

FROM : ANN DAVEY

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Administrator
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CAUSE NO. GN-001634

MICHAEL LEONARD and MICHAEL SAWYER on behalf of themselves and all others similarly situated,

Plaintiffs,

V.

FARMERS INSURANCE EXCHANGE, TRUCK INSURANCE EXCHANGE, FIRE INSURANCE EXCHANGE, MID-CENTURY INSURANCE COMPANY, MID-CENTURY INSURANCE COMPANY OF TEXAS, FARMERS NEW WORLD LIFE INSURANCE COMPANY, FARMERS TEXAS COUNTY MUTUAL INSURANCE COMPANY, TEXAS FARMERS INSURANCE COMPANY, and FARMERS GROUP, INC., collectively doing business as FARMERS INSURANCE GROUP OF COMPANIES

Defendants.

IN THE DISTRICT COURT OF

TRAVIS COUNTY, TEXAS

98th JUDICIAL DISTRICT

NOTICE OF CLASS ACTION REGARDING AGENCY ACHIEVEMENT AWARDS

ACCORDING TO RECORDS OBTAINED IN THESE PROCEEDINGS, YOU ARE A MEMBER OF ONE OR MORE SUBCLASSES IN A CLASS ACTION CERTIFIED BY THE 98th JUDICIAL DISTRICT COURT OF TRAVIS COUNTY, TEXAS ON NOVEMBER 1, 2001.

PLEASE READ THIS ENTIRE NOTICE CAREFULLY REGARDING YOUR RIGHTS, INCLUDING YOUR RIGHTS TO PARTICIPATE IN ONE OR MORE OF THE LISTED SUBCLASSES OR TO OPT OUT OF ONE OR MORE OF THE LISTED SUBCLASSES.

THIS NOTICE IS NOT TO BE UNDERSTOOD AS AN EXPRESSION OF ANY OPINION BY THE COURT AS TO THE MERITS OF ANY OF THE CLAIMS OR DEFENSES ASSERTED BY EITHER SIDE.

I. WHAT IS A CLASS ACTION

Class actions are lawsuits in which the claims and rights of many people are decided in a single court proceeding. Representative plaintiffs are named in the lawsuit to assert the claims of the entire class.

II. THE LITIGATION

There is now pending before this Court a class action for damages that Class Plaintiffs allege resulted from Defendants' failure to properly calculate four different achievement award bonuses as more fully set forth below. If you are a member of one or more Subclasses described in this Notice, your rights will be affected by this litigation. The courses of action available to you are described below.

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As a Farmers agent or former Farmers agent, in the past you have received documents, including but not necessarily limited to Achievement Awards Booklets that described certain achievement awards and bonus programs. Class Plaintiffs contend that Defendants breached certain promises made regarding the payment of the Agency Profitability Bonus (1995-1999); the Contract Value Bonus (1995-1999); the Auto Retention Bonus (1999); and the Life Performance Bonus (1995-1999), resulting in both nonpayment and substantial underpayment of agent bonuses.

Agency Profitability Bonus. By way of summary only, Class Plaintiffs contend that certain expenses, including but not limited to those expenses and charges Defendants included in the state breakeven ratio, were improperly charged or charged twice in calculating the Agency Profitability Bonus and/or the eligibility therefore. Defendants deny each allegation made by the Plaintiffs and contend that all of the bonuses were properly calculated and paid in full.

Underwriting Contract Value Bonus. By way of summary only, Class Plaintiffs contend that certain expenses, including but not limited to those expenses Defendants included in the state breakeven ratio, were improperly charged or charged twice in calculating the Contract Value Bonus and/or the eligibility therefore. Defendants deny each allegation made by the Plaintiffs and contend that all of the bonuses were properly calculated and paid in full.

Auto Retention Bonus. By way of summary only, Class Plaintiffs contend that Defendants improperly determined eligibility for the bonus by improperly charging certain expenses to Agents, and failed to pay the bonus on total Farmers auto premium but rather limited bonus payments to a percentage of premium from 300 series policies only. Defendants deny each allegation made by the Plaintiffs and contend that all of the bonuses were properly calculated and paid in full.

Life Performance Bonus. By way of summary only, Class Plaintiffs contend that Defendants breached their promises to pay such bonuses by failing to include all appropriate policies in the determination of who was eligible and by calculating the bonus on a quarterly, rather than an annual, basis in each year's Achievement Awards Booklet. Defendants deny each allegation made by the Plaintiffs and contend that all of the bonuses were properly calculated and paid in full.

The Court has determined that California law is the law to be applied to the substantive issues in this case. In the event you opt out as a class member and file your own lawsuit in your own state, a court in your state might or might not apply the law of your own state or the law of California.

THIS IS ONLY A SUMMARY OF THE CASE. You may review the pleadings, records and other papers on file in this litigation, which may be inspected on weekdays during regular business hours at the offices of the Clerk of the Court, Travis County District Clerk, 1000 Guadalupe Street, Austin, Texas 78701.

