

CLASS ACTION SETTLEMENT AGREEMENT

This Class Action Settlement Agreement (“Agreement”) is made by and between plaintiffs Irene Parry and Jeanette O’Sullivan (“Class Representatives”) and the members of the certified Class which they represent (collectively with the Class Representatives, “Plaintiffs”), on the one hand, and defendants Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange (collectively, the “Exchange Defendants”) and Farmers Group, Inc. (“FGI” and collectively with Exchange Defendants, “Defendants”), on the other.

RECITALS

A. On November 16, 2017, the Class Representatives filed a class action complaint in the Superior Court of California, County of Los Angeles (the “Court”), styled *Irene Parry, et al. v. Farmers Insurance Exchange, et al.*, Case No. BC 683586 pending before the Honorable Amy D. Hogue (the “Action”). The Action alleges that the Exchange Defendants: (1) violated California Labor Code § 2802 by misclassifying them and other Exchange Defendants’ insurance agents (or, the class), in California as independent contractors, including by establishing certain programs during the Settlement Class Period combined with the no-cause termination provision in the Plaintiffs’ contractual agreements with Exchange Defendants, thus requiring the Class Representatives and the other agents to incur necessary business expenses without reimbursing them for such expenses; and (2) the Exchange Defendants engaged in unlawful, unfair and/or fraudulent business practices within the meaning of California Business and Professions Code § 17200 *et seq.* by: (a) failing to reimburse the Class Representatives and the class for all reasonable business expenses; (b) misrepresenting to the Class Representatives and the class that they own their Farmers’ agencies; and (c) intentionally misclassifying the Class Representatives and the class as independent contractors.

B. On October 29, 2019, the Class Representatives amended their complaint reasserting the claims in their original complaint against the Exchange Defendants and (1) alleging that FGI was also liable with the Exchange Defendants for violating California Labor Code § 2802 and California Business and Professions Code § 17200 *et seq.*; (2) alleging that FGI was liable under California Labor Code § 2753 for advising the Exchange Defendants to treat the Class as independent contractors to avoid employee status for these individuals.

C. On March 5, 2021, the Court issued its final order granting class certification of the Class Representatives’ claims against Defendants and certifying a class of all individuals who signed Farmers Agent Appointment Agreement and worked as a Farmers agent in the State of California.

D. On May 28, 2021, the Court of Appeal for the State of California, Second Appellate District, denied Defendants' petition for a writ of mandate. (Case No. B312051.)

E. Defendants and the Released Parties (as defined below) deny that they have engaged in any unlawful activity, have failed to comply with the law in any respect, have any liability to anyone under the claims asserted in the Action, or that the claims raised in the Action are appropriate for certification. Defendants deny each and every allegation by Plaintiffs and/or the Settlement Class (defined below). Defendants contend that Plaintiffs were properly classified as independent contractors and are therefore not entitled to any benefits or statutory protections to which employees may be entitled. This Agreement is entered into solely for the purpose of compromising disputed claims. This settlement and the fact that Plaintiffs and Defendants were willing to settle the Action will have no bearing on, and will not be admissible in connection with, any litigation (other than solely in connection with effectuating this Agreement). Nothing in this Agreement is intended or shall be construed as an admission by Defendants of any liability or wrongdoing as to Plaintiffs, Settlement Class Members, or any other person, and Defendants specifically disclaim any such liability or wrongdoing. Moreover, this Agreement is not, and it should not be construed as, any admission of fact or law in this matter or any other matter that a class action is appropriate. The Parties have entered into this Agreement with the intention of avoiding further disputes and litigation with the attendant inconvenience, expenses, and risks.

F. Plaintiffs and Defendants prepared for and engaged in a formal, in-person, full-day mediation on June 1, 2021 with an experienced mediator, Randall W. Wulff, Esq. This mediation was preceded by a full-day mediation with the Honorable Louis Meisinger on August 13, 2018 and a full-day mediation with Barbara Reeves, Esq. on April 7, 2021.

G. The Parties have conducted substantial formal discovery and investigation in connection with the claims asserted in the Action. The Parties have propounded substantial written discovery, made substantial productions of documents, and researched and briefed the relevant legal and factual issues arising from all of the claims that are alleged in, or could have been alleged in, the Action. Approximately fifteen depositions have been taken in this case. Settlement Class Counsel also conducted numerous third party interviews. Each Plaintiff was deposed on two occasions and numerous current and former management level witnesses at the Defendants gave depositions. The Parties' discovery efforts and additional data that Settlement Class Counsel (defined below) obtained in advance of the mediation enabled the Parties to evaluate class wide exposure and their probability of prevailing at trial. Since the mediation, the parties have exchanged additional information about the scope of the class, data regarding the agents and programs the agents did or did not participate in, as well as other information that allowed them to further negotiate important terms of the claims process and other relief herein.

H. It is the intention of the Parties to settle and dispose of, fully and completely, any and all claims, demands and causes of action, including all such claims arising from the alleged misclassification of Plaintiffs, that are, or could have been, set forth in the Action for the Settlement Amount and the other terms in this Settlement.

1. DEFINITIONS

The following terms shall have the meanings defined in this Section wherever used in this Agreement and in all of its exhibits:

- 1.1 **“Agreement”** means this settlement agreement and all exhibits attached to it.
- 1.2 **“Claim Form”** means the document substantially in the versions attached hereto as Exhibit B and Exhibit C, as approved by the Court, with modifications to be permitted for formatting or for online processing on the Settlement Website. The Claim Form shall be completed by Settlement Class Members who wish to file a claim for a Claim Payment, and it shall be available in paper and electronic format. Claim Forms in paper format that are mailed and emailed (as applicable) with the Class Notice, and Claim Forms available in electronic format on the Settlement Website, will be pre-populated with a unique individual claim identifier, and the name, street address, and email address (if available) of the Settlement Class Member available from Defendants’ records. In addition, Claim Forms will be available in electronic format on the Settlement Website that are not pre-populated.
- 1.3 **“Claims Deadline”** refers to a Settlement Class Member having until no later than one hundred (100) calendar days from the date Class Notice is mailed to submit his or her Claim Form to the Settlement Administrator, subject to any extension for re-mailed notices in section 9.6.
- 1.4 **“Claim Form Review Process”** refers to the process described in Section 10.3.
- 1.5 **“Claim Payment”** means payment to an individual Settlement Class Member who did not timely submit a valid Request for Exclusion by the Exclusion Deadline and who submits a timely and valid Claim Form.
- 1.6 **“Class Representatives”** means plaintiffs Irene Parry and Jeanette O’Sullivan.
- 1.7 **“Defendants”** means Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange, and Farmers Group, Inc.

- 1.8 **“Defendants’ Counsel”** means counsel of record for Defendants, Locke Lord LLP and Tharpe & Howell, LLP.
- 1.9 **“Direct Payment”** means payment to individual Settlement Class Member allocated and paid without a requirement to submit a Claim Form.
- 1.10 **“Effective Date”** means the date on which the following have occurred: (1) all conditions of the settlement that can be accomplished prior to the Effective Date come into existence; (2) the Court has entered the Final Approval Order and Judgment; and (c) the Court’s Judgment approving this Agreement becomes Final. Final shall mean the deadline for taking an appeal has passed, or, if there is an appeal of the Court’s Order Granting Final Approval and/or of any Order awarding or denying attorneys’ fees, costs, or service awards, the day after all appeals are fully and finally resolved in favor of final approval of the Agreement.
- 1.11 **“Exchange Defendants”** means Farmers Insurance Exchange, Fire Insurance Exchange, and Truck Insurance Exchange.
- 1.12 **“Exclusion Deadline”** means a date that is sixty (60) calendar days after the date that the Notice is initially mailed to Settlement Class Members and is the deadline by which Settlement Class Members’ Requests for Exclusion must be submitted electronically or postmarked in order to be timely.
- 1.13 **“Final Approval Hearing”** means the hearing scheduled by the Court to consider: (a) whether to finally approve this Agreement; (b) Settlement Class Counsel’s application for Attorneys’ Fees, Expenses, and Class Representative Service Awards; and (c) the issuance of such other rulings as are contemplated by this Agreement or as modified by any subsequent mutual agreement of the Parties in writing and approved by the Court. The Parties will request that the Court schedule the Final Approval Hearing at least thirty (30) days after the Claims Deadline.
- 1.14 **“Fees, Awards, and Expenses”** means (i) attorneys’ fees, costs, and expenses, as set forth herein and as awarded by the Court; (ii) service awards to Settlement Class Representatives as set forth herein and as awarded by the Court; and (iii) the cost of administration of the settlement, including, without limitation, the fees of the Settlement Administrator up to a maximum of one hundred and fifty thousand dollars (\$150,000.00), excluding any additional charges by the Settlement Administrator related to Defendants’ Additional Submissions in the Claim Form Review Process outlined herein, which shall be borne entirely by the Defendants.

