if you request cancellation, it will be effective the 1st of the following month which will coincide with your earned premium. You should do this only when you have secured other coverage and should make the request early enough in the month to insure it will affect the following folio.

VOLUNTEER TO HELP YOUR AGENCY AND YOUR BOTTOM LINE

You are probably asking the same question your insureds ask you when you propose to replace their coverage: “How do I get more and pay less?” I believe the following outline will answer this and other questions you may have.

How will I save money with the proposed Farmers Agents Association plan?

- You will be rated for your operations only unlike the Farmers Group Inc. plan which is “one size fits all”. Most agencies are not one size and you are probably subsidizing other agencies.
- The proposed plan will only take agencies with acceptable loss histories which will reduce plan losses keeping your rates reasonable.
- You won't pay for free coverage for reserve agents or for Farmers Group Inc. operations or agencies in the proposed plan.
- There will be risk management in the proposed plan. The Farmers Group Inc. plan can not refuse or cancel coverage for any agent. Without underwriting or risk management, rate increases are the only method to counteract plan unprofitability.

How will I get better coverage with the proposed Farmers Agents Association plan?

- Premium rates, while group discounted and individually rated, have been tailored to account for the rate decrease by Arch to be effective for the 2009 year.
- Your coverage was designed by and for Farmers Agents and will include all agency employees and independent producers.
- **In the proposed association plan, you will have coverage for your failure to provide an available Farmers coverage that would have covered your insured's loss. This is currently excluded in the Farmers Group, Inc. plan. Yes that's right, I am not kidding.**
- Your coverage benefits will not be eliminated or reduced by your contract termination status in the proposed plan, which currently can occur in the Farmers Group Inc. plan.
- You will have coverage for claims brought for the unintentional release of confidential data in the proposed plan. This is currently excluded in the Farmers Group, Inc. plan if this occurs for the purposes of coverage replacement.
- You will have coverage for punitive damages where allowed by law in the proposed plan, while this is currently excluded in the Farmers Group, Inc. plan.
- You will have a broad definition of Personal Injury coverage that includes infringement of copyright, plagiarism, piracy, misappropriation of ideas or infringement of title, slogan or trademark, trade name, trade dress, service mark or service name in the proposed plan. These exposures are commonly associated with agency web site operations are currently excluded in the Farmers Group, Inc. plan.
- You will have coverage for allegations of unintentional wrongful acts brought by a governmental agency in the proposed plan. This coverage is limited to \$50,000 for defense only in the Farmers Group, Inc. plan. This is an enhancement of coverage contained in the pending 2008 Arch Filing, previously it was excluded altogether.
- Coverage will be extended to your spouse if named in a claim even if they are not an agency employee in the proposed plan, which is currently excluded in the Farmers Group, Inc. plan.
- You will have coverage for viatical sales in the proposed plan, which is excluded in the Farmers Group, Inc. plan.

- You will have coverage for allegations of a promised rate of return and fluctuations in the market value of a security in the proposed plan and which is currently excluded in the Farmers Group, Inc. plan.
- As an optional endorsement you may obtain coverage for Employment Practices Liability Insurance for your agency staff exposures in the proposed plan. This is not currently offered in the Farmers Group Inc. plan.
- Your deductible per covered claim will be the same for any insurance carrier, whether it a Farmers or non Farmers carrier in the proposed plan. The deductible applies to damages only, you pay nothing for defense costs and defense costs are outside the limit of liability.
- Your deductible amount is both per claim and aggregate in any policy year in the proposed plan. In the Farmers Group Inc. plan the deductible applies to each claim.
- Without additional premium, your deductible may be waived by compliance with risk management guidelines as outlined in the deductible waiver endorsement in the proposed plan. You are charged \$300 for this coverage in the Farmers Group, Inc. plan.
- The Extended Reporting Period coverage has a much lower cost than the Arch plan and includes **ALL** policies in your agency, not just your Farmers policies.

How will I maintain the privacy and integrity of my agency operations with the proposed Farmers Agents Association plan?