III. THE CLASS AND ITS SUBCLASSES

On November 1, 2001 this Court certified the following class action:

A class consisting of all past and current agents of the Farmers Exchanges¹ in the 29 states² who belong to one or more of the following subclasses:

Subclass I: As to the Agency Profitability Bonus, agents who, pursuant to Defendants' records, (a) for any year from 1995 through 1999, were agents as of December 31 for any one of those years, and (b) met the all-lines production, policies-in-force and/or paid life policies qualifications set forth in the corresponding yearly Agents Achievement Awards booklets from 1995 through 1999;

Subclass II: As to the Underwriting Contract Value Bonus, agents who, pursuant to Defendants' records, (a) for any year from 1995 through 1999, were agents as of December 31 for any one of those years, (b) were appointed under the 32-1106 (or 32-1107 in Michigan) Agent Appointment Agreement as of January 1 of any year from 1995 through 1999, and (c) met the policies-in-force and auto new business policies eligibility requirements set forth in the corresponding yearly Agents Achievement Awards booklets from 1995 through 1999 and did not receive the maximum 3 percent contract value bonus in any such year;

Subclass III: As to the Auto Retention Bonus, agents who, pursuant to Defendants' records, (a) for 1999, were agents as of December 31, and (b) met the production count, auto policies-in-force and Customer Loyalty Ratio qualifications set forth in the 1999 Agents Achievement Awards booklet;

¹ The Farmers Exchanges are defined herein as Defendants Farmers Insurance Exchange, First Insurance Exchange, and First Insurance Exchange and Defendant Farmers New World Life Insurance Company (hereinafter collectively referred to as the "Farmers Exchanges").

² The 29 states are Alabama, Arizona, Arkansas, California, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, Wisconsin, and Wyoming.

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Subclass IV: As to the Life Performance Bonus, agents who, pursuant to Defendants' records, (a) for any year from 1996 through 1999, were agents through December 31 for any one of those years, and (b) met the life lapse ratio qualifications set forth in corresponding yearly Agents Achievement Awards booklets from 1996 through 1999 (except career agents because they are exempt from the life lapse ratio qualifications).³

IV. SUBCLASSES FOR WHICH YOU QUALIFY

ACCORDING TO THE RECORDS IN THIS CASE, YOU QUALIFY AS A MEMBER OF THE FOLLOWING SUBCLASS(ES):

- Subclass II
- Subclass IV

It is possible to be a member of more than one subclass if the qualifications for more than one subclass are satisfied. Membership in one or more Subclasses does not entitle you to the benefits or obligate you to the findings and rulings of the Court in regard to other Subclasses in which you are not a member.

V. HOW TO REMAIN IN YOUR QUALIFYING SUBCLASS(ES) AND PARTICIPATE IN THE LITIGATION

As a member of one or more Subclass, you need not do anything if you desire to remain a member. If you choose to remain in your qualifying Subclass(es), your rights in this litigation will be represented by the Representative Plaintiffs and Class Counsel. You have the right, as a Class Member, to appear before the Court and challenge the Courts determinations. You will not be individually responsible for the fees and costs of litigation. If there is a recovery on behalf of one or more subclasses, Class Counsel will apply to the Court for an award of attorney's fees and expenses to be paid by the Defendants or deducted from the Class recovery, as the Court deems appropriate. If you do not timely request exclusion you will be bound by the Judgment of the Court, favorable or not, regarding the outcome of Class Plaintiffs claims concerning the Subclass(es) of which you are a member. As a Class Member you will not be entitled to file your own lawsuit. If you desire, you may appear individually or by your own attorney at your own expense.

VI. HOW TO BE EXCLUDED FROM ONE OR MORE SUBCLASSES

You can exclude yourself from one or more Subclasses upon specific written notice, provided that your notice is mailed by first class mail, postage prepaid, postmarked on or before January 11, 2005, addressed to Lisa R. Porter, Esq., P.O. Box 4850, Portland, OR 97208-4850. The postmark will determine the date of mailing. If you are a member of more than one Subclass you must specifically indicate from which Subclass or Subclasses you wish to be excluded. Failure to specifically indicate from which Subclass you wish to be excluded will result in your exclusion from all Subclasses for which you qualify. If you exclude yourself from one or more Subclasses you will not take part in the litigation as to the excluded Subclass(es), and you may still have the right to bring a case on your own behalf. Your request for exclusion must be signed by an authorized person and must specifically state the name and address of the Subclass member requesting exclusion. If you are an individual you must sign the request for exclusion yourself. If you exclude yourself from one or more Subclasses, you will not share in any recovery that may be obtained for such subclass(es) members as a result of a favorable judgment or settlement and you will not be bound by any further orders of the Court or judgment entered for or against such Subclass(es).

January 11, 2005: Deadline to opt out of and be excluded from one or more Subclasses.

If you have questions you may call or write Class Counsel for Plaintiffs at:

Bobby Pryor
Pryor & Bruce
302 N. San Jacinto
Rockwall, Texas 75087
(972) 771-3933.

**/s/ W. JEANNE MEUREX
DISTRICT JUDGE PRESIDING**

³ Excluded from the Class Definition are Defendants and Defendants' affiliated companies.
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