- 1.15 **“Order Granting Final Approval”** means the final order entered by the Court after the Final Approval Hearing.
- 1.16 **“Order Granting Preliminary Approval”** means the Order entered by the Court preliminarily approving, *inter alia*, the terms and conditions of this Agreement, the manner and timing of providing Notice, and the time period for, and the manner of, the Requests for Exclusions, objections, and Claim Form submissions.
- 1.17 **“Parties”** means the Plaintiffs and Defendants.
- 1.18 **“Plaintiffs”** means, collectively, “Class Representatives” and “Settlement Class Members.”
- 1.19 **“Request for Exclusion”** means a writing signed by the Settlement Class Member and submitted to the Settlement Administrator that includes his or her name, address, and telephone number, and expressly states the desire to be excluded from the Settlement Class.
- 1.20 **“Settlement Administrator”** means A.B. Data, Ltd., as approved by the Court.
- 1.21 **“Settlement Class”** means the class defined in Section 5.
- 1.22 **“Settlement Class Counsel”** means Charles Crueger and Erin Dickinson of Crueger Dickinson LLC and Edward A. Wallace of Wallace Legal Group LLC as Lead Class Counsel and, Milberg Coleman Bryson Phillips Grossman, PLLC, Nelson & Fraenkel LLP, and Wexler Boley & Elgersma LLP as additional Settlement Class Counsel.
- 1.23 **“Settlement Class Member”** means all persons included in the Settlement Class.
- 1.24 **“Settlement Class Representatives”** means plaintiffs Irene Parry and Jeanette O’Sullivan, as approved by the Court.

2. MUTUAL FULL COOPERATION

The Parties and their counsel agree to cooperate fully with each other to promptly execute all documents and take all steps necessary to effectuate the terms and conditions of this Agreement.

3. APPOINTMENT OF SETTLEMENT ADMINISTRATOR

The Parties stipulate to and seek the Court's order appointing A.B. Data, Ltd. to act as the Settlement Administrator for purposes of this settlement, subject to the Court's approval. The Settlement Administrator shall be responsible for, among other matters:

- 3.1 Mailing and emailing (as applicable) of the Notice Package (as defined in Section 9.1 below) to potential Settlement Class Members and receiving Claim Forms (as described in Section 9 below), written Requests for Exclusions and written Objections (as applicable);
- 3.2 After entry of the Court's Order Granting Preliminary Approval, the Settlement Administrator shall determine the timeliness and completeness of submissions of Claim Forms (as set forth in Section 9 below), resolve any dispute by any member of the Settlement Class as to any factor or issue regarding the computation of that member's Settlement Class's Direct Payment or Claim Payment (as defined in Section 10 below), disputed by any member of the Settlement Class or that is part of the Claim Form Review Process; and the Settlement Administrator's decision on any such issue or dispute shall be final, binding, and non-appealable;
- 3.3 Resolving any disputes regarding membership in the Settlement Class as defined in Section 5 of this Agreement and the Settlement Administrator's decision on any such issue or dispute shall be final, binding, and non-appealable;
- 3.4 After the Effective Date, issuing the Direct Payments and Claim Payments and complying with any necessary reporting as set forth in Section 10; and
- 3.5 Collecting any necessary tax information from members of the Settlement Class in order to comply with necessary reporting as set forth in Section 10.

4. SETTLEMENT CLASS PERIOD

The Settlement Class Period will be from November 16, 2013 to the date of the Court's Order Granting Preliminary Approval.

5. THE SETTLEMENT CLASS

5.1 Class Definition

For purposes of this settlement only, the Parties agree that the “Settlement Class” is defined as follows:

All individuals who (i) signed a Farmers Agent Appointment Agreement or a Farmers Corporate Agent Appointment Agreement and (ii) worked as a Farmers agent or Supervising Agent for an incorporated Farmers agency in the State of California at any time between November 16, 2013 to the date that the Court grants preliminary approval of the Settlement.

5.2 Persons Expressly Excluded From the Settlement Class

Any individual who is not a natural, living person (*i.e.*, an entity) shall be excluded from the definition of the Settlement Class. Also excluded from the Settlement Class is any person who during the Settlement Class period: (i) settled the claims asserted in this Action, (ii) released the claims asserted in this Action as part of a settlement of one or more claims asserted under the California Labor Code, (iii) received an adverse final judgment or order in a civil or administrative action involving the claims asserted in this Action, or (iv) received awards through civil or administrative actions for the claims asserted in this Action. Any person who excludes themselves from the Settlement Class pursuant to Section 5.4 is not a member of the Settlement Class.

The Parties agree that Defendants have the burden to timely provide Settlement Class Counsel with a list of names of persons excluded from the Settlement Class under (i) or (iv) in this Section 5.2 along with documents establishing that one or more of those conditions for exclusion are satisfied. The Parties agree that Defendants are not obliged to produce confidential settlement documents and that documents publicly filed in Court referencing a settlement (such as a Notice of Settlement or a Minute Order reflecting a settlement) would satisfy Defendants’ obligations under this Section.

5.3 Certification of the Settlement Class and Appointment of Settlement Class Representatives/Class Counsel

Solely for the purposes of implementing this Agreement and effectuating the settlement, Defendants shall not oppose a request by the Class Representatives that the Court enter an order preliminarily certifying the Settlement Class, appointing the Class Representatives as Settlement Class Representatives, and appointing Charles Crueger and Erin Dickinson of Crueger Dickinson LLC and Edward A. Wallace of Wallace Legal Group, LLC as Lead Settlement Class Counsel and, Milberg Coleman Bryson Phillips Grossman, PLLC, Nelson & Fraenkel LLP, and Wexler Boley & Elgersma LLP as additional Settlement Class Counsel (all referred to herein as Settlement Class Counsel).

In the event that this settlement does not receive final approval from the Court (or if a final approval order is reversed on appeal), no party shall use this provision or the certification of the Settlement Class, the appointment of Settlement Class Representatives and Settlement Class Counsel for any purpose whatsoever in the Action or in any other action or proceeding. Upon entry of final approval of the settlement, the class currently certified by the court will be modified to include the definition of the Settlement Class defined herein and as to each of the Defendants.

5.4 Individuals' Right to Exclude Themselves from the Settlement Class

Potential Settlement Class Members who wish to exclude themselves from the Settlement Class and from participation in the proceeds of the settlement must submit a Request for Exclusion (via U.S. mail, email, or fax) pursuant to the instructions in the Notice and such a request must be sent, or postmarked if sent by U.S. mail, no later than the Exclusion Deadline, except that those potential Settlement Class Members who receive a re-sent Notice shall be informed (via an insert in the Notice) that their time to submit a Request for Exclusion to the Settlement Administrator shall be the longer of: (1) thirty (30) days from the date the re-sent Notice is mailed; or (2) the Exclusion Deadline. A written Request for Exclusion must be signed by the potential Settlement Class Member (if by U.S. mail or fax) and include his or her name, address, and telephone number, and expressly state the desire to be excluded. A Request for Exclusion shall not be invalid for failure to provide all the requested information so long as the Settlement Administrator can ascertain the individual's status as a Class Member and the individual's desire to exclude himself or herself from the Settlement Class.

Any Settlement Class Member who does not provide the Settlement Administrator with a timely, written Request for Exclusion waives the right to do so in the future and shall be bound by all the terms and conditions of this Agreement, including the release of identified claims set forth hereinafter, whether or not he or she submits a Claim Form. In the event a potential Settlement Class Member both purports to exclude himself or herself from the Settlement Class and submits a Claim Form, he or she will be considered to have submitted a valid Claim Form only, and will be deemed not to have excluded himself or herself from the settlement so long as the Settlement Class Member submits a written and signed withdrawal of the Request for Exclusion to the Settlement Administrator. Otherwise, the Settlement Class Member will be deemed to have excluded himself or herself from the settlement.

5.5 Defendants' Right to Void Settlement Due to Number of Requests for Exclusions Received

If the number of persons that submit Requests for Exclusion to the Settlement Administrator on a timely basis is equal to or in excess of fifteen percent (15%) of the number of potential Settlement Class Members to whom Notices are mailed, Defendants shall have the option, in their sole and absolute discretion, to be exercised within thirty

(30) calendar days of receiving notice of the total percentage of Requests for Exclusion, to void this Agreement and the Parties' settlement by notifying Settlement Class Counsel in writing of their intention to do so. The Agreement and the Parties' settlement shall become void seven (7) calendar days after the delivery of such written notification unless, during that period, the Parties agree in writing to a mutually acceptable resolution and thereafter the Court approves such resolution. In the event Defendants exercise their option to void the Agreement under this provision: (a) the Preliminary Approval Order and all of its provisions shall be vacated by its own terms; (b) the Action shall revert to the status that existed prior to the execution date of this Settlement Agreement; and (c) no term of this Settlement Agreement or any draft thereof, or of the negotiation, documentation, or other part or aspect of the Parties' settlement discussions, shall have any effect, nor shall any such matter be admissible in evidence for any purpose in the Action, or in any other proceeding.