- Lexington claims staff will handle Farmers and non Farmers claims in the proposed plan, rather than Farmers E&O claims staff in tandem with Lancer Claims.
- Your claim will not be reviewed to determine if the claimant's policy should have been placed with Farmers in the proposed plan, which may happen in the current Farmers Group Inc. plan.
- While you may use arbitration to settle a coverage dispute with the association plan carrier, you are not required to do so in the proposed plan as you currently are in the Farmers Group, Inc. plan.
- Your claims will not be settled without your consent in the proposed plan, while Arch currently has complete control in the Farmers Group, Inc plan.
- If you terminate with Farmers you will be able to maintain your coverage until the end of the policy period in which your termination occurs in the proposed plan and which is currently not allowed in the Farmers Group, Inc. plan.
- Your application data will not be shared with anyone outside the underwriting process, including the association, for the proposed association plan coverage.
- Your agent association membership will be kept private if you wish.

How will I avoid or reduce my claims exposure with the proposed Farmers Agents Association plan?

- You will be provided with a Risk Management Manual which you may customize to your agency, which will provide guidelines and verifiable processes.
- You will be evaluated by the risk management service and provided a detailed report identifying any exposures you may have.
- You will not pay an additional premium to waive your deductible in the proposed plan. You will have a coverage endorsement outlining documentation procedures that if complied with, will allow for the waiver of your claim deductible. The observance of these documentation procedures, consistently followed, cannot completely relieve you of your professional responsibilities or guarantee that E&O claims will be settled in your favor but this documentation will provide a better defense than might otherwise be possible. This will also increase the chances that the plan carrier will not just settle your claim as a matter of course.

In the Farmers Group Inc. plan you pay an additional premium and the maximum aggregate benefit for the deductible waiver is \$10,000 (i.e. two non-Farmers placed policy losses) in one policy year. Any deductible amount above that is paid by you without limitation.

- Subrogation will not be waived against Farmers Group Inc. in the proposed plan as it currently is in the Farmers plan.
- Contributory negligence on the part of Farmers Group Inc. will not be covered in the proposed plan as it currently is in the Farmers Group Inc. Plan.

How will I obtain coverage from the proposed Farmers Agents Association plan?

You will need to complete an application and while it is not long, to allow you to complete it quickly, it is suggested that you have the following information at hand when you begin. All information listed is required to complete your submission. [You may complete the application and then order your loss history and forward it.](#)

You will not be required to join the association or pay any premiums when submitting your application for a proposal.

- **Obtain your loss history and retroactive date from Calsurance.** The loss history will allow the carrier to offer the best rates possible and the retroactive date will insure no gap in coverage when you place your new policy. Your insured's request their loss history from their prior agents and you can too. Calsurance will provide this information, without complaint, so do not be concerned about requesting it.

If this request is made in writing (by email seems to be the easiest way according to the agents that have done so), be sure to include your Name, Agent # and email address. Calsurance contact information:

- | | | |
|---|------------|--|
| | Calsurance | |
| • | Voice: | 866-893-1023 |
| • | Fax: | 866-893-1198 |
| • | email: | farmers@calsurance.com |

Your loss history and retroactive date documents should be placed in an easily accessible folder on your computer. While you complete the application you may automatically transmit the information to the application website. You may also fax or email it, if you would rather. This information will be required only in your initial year of coverage.

• **The following information should be at hand:**

- o All agency owners' full name, DOB, residence address and years of experience
 - o Estimated commission volume by policy type (auto, fire, life, commercial) for the last year
 - o License number(s) and date first licensed
 - o Agency producer information (production volume and if they have outside appointments, the information relating to these appointments, lines written, volume etc.)
 - o General agency or non Farmers carrier appointments with estimated line volume and binding authority, if applicable
 - o Farmers binding authority limits
 - o If you have E& O with a carrier other than the Farmers Group Inc. plan, the carrier name, policy number, limits, retroactive date and the loss history covering the last 5 years or period of operation if less
 - o If you are a current association member, please have your membership number
- If you will please go to <http://www.groupeando.com/farmersagents-errors-and-omissions-insurance-coverage-program.php> you may access and complete the online application.
 - If qualified, you will receive coverage terms.
 - All claims or incidents not yet reported to your current plan carrier must be reported to the carrier prior to coverage termination and disclosed on your association application. If a claim or incident occurs after your completion of the association application and prior to your requesting coverage, your application must be amended and resubmitted PRIOR to your bind request.
 - A link to the website will be provided to complete the posted membership and risk management plan requirements and make your payment arrangements for the 1/1/2009 inception date.
 - After coverage is confirmed bound, your individual policy will be delivered digitally by email.
 - Once your coverage is confirmed bound, you will transmit the required "opt out" form to the Farmers Benefits Department. The association web site will provide this form. You will be required to opt out of Farmers coverage each and every year you place coverage outside of the Farmers Group Inc. plan or you will be automatically reenrolled in the Farmers Group Inc. plan. No refunds will be given if this occurs.

