

As many of you know, Farmers Group Inc., the management company, is releasing a new Agent Appointment Agreement in the near future. It appears the new contract will be for new agents only. The new AAA may effectively end the benefit of the existing family rights provision, because what spouse or parent would want their spouse, son or daughter to take over their agency and have to live under the new AAA.

In the new AAA, the word "Companies" refers to the three Exchanges, MC and FNWL and, in Farmers Group Inc.'s view, any company they or the Exchanges acquire, such as Foremost and Bristol West. Also, read the new AAA and count the number of times the words "*the companies sole discretion*" appear. It is truly frightening.

The following is a condensed summary of some of the most significant changes in the new Agent Appointment Agreement (AAA).

Section B, "Agent Duties":

(B1) New agents will not be allowed to place business with other companies or brokers. New agents will truly be exclusive and captive agents, no different than State Farm and Allstate agents. Current agents do not have this limitation.

(B2) The location of a new agents office will be at the sole discretion of the companies. Current agents are free to put their office anywhere provided it does not interfere with another agent.

(B4) New agents will have to provide a fidelity bond. However, the amount of the bond isn't stated and if an outside bonding company is used, the value of the bond has to be within the parameters deemed acceptable by the companies' at their sole discretion. Current agents have the bond amount stated in their AAA.

(B5) New agents will have to meet performance standards (quotas), including, without limitation, any specific performance standards the companies' may require of agents in their sole discretion. Currently, agents do not have quotas or performance standards although the management company seems to ignore that in the AAA.

(B6) New agent's are required to conduct business in accordance with the policies of the companies' in effect at the time of the appointment and modified from time to time by the companies' at their sole discretion. Current agents set their own goals, business hours, etc.

Section C: "Termination of Agreement"

(C1) The new AAA states either party may terminate on three months written notice, **without cause**. The current AAA is silent on whether or not if cause is needed.

(C3) The new AAA states the companies' may terminate immediately for six (6) sins, rather than the five (5) in the current AAA. The sixth deadly sin is "Conduct that is disparaging of or detrimental to the Companies, including, without limitation, conduct determined by the Companies to constitute a conflict of interest." The current AAA is silent on this issue. It would appear that this additional termination issue violates the constitution of the United States. It is called FREE Speech.

Section D, "Termination Review Board"

The new AAA does not allow for a TRB if the agent is terminated with 90-day notice. The new AAA also states the TRB procedures those that are "in place at the time Agent requests the [TRB]." The

current AAA allows for a TRB regardless of the reason and specifically outlines the procedures to be used. One attorney has stated, "The TRB used to be a sham. Now it is a joke."

Section G, "Contract Value"

The new AAA states if the AAA is terminated for violation of any one of the six (6) sins contract value is forfeited. The current AAA only takes away CV if the agent is charged with embezzlement.

The new AAA requires 2,000 PIF to reach the maximum contract value. The current AAA requires only 1500 PIF.

The new AAA says contract value will be paid upon notice of termination and the current AAA only says upon termination. Typically agents have waited weeks after their termination date to receive their first contract value payment.

Section H, "Agent Bonuses" and part of Section G in the current AAA

The new AAA does not mention a Contract Value bonus. The current AAA does.

The new AAA says that even though terms and conditions of each bonus program are published annually, "the terms and conditions are subject to change at any time and revisions may be communicated in bulletins and other publications."

Section I, "Post Termination Obligations"

The new AAA still retains the one-year non-compete and the option for the company to take the agent's telephone numbers and office lease.

The new AAA restricts the agent from soliciting any former policyholders in his agency. The current AAA restricts the agent from soliciting any policyholders in his district.

Under most state laws, there must be consideration of a non-solicitation or non-complete clause. That raises the question, if an agent is terminated and is not paid contract value, is he/she bound by the non-solicitation or non-compete obligations?

Section J, "Return of Confidential Information"

This section replaces and broadens Section I of the current AAA, by stating policyholder records, including expirations, contain trade secrets and confidential information. Further, any other information the companies may designate as trade secrets or confidential are the property of the companies and shall not be used or divulged in any way detrimental to the companies.

Section K, "Independent Contractor"

This section replaces and broadens Section J of the current AAA, by stating agency staff is also independent contractors. Of more importance, is the inclusion of the words "performance standards" that refer back to Section B. Unfortunately, the term performance standards is not defined, but is probably synonymous with goals.

The New AAA contains the same sentence that the current one does, that it can only be modified by the written consent of the agent and companies. However, it now includes language that if any part is found unenforceable, the remainder is still enforceable.

Finally, the new AAA requires the agent to acknowledge that the agreement was delivered to them and that they have read it and wish to do business with the companies on the terms set forth.