6. MONETARY CONSIDERATION BY DEFENDANTS

In consideration for the releases and other consideration set forth in this Agreement, Defendants agree to: (a) pay the individual Settlement Class Members pursuant to the payment procedure as described in Sections 10 and 11; (b) pay attorneys' fees, costs and expenses, as set forth herein and as awarded by the Court; (c) pay the Service Awards to Settlement Class Representatives as set forth herein and as awarded by the Court; (d) pay the cost of administration of the settlement, including, without limitation, the fees of the Settlement Administrator, as set forth hereinafter; and (e) implement the systemic and contract changes described in Section 7.

6.1 Settlement Amount

The "Settlement Amount" is the total sum of Seventy Five Million Dollars and No Cents (\$75,000,000.00), which apart from the exception for administrator expenses related to Additional Submissions by Defendants under the Claim Form Review Process, shall be the maximum amount and "all inclusive," including any payment of (i) individual Settlement Class Member payments pursuant to the payment procedure as described in Sections 10 and 11 herein; (ii) Fees, Awards, and Expenses. Under no condition will Defendants' liability exceed the Settlement Amount, except that Defendants agree to separately pay all administrator expenses the Settlement Administrator may incur related to Defendants' Additional Submissions under the Claim Form Review Process and making a final determination about a claim following Defendants' Additional Submissions. This means that no expenses the Settlement Administrator may incur related to Defendants' Additional Submissions under the Claim Form Review Process may be deducted from the Settlement Amount, but Defendants bear no additional financial responsibility for work related to Class Counsel's Additional Submissions and ordinary settlement administration costs, including the Settlement Administrator's costs in making its Initial Determinations and executing upon the Notice and Cure procedures that are unrelated to Defendants' Additional Submissions.

The Settlement Amount shall be distributed in the following order:

- 6.1.1 Direct Payments. Forty Million Dollars (\$40,000,000.00), net of Fees, Awards, and Expenses, shall be distributed pro rata (based on the Settlement Class Members' respective lengths of time as a California Farmers[®] agent/Supervising Agent during the Settlement Class Period) to Settlement Class Members who did not timely submit a Request for Exclusion by the Exclusion Deadline. Settlement Class Members need not make a claim to receive a Direct Payment.
- 6.1.2 Claim Payments. Thirty-Five Million Dollars (\$35,000,000.00), if and to the extent claimed and net of any Fees that may be deducted from any portion claimed, will be distributed to Settlement Class Members who did not timely submit a Request for Exclusion by the Exclusion Deadline and who submit a timely and valid Claim Form subject to and in accordance with the procedures described in Section 10. The amount paid to a Settlement Class Member who submits a timely and valid Claim Form shall be determined by the Settlement Administrator in accordance with the Claim Form Review Process. The Settlement Administrator has final authority to determine whether a claim is valid and payable and its decision is not subject to review or appeal. No Claim Payment made to a Settlement Class Member will exceed Ten Thousand Dollars (\$10,000.00). If the total value of the valid Claims determined to be payable by the Settlement Administrator exceeds \$35,000,000.00, the Claim Payment for each Claim will be adjusted by the percentage that the claims exceeded \$35,000,000.00 to ensure that everyone receives an equal proportional share. For example, if total claims equal \$40,000,000.00, then each person's Claim Payment would be adjusted so that they receive 87.5% of their valid and payable Claim ($\$35M \div \$40M = 0.875$).
- 6.1.3 Within fifteen (15) business days of entry of an order granting Preliminary Approval of the settlement, Defendants shall cause \$40 million be paid by wire transfer into an interest-bearing escrow account established and administered by the Settlement Administrator, and which will be treated as a Qualified Settlement Fund within the meaning of 26 C.F.R. § 1.468B-1 ("Escrow Account"). If this Agreement does not receive final Court approval or Defendants elect to void the Agreement under section 5.5, and the Settlement does not reach the Effective Date, then the amount paid by Defendants into the Escrow Account (other than Court-approved settlement administration costs incurred by that date) shall within thirty (30) calendar days be returned to Defendants from the Escrow Account by the Settlement

Administrator, along with any interest accrued thereon. For the sake of clarity, the parties agree that this means Defendants shall pay costs incurred by the Settlement Administrator even if the Court does not grant final approval or Defendants void the Agreement under section 5.5. After the Effective Date and within five (5) business days of the completion of the Claim Form Review Process, including the final determination of the amount of the Claim Payments by the Class Administrator, Defendants shall cause to be deposited into the Escrow Account an amount equal to the total amount of the valid Claims determined by the Settlement Administrator to be payable.

6.1.4 The Settlement Class Members will each be responsible for their own tax obligations arising from their receipt of any settlement payment.

6.2 Attorneys' Fees and Costs

Defendants understand that Settlement Class Counsel will file an application for an award of attorneys' fees in an amount not to exceed 33% of the Settlement Amount. Settlement Class Counsel will in addition seek approval for reimbursement of costs and expenses of an amount not to exceed six hundred thousand dollars (\$600,000.00). Defendants agree not to object to such application up to such amounts. Settlement Class Counsel shall file their fee application at least sixty (60) calendar days before the Final Approval Hearing. For sake of clarity, the Parties agree that if the Court awards an amount of attorneys' fees that equals less than 33% of the Settlement Amount, that the difference will not revert to Defendants and will be distributed to Class Members, however, in no case shall any unclaimed portion of the Settlement Amount be reallocated or paid to the Settlement Class or to Settlement Class Counsel. Subject to Court approval, the Court will deduct the award of Costs, Service Awards, and 65% of the award of Fees from the Direct Payments and 35% of the award of Fees from the Claim Payments, however, in no case shall any such deductions or awards be taken from any unclaimed portion of the Settlement Amount.

In the event that this settlement does not receive Final Approval from the Court (or if a final approval order is reversed on appeal), no Party shall use this provision or the award of attorneys' fees, costs, and expenses for any purpose whatsoever in the Action or in any other action or proceeding.

6.3 Service Awards

Settlement Class Counsel will file an application for approval of payment of Service Awards to the Settlement Class Representatives each in an amount not to exceed Forty Thousand Dollars (\$40,000.00). This award is in addition to each Settlement Class Representative's Direct Payment and Claim Payment, if any. Defendants agree not to object to such application. For sake of clarity, the Parties agree that if the Court awards

Service Awards less than Forty Thousand (\$40,000), that the difference will not revert to Defendants and will be distributed to Class Members. Settlement Class Counsel shall file the petition for service awards at least sixty (60) calendar days before the Final Approval Hearing.

7. SYSTEMIC AND CONTRACT CHANGES

In addition to the monetary consideration described in Section 2.5, Defendants and Plaintiffs agree to the following systemic and contract changes in consideration of the promises and releases set forth in this Agreement and further agree with respect to their valuation of these changes:

7.1 Changes to Agent Appointment Agreements and/or Corporate Agent Appointment Agreements

Defendants agree to amend the Agent Appointment Agreement and Corporate Agent Appointment Agreement for all Settlement Class Members who do not timely submit a Request for Exclusion to:

7.1.1 eliminate the no-cause termination provision on three months' notice;

7.1.2 add a provision that the Agent/Supervising Agent may resign his or her appointment at any time with sixty (60) days written notice to the Companies (as defined in the Agent Appointment Agreement and Corporate Agent Appointment Agreement), or at an earlier date by mutual agreement of the parties;

7.1.3 add a provision allowing termination by the Companies on six (6) months' written notice if Agent/Supervising Agent fails to operate his or her agency or the corporate agency consistent with industry or professional standards *or* based on the Companies' changed business circumstances or market conditions;

7.1.4 eliminate the non-solicitation provision for the Settlement Class; and

7.1.5 add a mutual arbitration provision with a jury and class action waiver for certain claims arising from the Settlement Class Members' appointment under the Agent Appointment Agreement and/or Corporate Agent Appointment Agreement.

The foregoing agreed-upon contract changes are set forth in the attached Addenda (Exhibit D.1 and D.2 to this Agreement). The Parties agree that the Addenda

will be deemed mutually executed, binding and enforceable as of the Effective Date to any Settlement Class Member who does not submit a Request for Exclusion by the Exclusion Deadline.

7.2 Amendment of Agency Operations Manual

Defendants agree to remove the entire Customer Service Standards section (including 45 hour agency standard) from the Agency Operations Manual.

7.3 Agency Growth Model

Defendants agree to eliminate any policy that utilizes the Agency Growth Model for determining eligibility for bonuses or achievement clubs.