For your review, detailed coverage description is available on the website. You owe it to yourself to compare your coverage and get a proposal. I am sure you will agree when you receive your proposal that you have improved your coverage, protected your privacy and likely reduced your cost.

Calsurance has formulated a standardized response to accompany the loss history for agents making the request. The following is text of the Calsurance email when they forward your loss history. The Calsurance wording is **blue**; the UFAA rebuttal is **bold black**.

If this request has been prompted by your consideration of an alternative errors and omissions program, we would like to remind you of the benefits and value of the Agents and District Managers of Farmers Insurance Exchange Errors & Omissions program:

- Automatic coverage for employees of your agency (including Agency Producers working on your behalf) at no additional premium
- **ALL agency employees and producers are included in the UFAA plan**
- Exclusive offering of the deductible buy back program at a nominal cost
- **Deductible buy back is at no charge with loss control compliance (see the presentation material at the www.groupeando.com site) in the UFAA plan. There is no aggregate limit on this benefit with UFAA plan as there is with the Arch Plan (\$10,000) and your deductible with the UFAA plan is per loss and the total amount you could incur in any one policy year**
- No deductible on defense costs – if you are sued and there are no damages paid on your behalf, regardless of fault, you pay nothing
- **The UFAA plan offers the exact same benefit**
- Defense costs are outside of the limits of liability
- **The UFAA plan offers the exact same benefit**
- No Application to complete
- **OK, this is true, you have to complete an application to get better coverage, we admit it. This being posed as a benefit would**

seem to indicate that someone thinks you are too lazy or apathetic to complete an application to protect your livelihood. As hard as all of you work to grow your business, we know this is simply not true

- Coverage specifically tailored to the needs of Farmers agents
- UFAA could not disagree more with Calsurance statement "specifically tailored to Farmers agents". The UFAA coverage was designed by Farmers Agents for Farmers Agents. The Arch plan is designed by Farmers Group Inc. for Farmers Group, Inc. where the agents are the premium payers
- You cannot be cancelled if you report a claim
- The fact no one can be non-renewed is the problem with the Arch plan and the reason the Arch rates are high, there is no remedy for losses other than rate increases. The UFAA plan will act to control losses by taking only the best agents and providing true loss control. If you are non-renewed by the UFAA plan for losses, it would be effective 1/1 of any given year and would coincide with the renewal of the Arch plan so you could automatically go back if you wish. I would suggest you would be better off buying individual coverage almost anywhere else though, due to coverage exclusions in the Arch plan
- Automatic Unlimited Extended Reporting Period at no additional premium on Farmers products for Agents or DMs who retire or terminate their contract with Farmers (provided the termination was not for cause)
- Arch offers this benefit for FARMERS business **only**. The UFAA plan offers an extended reporting period option for **ALL** of your business, not just Farmers, at a cost LOWER than ARCH for the non-Farmers business alone. If you want complete coverage for all agency business when you sell your agency, it will cost you more with Arch unless you will take a chance on not having coverage for your non-Farmers policies. This benefit is not tied to your termination status either. If you are terminated for cause, you have NO option for this benefit with the Arch plan; it is withdrawn even though you pay the premium, not Farmers
- Beginning January 1, 2009, all Farmers agents and district managers with coverage at the basic limit of \$1,000,000 each claim/ \$2,000,000 aggregate will receive a 5 – 20% decrease in premium depending on location
- UFAA is aware the rate decrease that Arch filed in July with the California Department of Insurance. The UFAA rates are structured to be competitive or better than Arch's new rates for the 2009 policy year

These are just a few of the benefits of participating in the Agents & District Managers of Farmers Insurance Exchange Errors and Omissions Program.

With the exception of having to complete an application, you are losing NOTHING and gaining much more by exploring your options and placing your coverage with the UFAA plan.