7.4 Independent Contractor Treatment and Complaint Procedure

Defendants agree that independent contractor insurance agents appointed in California are to be treated consistently with their independent contractor status, as set forth in the Agent Appointment Agreements and/or Corporate Agent Appointment Agreements, and to notify Defendants' personnel and district managers of this. Defendants further agree to establish a written Complaint Procedure for insurance agents to raise concerns related to independent contractor status and to identify a position independent of Farmers' territory leadership to serve as a single point of contact within the Complaint Procedure and allowing an agent to remain anonymous to her/his District Manager and/or Farmers territory leadership if she/he chooses when such issue is raised.

7.5 Agreement of Independent Contractor Status

Defendants and Settlement Class Members agree that nothing in this Settlement Agreement is intended to change, revise or alter provisions of the Agent Appointment Agreement between Defendants and Settlement Class Members that Settlement Class Members are independent contractors for all purposes, which Settlement Class Members hereby reaffirm.

8. FILING OF MOTION TO CERTIFY SETTLEMENT CLASS

As part of Plaintiffs' Motion for Preliminary Approval, Plaintiffs shall request the Court to certify the Settlement Class, as defined herein, for purposes of settling the Action. Defendants shall stipulate to certification of the Settlement Class for settlement purposes only. In the event that this settlement does not receive Final Approval from the Court (or if a final approval order is reversed on appeal), no party shall use this provision or the certification of the Settlement Class for any purpose whatsoever in the Action or in any other action or proceeding.

9. NOTICE OF SETTLEMENT AND CLAIM FORM; TIME TO SUBMIT CLAIMS

9.1 Direct Notice of Settlement

The Parties agree that within seven (7) calendar days of entry of the Court's Order Granting Preliminary Approval: (i) Defendants will provide the potential Settlement Class Members' contact information (mailing address, social security number, California insurance license number (if available), and current email address and telephone number, if available in Defendants' records) to the Settlement Administrator; (ii) Settlement Class Counsel will provide to the Settlement Administrator any potential Settlement Class Members' contact information (mailing address, email address and telephone number) that potential Settlement Class Members have provided to Settlement Class Counsel; and (iii) Settlement Class Counsel will provide to the Settlement Administrator any potential Settlement Class Members' contact information (email addresses) obtained from the United Farmers Agents' Association. The Settlement Administrator will remove any duplicated contact information, validate the email addresses provided above (except email addresses for current agents provided by Farmers) and, within twenty-one (21) calendar days of preliminary approval of this Agreement ("Notice Date"), the Settlement Administrator will send to the potential Settlement Class Members by first class United States Mail, at their last known mailing address provided by Farmers, and by email (to the extent available and to each email address available for a potential Settlement Class Member), the following documents (collectively referred to as the "Notice Package"): (1) the Court-approved notice of the terms and conditions of this settlement in the form of a "Notice" agreed upon by the Parties (which will include instructions on how to submit a Request for Exclusion or file an objection), in substantially the same form as Exhibit "A" attached hereto; and (2) the Court-approved "Claim Form," in substantially the same forms as Exhibit "B" or Exhibit "C" attached hereto. The Parties agree that if Notice mailed to a Settlement Class Member is returned as undeliverable, any alternative mailing address provided by Settlement Class Counsel or UFAA may be used to attempt re-delivery, along with any other mailing address the Settlement Administrator identifies in its normal skip tracing. The Parties further agree that if Notice is successfully delivered to at least one email address, Notice by email is deemed complete without need for skip tracing or additional efforts to re-email Notice.

The Notice to potential Settlement Class Members shall include:

- 9.1.1 the terms of the settlement, including the monetary components of the settlement available for Direct Payment (defined above) and the Claim Payment (defined above) and how Settlement Class Counsel's fees will be paid;
- 9.1.2 the Claims Deadline and the Exclusion Deadline as set forth in this Agreement, except as to those Settlement Class Members who receive the

Notice pursuant to re-mailing, who will also have an additional thirty (30) calendar days from the date of re-mailing to submit a Request for Exclusion or a Claim Form);

- 9.1.3 The Settlement Administrator will send by mail and email (if available) a first reminder to all Settlement Class Members who have not submitted a Claim Form within thirty (30) calendar days after the Notice was sent, and a second reminder to all Settlement Class Members who have not submitted a Claim Form within sixty-five (65) calendar days after the Notice was sent.
- 9.1.4 a statement that any Claim Form or Request for Exclusion that is post-marked or submitted later than the applicable deadline will not be considered timely;
- 9.1.5 the name and address of the Settlement Administrator to which any Claim Form or Request for Exclusion must be submitted;
- 9.1.6 the deadline for submitting an objection to the settlement;
- 9.1.7 a pre-populated unique claim identifier assigned by the Settlement Administrator to each individual potential Settlement Class Member, which may be entered on the settlement website for access to a Claim Form; and
- 9.1.8 the URL for the settlement website established by the Settlement Administrator that provides further information about the settlement, including the online claim processing portal and important case documents.

9.2 Settlement Website

The Settlement Administrator will be create, launch, and maintain a Settlement Website, which will provide access to relevant settlement administration documents, including the Notice, relevant court filings, and the ability to submit a Claim Form online. The Settlement Website shall be live and active from the Notice Date, to at least sixty (60) calendar days after the last disbursement of settlement payments to Settlement Class Members. The URL of the Settlement Website shall be [farmersagentsettlement.com] or such other URL as the Parties may subsequently agree to.

9.3 Creation and Maintenance of Telephone Support

The Settlement Administrator shall maintain a dedicated toll-free telephone number with an automated interactive voice response system from the Notice Date until sixty (60) days after the final disbursement of Claim Payments to Claiming Class Members. The voice response system will present callers with a series of choices to hear pre-recorded information concerning the settlement. If callers require further assistance, the Settlement Administrator shall provide live telephone support during business hours.

9.4 Claim Form

The Claim Form shall inform such potential Settlement Class Members:

- 9.4.1 that the individual is believed to be a potential Settlement Class Member, based on Defendants' records;
- 9.4.2 that if the individual requests to be excluded from the Settlement Class, he or she will not be part of the Settlement Class and will not be allowed to submit a Claim Form;
- 9.4.3 that the identifying information of a Settlement Class Member contained on a submitted Claim Form will not be made known to the Defendants except for their legal department/legal counsel (internal and external). Defendants' legal department/legal counsel may disclose identifying information to designated personnel in Farmers' accounting and marketing departments who will assist with the Claims Form Review Process ("Designated Personnel") and who agree by signing a written confidentiality agreement to maintain such information in strict confidence and not to disclose such information to others working for Defendants, including Defendants' District Managers, Area Sales Managers or any members of Territory Leadership or Executive Leadership. The identities of Designated Personnel need not be disclosed to the Court or Settlement Class Counsel unless the Court orders otherwise. Should Farmers need to involve others beyond Designated Personnel in the Claims Form Review Process, Farmers may seek approval from the Court, but Farmers agrees that such individuals would not include District Managers, Area Sales Managers or any members of Territory Leadership or Executive Leadership;
- 9.4.4 that to submit a valid claim, a Settlement Class Member must declare under penalty of perjury and, where applicable, provide documentary proof that he or she has paid necessary business expenses during the Settlement Class Period and meets other criteria to receive a Claim

Payment, as set forth in Section 10.3, the Claim Form (Exhibit B), and the Claim Form Review Process;

- 9.4.5 that the Claim Form submitted to the Settlement Administrator must be properly completed and signed, either by hand or electronically through the settlement website;
- 9.4.6 that the failure to sign the Claim Form, to provide the requisite documentary proof, if required, or to provide accurate identifying information upon request may prevent validation of a Settlement Class Member's claim by the Settlement Administrator;
- 9.4.7 that a Settlement Class Member shall have until the Claims Deadline to submit his or her Claim Form to the Settlement Administrator; and
- 9.4.8 that a Settlement Class Member eligible for Direct Payment is not required to submit a Claim Form to receive his or her pro rata Direct Payment.

9.5 Distribution of Notice and Claim Form

The Settlement Administrator shall send the Notice Package to all potential Settlement Class Members who can reasonably be identified via first class United States Mail and email to all Settlement Class Members for whom Defendants have provided email addresses. Before the first mailing, the Settlement Administrator will perform a National Change of Address ("NCOA") search on the addresses for former agents who are part of the Settlement Class. The Settlement Administrator shall perform one skip trace as to any Notices (and accompanying documents) that are returned by the post office for invalid addresses within five (5) calendar days of its receipt of such returned Notice. For Notice Packets returned as undeliverable by the United States Postal Service without any forwarding addresses, the Settlement Administrator will attempt to obtain updated addresses using proprietary database resources to which it subscribes, as well as contact each Class Member by telephone to obtain updated mail and email addresses, and, in instances where updated addresses are found or obtained, will re-mail or email the Notice. Those potential Settlement Class Members who receive Notice pursuant to telephone contact or the skip trace or proprietary database resources shall be informed (via an insert in the Notice) that his or her time to submit a Claim Form or Request for Exclusion to the Settlement Administrator shall be the longer of: (1) thirty (30) calendar days from the date Notice is mailed to the updated address, (2) the Claims Deadline, for submission of a Claim Form; or (3) the Exclusion Deadline, for submission of a Request for Exclusion. The Settlement Administrator shall notify Settlement Class Counsel and Defendants' counsel of the identity of all potential Settlement Class Members who were sent Notice pursuant to a skip trace, or reference to the Settlement Administrator's proprietary database resources, and whose Notice was again returned. The Settlement Administrator

shall provide such notification within seven (7) calendar days of its receipt of such returned Notice.

9.6 Time for Submission of Claim Forms

- 9.6.1 An individual Settlement Class Member who submits a timely and properly completed Claim Form shall be a “Claiming Class Member.”
- 9.6.2 To be considered timely, a Claim Form must be received by the Settlement Administrator and electronically submitted or post-marked on or before the Claims Deadline, except as to those Settlement Class Members who receive Notice pursuant to the one skip trace or receive a Deficiency Notice but timely respond to such Deficiency Notice as defined and described below.
- 9.6.3 The Settlement Class Members who receive Notice pursuant to the one skip trace shall have until the longer of: (a) thirty (30) calendar days from the date Notice is re-mailed or (b) the Claims Deadline to submit a Claim Form.
- 9.6.4 The submission of a Claim Form will be deemed completed on the earlier of the date of electronic or mailed receipt by the Settlement Administrator or the postmark date on the envelope containing the Claim Form.

9.7 Defective Claim Forms

A Claim Form shall be defective if a Settlement Class Member fails to (1) make the required declaration/certification, (2) provide the requisite documentary proof to substantiate a claim, if required, as set forth in Section 10.3, (3) sign the form as required, and/or (4) provide accurate identifying information upon request.

If the Settlement Administrator receives a defective Claim Form, the Settlement Administrator shall return such form to the Settlement Class Member via first class mail (*i.e.*, provide a “Deficiency Notice”) and email (if available) and instruct the Settlement Class Member as to the basis of the deficiency, and that he or she has until the later of (1) thirty (30) calendar days, plus three calendar days if the notice is provided by mail, or (2) the Claims Deadline, within which to correct, complete, supplement, and/or sign such form and return it to the Settlement Administrator via first class mail or electronically (by email or through the Settlement Website) and/or to provide the requested information to the Settlement Administrator. The Settlement Administrator will send only one Deficiency Notice per member of the Settlement Class. If a completed Claim Form, or the requested information is not received within said time frame or remains defective, the Claim Form shall be considered defective and invalid for purposes of this settlement, and the Administrator will deny the Claim without further review. The Settlement

Administrator will provide the identity of Settlement Class Members who submitted defective Claim Forms to Settlement Class Counsel and Defendants' counsel at the same time a Settlement Class Member is provided a Deficiency Notice.

9.8 Reports by Settlement Administrator

No later than sixty (60) calendar days prior to the Final Approval Hearing, the Settlement Administrator shall provide the Parties with a declaration (the "Claims Administration Declaration") setting forth the steps taken by the Settlement Administrator to provide notice to potential Settlement Class Members and send reminders, the number of undeliverable Notice Packages, the number of Requests for Exclusion, the number of Claims, and the Settlement Administrator's Initial and Final Determinations to date for each Claim, including the reasoning for any recalculation of amounts payable after the Initial Determination. The Claims Administration Declaration shall be filed in the public record, although information in the Claims Administration Declaration specific to each Claim, including the Initial and Final Determinations and the reasoning for any recalculation of the amounts payable after the Initial Determination, will be filed under seal.

No later than sixteen (16) calendar days prior to the Final Approval Hearing, Settlement Administrator shall provide the Parties with an updated Claims Administration Declaration that provides its Final Determinations for all Claims that shall, for each Claim, state the Settlement Administrator's Initial Determination of the amount payable, its Final Determination, and the reasoning for any recalculation of amounts payable after the Initial Determination. The Settlement Administrator shall also either update other information provided in the earlier Claims Administrator Declaration or state that the information has not changed. The Parties shall file the updated Claims Administration Declaration in the public record no later than sixteen (16) calendar days before the Final Approval Hearing, although information in the Claims Administration Declaration specific to each Claim, including the Initial and Final Determinations and the reasoning for any recalculation of the amounts payable after the Initial Determination, will be filed under seal.

Information included the original and updated Claims Administration Declarations that is filed under seal shall be disclosed only to Defendants' legal counsel/legal department (internal and external) and shall not be disclosed to any other person working for Defendants, including its District Managers, Area Sales Managers or any members of Territory Leadership or Executive Leadership, unless authorized by the Court under section 9.4.3.

9.9 Retention of Claim Forms and Requests for Exclusion

The Settlement Administrator shall make available copies of Claim Forms received before or on the Claims Deadline to Class Counsel and counsel for Defendants on a rolling basis as they are received. The Settlement Administrator shall maintain the completed Claim Forms and Requests for Exclusion throughout the administration of the

settlement. The Settlement Administrator shall make the completed Claim Forms and Requests for Exclusion available to the Parties upon a reasonable request for such forms.

10. PAYMENT TO SETTLEMENT CLASS MEMBERS

10.1 Settlement Administrator's Role

The Settlement Administrator will calculate amounts to be paid to Settlement Class Members as provided below.

10.2 Direct Payment

Each Settlement Class Member will receive a Direct Payment, including any Settlement Class Member whose Notice or re-sent Notice is returned as undelivered. All Direct Payments will be reported to the IRS as income on Form 1099.

10.3 Claim Payment and Claim Form Review Process

Each Settlement Class Member who submits a valid Claim Form acceptable to the Settlement Administrator is eligible to receive a Claim Payment, in addition to the Direct Payment, of up to \$10,000. Claim Forms submitted or postmarked after the Claim Deadline will be rejected. The Settlement Administrator shall make available copies of Claim Forms received before or on the Claims Deadline to Class Counsel and counsel for Defendants on a rolling basis as they are received.

To submit a valid claim, the Settlement Class Member must, by the Claims Deadline, submit a valid Claims Form, supported by documentary proof, if applicable, that is completed and signed by hand or electronically. The Settlement Administrator will then follow the Claim Form Review Process set out in this section to make an initial determination and then a final determination on each claim.

The Settlement Administrator will promptly evaluate each timely submitted Claim Form it receives to make an Initial Determination using the following process:

1. For any claim on the Claim Form that the Settlement Class Member attests is supported by documentary proof by checking the applicable box, the Administrator will determine whether the documents submitted by the Settlement Class Member support the amount claimed and whether the Claim Form is completed and signed.
 - a. If yes, the Settlement Administrator will initially approve the claimed amount up to a maximum total Claim Payment amount of \$10,000 per Settlement Class Member.

- b. If no, the Settlement Administrator will follow the notice & cure procedure forth in Section 9.7 of the Settlement Agreement, which is to provide notice to the Settlement Class Member of the deficiency and allow the Settlement Class Member until the later of (1) thirty (30) calendar days, plus three calendar days if the notice is provided by mail, or (2) the Claims Deadline, to cure the deficiency (“Notice & Cure Procedure”).
 - c. If the documentation submitted by the Settlement Class Member supports an amount less than the amount claimed by the Settlement Class Member, then the Settlement Administrator will initially approve the lesser amount and follow the Notice & Cure Procedure.
 - d. If as a result of the Notice & Cure Procedure, the Settlement Class Member provides documentation to support the claimed amount, the Administrator will initially approve the claimed amount up to a maximum total Claim Payment amount of \$10,000 per Settlement Class Member. If the Settlement Class Member does not provide the necessary documentation after the Notice & Cure Procedure or does not cure other deficiencies, the Settlement Administrator will deny that claimed amount without further review.
2. For any claim on the Claim Form that the Settlement Class Member attests he or she paid by deduction from folio by checking the applicable box, the Administrator will initially approve the claimed amount up to a maximum total Claim Payment amount of \$10,000 per Settlement Class Member, provided the Claim Form is completed and signed. If the Claim Form is not completed and signed, the Settlement Administrator will follow the Notice & Cure Procedure and initially approve the claimed amount if the deficiencies in the Claim Form are cured.
3. For any claim on the Claim Form where the Settlement Class Member does not provide supporting documentation or attest that he or she paid by deduction from folio by checking the applicable box, the Settlement Administrator will follow the Notice & Cure Procedure. If the Settlement Class Member does not cure the deficiency as part of the Notice & Cure Procedure, the Settlement Administrator will deny that claimed amount without further review.
4. In making an Initial Determination, the Settlement Administrator shall also apply the following rules:
 - a. Except as set out in subsection (ii), below, a Settlement Class Member may only claim reimbursement for expenses paid for **one** full-time Licensed & Appointed staff (or one or more part-time

Licensed & Appointed Staff who were the equivalent of one full-time Licensed & Appointed Staff) hired on or before December 31, 2020. If a Settlement Class Member submits a claim for expenses paid for one or more part-time Licensed & Appointed staff, the Settlement Class Member must submit documentation showing that the part-time staff were the equivalent of one full-time Licensed & Appointed staff and in total those part-time staff worked no more than 45-hours per week. If the Settlement Class Member does not initially submit the required documentation, the Settlement Administrator will follow the Notice & Cure Procedure to allow or disallow claims related to the additional Licensed & Appointed staff.