Remember, if you are appointed with Farmers Financial Solutions, LLC, any alternative coverage must be approved to maintain your appointment agreement.

This is incorrect. The Farmers and FFS appointment agreements have been reviewed and there is NO such requirement on any documents reviewed. You should read your agency appointment agreement and FFS agreement for yourself. There is no language like that and it would appear that Calsurance is mistaken.

If you have received an alternative quote and would like assistance in comparing the coverage quoted with the Farmers E&O program, we would be happy to assist you.

Ask them to explain:

1. The Class One exclusion and why coverage is excluded if you fail to provide an available Farmers coverage in error? This is an errors and omissions policy, right?
2. Why there is free coverage for Farmers Group Inc?
3. Why there is a waiver of subrogation for Farmers that will increase loss costs and your premiums?
4. Why Arch allows Farmers to file claims against you without your knowledge and if they collect, it costs Farmers nothing, it costs the agents plan and the agents pay the premiums not Farmers?
5. Why are there so many more exclusions in the Arch plan that in the UFAA plan (see the Coverage Comparison and Frequently Asked Questions document)?
6. Why is Arch reducing the rates now when there is a competing plan? For the last 4 years it has been NOTHING but rate increases, why now? Here's a hint, there is success in stopping this plan, this will not be attempted again and you will have to accept what Farmers offers or pay even higher rates for single policy coverage that is driven to independent agencies.
7. Why is the unintentional release of confidential data excluded?
8. Why is the Personal Injury Coverage so limited that it renders it ineffective for website operations?
9. Why is coverage not extended to my spouse if they are named (even if they are not an employee)?

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UNITED FARMERS AGENTS ASSOCIATION

9785 Mackenzie, Suite 104

St. Louis, MO 63123

Office Hours: 8 am to 5 pm Central Time

E-mail: no@ufaa.com

Phone: 314-631-7898

For Members: 800-275-8668

Fax: 314-631-7963



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9785 Mackenzie, Suite 104
St. Louis, MO 63123

Address
Service Requested

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PERMIT #2001

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- 10. Why can't my coverage continue after my termination to the end of the plan year?
- 11. Why are claims related to future value of an investment and stability of an investment excluded which is one of the two most common securities related losses?
- 12. Why do you have to go to arbitration for a dispute rather than having it as an option?
- 13. Why can't you have the final say in paying a claim?
- 14. Why does my contract affect insurance benefits that I pay for?
- 15. Why do you have to pay to cover Taxes, Fines and Penalties against Farmers?
- 16. Why do you have to pay for free coverage for reserve agents?
- 17. Why is Farmers an insured and an agent of Arch for claims?
- 18. Why is there coverage for independent wrongdoing and bad faith for Farmers when Farmers pays no premium?
- 19. Why does Farmers have coverage even when you write the policy with another insurer and they sue Farmers?

[We value your participation in the E&O program and would like to continue servicing you with your errors and omissions needs.](#)

If they truly valued your business they would have structured this policy for you the agent, not for Farmers. Arch and Calsurance would act in your best interests, not Farmer's. Farmers does all of the negotiating and pays the premium to Arch. Arch views Farmers as the client and the agents as the funding source. It does not have to be this way. You are the income source for Farmers, they frequently forget this fact and you deserve better treatment. Being a former Farmers agent, I have walked a mile in your shoes. I want to help you not merely survive, but to succeed and by helping you to be self sufficient as it relates to this insurance, is the way I can do so.

The information in this article is not an insurance policy or contract of insurance and is intended as general information. The information is given in good faith and has been obtained from published information and other sources believed to be reliable at the time of preparation. Coverage and issues discussed may not be applicable in all areas of the United States. It is not necessarily complete descriptions of all terms, exclusions and conditions applicable to Farmers Group Inc. Errors and Omissions policy or the proposed United Farmers Agents Association policy. The insurance afforded by either plan is subject to the terms and conditions of the policies issued.

The availability of the proposed plan is subject to Lexington Insurance Company's final acceptance and agreement to provide the proposed policy terms and individual cost terms for exclusive agents of Farmers Group Inc. who are members of the United Farmers Agents Association. Not all applicants may qualify. Your qualification is subject to meeting agency operational and loss history requirements.