- i. Expenses paid for the Licensed and Appointed Staff not only include the wages or salary paid but the costs of licensing and appointment including: Property, Casualty, and Life licensing with DOI; Online training for insurance licensing exams (ExamFC, TesTeachers, Securities Training Corp.); and background check fee.
 - ii. A Settlement Class Member is ineligible to claim reimbursement for Licensed & Appointed staff if the Settlement Class Member was appointed as a Farmers agent through any of the following three programs: External Acquisition (after 1/1/2019), SEED, or Retail.
- b. A Settlement Class Member may only claim one-time expenses for Exterior Signage and Interior Signage and Branding categories identified on the claim form. Notwithstanding the foregoing:
 - i. A Settlement Class Member may claim reimbursement for a second item listed in the Exterior Signage category and Interior Signage and Branding category if they moved offices during the Settlement Class Period. If the Settlement Class Member does not provide documentation showing that he/she moved offices and supporting the expense paid for the second item(s) after the move, the Settlement Administrator will follow the Notice & Cure Procedure. For purposes of this rule, sufficient documentation includes a statement by the Settlement Class Member submitted under penalty of perjury stating that he/she moved offices.
- c. Except as provided in subsection (d) below, a Settlement Class Member may submit claims on the Claim Form only for expenses

they paid between the start of the Settlement Class Period to and including December 31, 2020. The Settlement Administrator will deny any claim for expenses paid after December 31, 2020, without a right to cure. Notwithstanding the forgoing, any Settlement Class Member appointed during the month of December 2020 may submit claims for Smart Office expenses paid after December 31, 2020, to the end of the Settlement Class Period.

- d. A Settlement Class Member may submit claims on the Claim Form for paid website customization and/or website photo expenses only if incurred during the period when digital storefront became part of Smart Office Standards (1/1/2018 to 12/31/2020), and will be paid for the claimed expense up to a maximum of \$30 per month for the website customization plus the documented cost of the website photo, if applicable.

Every two weeks during the claims process, the Settlement Administrator will provide to Class Counsel and counsel for Defendants a list identifying all Settlement Class Claims and its Initial Determinations (“Initial Determinations List”) from the previous two weeks. The Administrator will provide the final Initial Determinations List no later than 30 calendar days after the Claims Deadline or cure deadline for deficient claims (whichever is later).

The Settlement Administrator will then make a Final Determination using the following process:

1. Within 30 calendar days of the distribution of an Initial Determinations List, counsel for Defendants or Class Counsel may provide to the Settlement Administrator additional materials for the Administrator to consider (“Additional Submissions”). The Additional Submissions may address one or more of the following topics:
 - a. Whether any claim on the Claim Form that the Settlement Class Member attests he or she paid by deduction from folio does not match the information in Farmers’ records. Farmers shall provide the Administrator with the relevant information for the Settlement Class Member as part of its Additional Submission. If Farmers has no evidence of a folio deduction for one or more of the claims on a Claim Form that a Settlement Class Member attests he or she paid by deduction from folio, then Farmers shall also provide a statement to that effect under penalty of perjury as part of its Additional Submission.
 - b. Whether Farmers paid or reimbursed, in whole or part, any expense that a Settlement Class Member claims in the Claim Form. Farmers

shall provide the Administrator with documentation showing that Farmers paid or reimbursed the claimed expenses in whole or part as part of its Additional Submission.

- c. Whether any claim the Administrator allowed should have been disallowed, or any claim the Administrator disallowed should have been allowed, under the rules set forth above for the Initial Determination (section 1.4). Farmers or Class Counsel shall provide the Administrator with documentation as necessary as part of its Additional Submission, except that no party shall be permitted to submit new documents/information that were not timely submitted in accordance with the Notice & Cure Procedure.
 - d. Whether a claim for expenses for a person in the role of as a Licensed & Appointed staff is not, in fact, for a person licensed and appointed by Farmers or who was not licensed and appointed by Farmers during time-frame claimed by the Settlement Class Member. If Farmers has no evidence that the person was licensed and appointed by Farmers as claimed by the Settlement Class Member, then Farmers shall provide a statement to that effect under penalty of perjury as part of its Additional Submission.
 - e. Whether a Settlement Class Member is or was appointed as a Farmers agent through any of the following three programs, External Acquisition (after 1/1/2019), SEED, or Retail, to determine eligibility for a claim for expenses paid for Licensed & Appointed staff.
 - f. Whether a claim is fraudulent.
2. The Settlement Administrator will provide the Additional Submissions to the non-submitting party (either Class Counsel or counsel for Defendants), who will have 30 calendar days to provide any document contesting or otherwise disputing the documents submitted with the Additional Submission. Unless a Class Member refuses to cooperate, Class Counsel will work with the Class Member to prepare and submit either an Additional Submission or any response to the Additional Submission.
 3. The Administrator shall make its Final Determination after the deadline for either Class Counsel or counsel for Defendants, to provide any responsive documentation has passed. The Claim Form Review Process will be deemed completed upon delivery of the Final Determinations to Class Counsel and counsel for Defendants under Section 9.8 (Reports by Settlement Administrator).

4. For each entry on the Initial Determinations List for which neither counsel for Defendants nor Class Counsel submitted Additional Submissions within the 30-day period, the Settlement Administrator shall consider its Initial Determination as its Final Determination.

Ex parte communications with the Settlement Administrator regarding its Initial Determinations, the Additional Submissions and Responses to Additional Submissions, or its Final Determinations are prohibited. A Party's communication with the Settlement Administrator on these topics shall include the other Parties, and the Settlement Administrator's communications on these topics shall include all Parties. The Settlement Administrator shall have final authority to determine whether a claim is valid and payable and its decision is not subject to review or appeal.

Defendants agree that they shall send payment to reimburse all additional expenses as provided in Section 6.1 within 30 calendar days of the receiving the invoice from the Settlement Administrator. Defendants further agree that they shall remain obligated to reimburse all additional expenses as provided in Section 6.1 regardless of the Settlement Administrator's Initial or Final Determinations and regardless of whether the Court grants Final Approval.

Any Settlement Class Member who does not become a Claiming Class Member shall not receive any Claim Payment. All Claim Payments will be reported to the IRS as income on Form 1099.

10.4 Tax Liability and Net Payments

Settlement Class Members shall be responsible for remitting to State and/or Federal taxing authorities any applicable other taxes due.

10.6 Circular 230 Disclaimer

10.6.1 no provision of this agreement, and no written communication or disclosure between or among the Parties or their attorneys and other advisers is or was intended to be, nor shall any such communication or disclosure constitute or be construed or be relied upon as, tax advice within the meaning of the United States Treasury Department Circular 230 (31 CFR Part 10, as amended);

10.6.2 the Parties, including each Settlement Class Member (A) should rely exclusively upon his, her or its own, independent legal and tax counsel for advice (including tax advice) in connection with this agreement, (B) has not entered into this agreement based upon the recommendation of any other party or any attorney or advisor to any other party, and (C) is not entitled to rely upon any communication or disclosure by any attorney or

adviser to any other party to avoid tax penalty that may be imposed on the party; and

- 10.6.3 no attorney or adviser to any other party has imposed any limitation that protects the confidentiality of any such attorneys' or advisers tax strategies (regardless of whether such limitation is legally binding) upon disclosure by the acknowledging party of the tax treatment or tax structure of any transaction, including any transaction contemplated by this agreement.

10.7 Applicability of Section 384 of the California Code of Civil Procedure

The Parties agree that this settlement is not subject to Section 384 of the California Code of Civil Procedure.

11. ADMINISTRATION OF SETTLEMENT AMOUNT

- 11.1 The Settlement Administrator will calculate the settlement payments to be made to the Settlement Class Members in accordance with the terms and provisions of this Agreement. Defendants' counsel and Settlement Class Counsel will be provided access to all calculations and all data forming the basis for such determinations. The fees, costs, and expenses of the Settlement Administrator in connection with said verification and/or performance shall be considered settlement administration expenses, except for the expenses solely borne by Defendants relating to Defendants' Additional Submissions in the Claim Form Review Process. The Court shall retain jurisdiction over the correctness of such calculations and the amount of payments due, and the Parties shall submit any disagreements regarding these issues to the Court for determination.
- 11.2 No person shall have any claim against Defendants, Defendants' counsel, Plaintiffs, the Settlement Class, Settlement Class Counsel, or the Settlement Administrator based on distributions and payments made in accordance with this Agreement.

12. PRELIMINARY APPROVAL OF SETTLEMENT

Plaintiffs shall seek preliminary approval of this settlement by the Court for entry of a Preliminary Approval Order. As part of the preliminary approval process, the Court shall be asked to approve, among other matters, the terms of the settlement, the method of providing notice, the Notice Package, the procedure for the calculation of settlement distributions, and scheduling of a hearing on final approval of the settlement and on Settlement Class Counsel's application for payment of attorneys' fees, costs, and expenses, and service awards, as set forth herein.

13. FINAL APPROVAL HEARING

The Notice shall contain a date, time, and location for a “Final Approval Hearing.” The Final Approval Hearing shall be held on a date approved by the Court no earlier than Seventy-Five (75) calendar days after the Claim Deadline. The exact date, time, and location of the Final Approval Hearing shall be set forth in the Notice. At the Final Approval Hearing, Settlement Class Counsel shall request the Court to grant approval of the applications for attorneys’ fees, costs, expenses, and service award referred to in Section 6 of this Agreement.

14. PROCEDURE FOR OBJECTIONS TO SETTLEMENT

The Notice shall provide that Settlement Class Members who wish to object to the settlement, or any portion thereof, may do so either: (1) in writing; and (2) verbally at the Final Approval Hearing. A written objection should be sent to the Settlement Administrator (via U.S. mail, email or fax) no later than thirty (30) calendar days before the Final Approval Hearing. The Settlement Administrator will provide all written objections to Class Counsel and Defendants’ counsel, who will then file them with the Court. The Court may at its discretion refuse to consider untimely written objections. Settlement Class Members who wish to verbally object to the Settlement may do so by appearing (or having his or her attorney appear) at the Final Approval Hearing, either in person or remotely. No notice of appearance is required. Settlement Class Members who do not object, either in writing before the Final Approval Hearing or verbally at the Final Approval Hearing, shall be forever foreclosed from making any objection (whether by appeal or otherwise) to the Settlement, or any aspect of the Settlement, including, without limitation, the fairness, reasonableness or adequacy of the proposed Settlement.

15. [PROPOSED] FINAL APPROVAL ORDER, FINAL JUDGMENT AND ORDER OF DISMISSAL

Upon final approval of the settlement, the Court shall be requested to issue a [Proposed] Final Approval Order and Final Judgment (“Proposed Final Judgment”) in substantially the same form as Exhibits F and G attached hereto, respectively, which shall, *inter alia*:

- 15.1 Grant final approval to the settlement as fair, reasonable, adequate, in good faith and in the best interests of the Settlement Class, as a whole, and order the Parties to carry out the provisions of this Agreement.
- 15.2 Adjudge that all Settlement Class Members who did not timely submit a Request for Exclusion by the Exclusion Deadline are conclusively deemed to have released Defendants and the Released Parties (as defined below), of and from any and all rights, claims, demands, liabilities, causes of action, liens and judgments arising out of or in any way related to the matters set forth, or that could have been set forth, in the Complaint.

- 15.3 Affirm that nothing in the Settlement Agreement shall change or alter the classification of Settlement Class Members as independent contractors during the Settlement Class Period, which Settlement Class Members who do not timely submit a Request for Exclusion reaffirm.
- 15.4 Bar and permanently enjoin each Settlement Class Member who did not timely submit a Request for Exclusion by the Exclusion Deadline from prosecuting against the Defendants and the Released Parties (as defined below), any and all of the settled and released claims.
- 15.5 Reserve continuing jurisdiction as provided herein above.

16. APPROVAL AND ADOPTION OF [PROPOSED] FINAL JUDGMENT AND FINAL APPROVAL ORDER

Plaintiffs shall seek final approval of this settlement by the Court and for entry of the [Proposed] Final Judgment and the Final Approval Order, as well as an Attorneys' Fee Order and Service Awards Order.

17. PAYMENT OF SETTLEMENT PROCEEDS

17.1 Timing of Payments

Settlement Class Members who do not timely submit a Request for exclusion shall receive one check as Payment for (i) their portion of the Direct Payment, and (ii) if they also submitted a timely Claim, a Claim Payment for any Claim that has completed the Claim Form Review Process as of the Effective Date, and the Settlement Administrator has up to ten (10) calendar days after the Effective Date to send payment. Settlement Class Members who do not timely submit a valid Request for Exclusion and who timely submit a Claim, but whose Claim has not yet completed the Claim Form Review Process as of the Effective Date, shall receive one check for their share of the Direct Payment after the Effective Date and a second check for any Claim Payment after the completion of the Claim Form Review Process for their Claim, and the Settlement Administrator has up to ten (10) calendar days after the Effective Date to send the Direct Payment and up to ten (10) calendar days after the completion of the Claim Form Review Process to send the Claim Payment.

Payment to the Settlement Administrator for all Court-approved settlement administration expenses, Court-approved service awards to the Class Representatives, and payment to Settlement Class Counsel for Court-approved attorneys' fees, costs and expenses, shall be made after the Effective Date and up to ten (10) calendar days after the Effective Date.

17.2 Method of Payment

Defendants will fund a qualified settlement fund established by the Settlement Administrator. The expiration date on settlement checks will be 180 calendar days from the date the settlement checks are issued, unless otherwise extended by agreement of the parties, and the expiration date shall be printed on the front of settlement checks. Un-cashed settlement checks may be reissued where appropriate, including where the Settlement Class Member states that he or she never received the check, in which case the Settlement Administrator will stop payment on the uncashed check and re-issue the check, up to and including the final settlement accounting hearing with the Court. Any funds remaining after the final settlement accounting hearing because of un-cashed checks shall escheat to the State of California as unclaimed funds pursuant to California Code of Civil Procedure section 1510, et seq.

18. **RELEASED PARTIES AND CLAIMS**

18.1 Released Parties

“Released Parties” means the collective of Defendants, each of their subsidiaries or affiliates, including Mid-Century Insurance Company and Farmers New World Life Insurance Company, and each of their present and former predecessors, successors, assigns, parent companies, divisions, members, owners, executives, officers, directors, governors, shareholders, policyholders, representatives, employees, agents, attorneys, attorneys-in-fact, consultants, contractors, servants, vendors, managers, and their trustees, administrators, fiduciaries, co-defendants, administrators, related individuals and/or entities, insurers, and/or any and all individuals and/or entities acting by, through, under, or in concert with any of them or otherwise affiliated with them.

18.2 Released Claims

“Released Claims” means any and all claims, demands, debts, liabilities, actions, obligations, damages, losses, costs, and causes of action of every kind and nature, whether at common law, pursuant to statute, ordinance, or regulation, in equity or otherwise, whether arising under federal, state, or other applicable law, whether known or unknown, actual or potential, suspected or unsuspected, direct or indirect, or contingent or fixed that have been alleged, could have been alleged, or in the future might be alleged, that reasonably arise out of or reasonably relate to the facts and/or claims set forth in the First Amended Complaint during the Class Period, including Plaintiffs’ claims that they were misclassified as independent contractors rather than employees, both on behalf of the Settlement Class Representatives and on behalf of the Settlement Class Members (individually and on behalf of any corporation for which they are/were the Supervising Agent, if applicable), including without limitation claims and theories based on the California Labor Code.

18.3 Release

In exchange for the consideration set forth in this Settlement Agreement, and upon Final Approval of this Settlement Agreement and Defendants' compliance with section 6.1.2 and 6.1.3, all Settlement Class Members who did not timely exclude himself or herself from this Settlement Agreement by filing a timely and valid Request for Exclusion, and each of their respective executors, administrators, representatives, agents, heirs, successors, assigns, trustees, guardians, corporations, and all those who claim through them or assert claims on their behalf, shall be deemed to have fully and forever released the Released Parties from any and all Released Claims. By granting preliminary and final approval of the settlement, the Court will have reviewed this Agreement and concluded that the Settlement is fair, reasonable and adequate.

18.4 California Civil Code Section 1542 Waiver

With respect to the Released Claims, the Parties stipulate and agree that, upon the Effective Date, Plaintiffs Irene Parry and Jeanette O'Sullivan (individually and on behalf of any corporation for which they are/were the Supervising Agent, if applicable) shall be deemed to have, and by operation of the Final Judgment shall have, expressly waived and relinquished as to the Released Claims, to the fullest extent permitted by law, the provisions, rights and benefits of Section 1542 of the California Civil Code, or any other similar provision under federal or state law that purports to limit the scope of a general release. Section 1542 provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

19. NO ADMISSION

Defendants and the other Released Parties deny any and all claims alleged in the Action and deny all wrongdoing whatsoever. Defendants continue to assert, *inter alia*, that the Settlement Class Members were properly classified as independent contractors. This Agreement is neither a concession nor an admission, and shall not be used against Defendants or any of the Released Parties as an admission or indication with respect to any claim of any fault, concession or omission by Defendants or any of the Released

Parties. Whether or not the settlement is finally approved, neither the settlement, nor any document, statement, proceeding or conduct related to this Agreement, nor any reports or accounts thereof, shall in any event be:

- 19.1 construed as, offered or admitted in evidence as, received as, or deemed to be evidence for any purpose adverse to Defendants or the Released Parties, including, but not limited to, evidence of a presumption, concession, indication or admission by Defendants or any of the Released Parties of any liability, fault, wrongdoing, omission, concession or damage; or
- 19.2 disclosed, referred to or offered or received in evidence against Defendants or any of the Released Parties, or its/her counsel, personnel or supervisors, in any further proceeding in the Action, or any other civil, criminal or administrative action or proceeding, except for purposes of settling the Action pursuant to this Agreement.

20. COMMUNICATIONS ABOUT THE SETTLEMENT

- 20.1 The Parties and their counsel agree not to contact any media organization about the settlement and further agree that if they are contacted by a media organization, then they will only state that this matter has settled, and may direct the organization to the Settlement Website and court filings for further information.
- 20.2 No Party or its/her counsel, personnel or supervisors will discourage Settlement Class Members from making claims under the settlement. The Parties and their counsel agree that they will not misrepresent this Agreement, the Class Notice, and the Claim Form. Nothing herein shall prevent Settlement Class Counsel from communicating with the Settlement Class regarding settlement, claims or matters related to the settlement or claims process.
- 20.3 Defendants shall instruct their District Managers, Area Sales Managers or any members of Territory Leadership or Executive Leadership that they shall not discuss the Settlement Agreement with a potential Settlement Class Member.

21. NULLIFICATION OF AGREEMENT

In the event: (a) the Court does not enter the Preliminary Approval Order specified herein in substantially the same form as Exhibit D attached hereto; (b) the Court does not finally approve the settlement as provided herein; (c) the Court does not issue a [Proposed] Final Judgment (as provided herein and in substantially the same form as Exhibit G attached hereto) which becomes final and not subject to any appeals; or (d) the settlement does not become final for any other reason, this Agreement shall be null and void and any order or judgment entered by the Court in furtherance of this settlement shall be treated as

void *ab initio*. In such event, the Parties hereto and any funds to be awarded under this settlement shall be returned to their respective statuses as of the date and time immediately prior to the execution of this Agreement, and the Parties shall proceed in all respects as if this Agreement had not been executed.

22. RETURN OF DOCUMENTS AND INFORMATION

The Parties agree that none of the documents and information provided to them by the opposing Party and marked as confidential under the protective order shall be used for any purpose other than prosecution of the Action. No later than ten (10) calendar days after the Effective Date, the Parties shall destroy or return to the opposing Party the original and all copies of any documents that opposing Party produced or provided and marked as confidential under the protective order. Should a Party elect to destroy those documents, the Party shall certify under penalty of perjury that such documents have been destroyed.

Nothing in the previous paragraph shall be interpreted to require the destruction of, or bar outside counsel for either party from retaining in their files, (i) one copy of all deposition transcripts, including exhibits, in this matter, consistent with the Protective Order, and (ii) a copy of all documents filed with the court, including any exhibits.

23. REPRESENTATIONS AND WARRANTIES

Each party to this Agreement represents and warrants that he, she or it has not heretofore assigned or transferred, or purported to assign or transfer, any of the claims released pursuant to this Agreement to any other person and that he, she or it is fully entitled to compromise and settle same.

24. CALIFORNIA LAW

All questions with respect to the construction of this Agreement and the rights and liabilities of the Parties hereto shall be governed by the laws of the State of California applicable to agreements to be wholly performed within the State of California.

27. OWN COUNSEL

Each party hereto acknowledges that he, she or it has been represented by counsel of his, her or its own choice throughout all of the negotiations which preceded the execution of this Agreement and in connection with the preparation and execution of this Agreement.

28. FURTHER ACTS AND DOCUMENTS

The Parties and counsel for the Parties hereto agree to do such acts and execute all such documents necessary to effectuate the intent of this Agreement.

29. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument and will be effective upon execution by all Parties. Facsimile signatures shall be deemed original signatures for all purposes.

30. HEADINGS

The headings contained in this Agreement are for reference only and are not to be construed in any way as a part of the Agreement.

31. ENTIRE AGREEMENT

This Agreement represents the entire agreement between the Parties hereto with respect to the subject matter hereof and supersedes all prior oral and written agreements and discussions. Each of the Parties covenants that he, she or it has not entered into this Agreement as a result of any representation, agreement, inducement, or coercion, except to the extent specifically provided herein. Each party further covenants that the consideration recited herein is the only consideration for entering into this Agreement and that no promises or representations of another or further consideration have been made by any person. This Agreement may be amended only by an agreement in writing duly executed by all Parties hereto and approved by the Court.

32. BINDING EFFECT

This Agreement shall be binding upon and inure to the benefit of the Parties hereto and to their respective heirs, assigns and successors-in-interest.

33. DRAFTING

Each party hereto has cooperated in the drafting and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against any party as drafter of this Agreement.

34. SEVERABILITY

In the event any covenant or other provision herein is held to be invalid, void or illegal, the same shall be deemed severed from the remainder of this Agreement and shall in no way affect, impair or invalidate any other covenant, condition or other provision herein. If any covenant, condition or other provision herein is held to be invalid due to its scope or breadth, such covenant, condition or other provision shall be deemed valid to the extent of the scope or breadth permitted by law.

34. INCORPORATION OF EXHIBITS

All exhibits attached to this Agreement are hereby incorporated by reference as though set forth fully herein and are a material part of this Agreement. Any notice, order, judgment or other exhibit that requires approval of the Court must be approved without material alteration from its current form in order for this Agreement to become effective. Notwithstanding this paragraph, insubstantial changes to the attached exhibits shall not invalidate the Agreement.

35. AUTHORITY

Each party hereto warrants and represents that each of the persons or entities executing this Agreement is duly empowered and authorized to do so.

36. ADMINISTRATION OF SETTLEMENT AND COMPLIANCE

The Court shall have continuing jurisdiction to resolve any dispute which may arise with regard to the terms and conditions of this Agreement as set forth herein.

37. NOTICES

All notices, requests, demands and other communications required or permitted to be given pursuant to this Agreement (other than the Notice to Settlement Class Members, Claim Form submissions, and Requests for Exclusion) shall be in writing and shall be delivered personally, telecopied, or mailed postage pre-paid by first class mail to the following persons at their addresses set forth as follows:

Settlement Class Counsel:

Charles J. Crueger, Esq.
CRUEGER DICKINSON LLC
4532 North Oakland Avenue
Whitefish Bay, WI 53211

Edward A. Wallace, Esq.
WALLACE LEGAL GROUP LLC
111 W Jackson Blvd. Suite 1700
Chicago, IL 60604

Defendants' Counsel:

For Defendants Farmers Insurance Exchange, Truck Insurance Exchange and Fire Insurance Exchange:

Nina Huerta, Esq.
Jordon R. Ferguson, Esq.
Jonevin Sabado, Esq.
LOCKE LORD LLP
300 South Grand Avenue, Suite 2600
Los Angeles, CA 90071

For Defendant Farmers Group, Inc.:

Christopher S. Maile, Esq.
Gerald M. Siegel, Esq.
THARPE & HOWELL, LLP
15250 Ventura Boulevard, Ninth Floor
Sherman Oaks, California 91403

WHEREFORE, Plaintiffs, on their own behalf and on behalf of the Settlement Class, and Defendants, by their respective duly authorized agents or counsel, have executed this Agreement as of the dates set forth below.

Farmers Insurance Exchange, Truck Insurance Exchange and Fire Insurance Exchange

Plaintiffs

[insert name]
[insert title]

Irene Parry
Plaintiff and Class Representative

Date

Date

Farmers Group, Inc

[insert name]
[insert title]

Jeanette O’Sullivan
Plaintiff and Class Representative

Date

Date

Approved as to form:

February ___, 2022

LOCKE LORD LLP

Nina Huerta
Jordon R. Ferguson
Jonevin Sabado.

*Attorneys for Defendants Farmers
Insurance Exchange, Truck Insurance
Exchange and Fire Insurance Exchange*

February ___, 2022

THARPE & HOWELL, LLP

Christopher S. Maile
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February ___, 2022

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