BELOW ARE "FREQUENTLY ASKED QUESTIONS" FOR USE IF EXTERNAL INQUIRIES RECEIVED REGARDING BACKGROUND INFORMATION INVOLVING THE FOGEL LAWSUIT.

What is the Fogel case about?

In the Fogel lawsuit, the plaintiff challenged the management services fees, also known as “attorney-in-fact" (AIF) fees, which were paid by the Farmers Exchanges to Farmers Group, Inc. (FGI) and certain of its affiliates.

As you know, the Farmers Exchanges (Farmers Insurance Exchange, Fire Insurance Exchange and Truck Insurance Exchange) are each an inter-insurance Exchange created and existing under California law. Each Exchange is owned by its respective policyholder subscribers. It is required that the policyholder subscribers of an inter-insurance Exchange appoint an attorney-in-fact (AIF) to manage the Farmers Exchanges. FGI and its affiliates act as the AIF for the Farmers Exchanges. (The Farmers Exchanges are governed by Boards of Governors, who are appointed by Farmers policyholders and to whom the AIF reports).

At Farmers, the appointment of the AIF is made via a written subscription agreement, whereby the policyholder subscribers of the Farmers Exchanges appoint FGI and its affiliates to act as the AIF for the Farmers Exchanges. The AIF is paid a fee for its services by the Farmers Exchanges. That fee is a percentage of the premium, and is specified in the subscription agreement.

In the Fogel suit, plaintiff challenged the AIF fee paid by the Farmers Exchanges to FGI. Mr. Fogel, a long time Farmers Exchange insured, alleged that he had never signed a subscription agreement (even though we had retrieved copies of old subscription agreements bearing his signature) and contended that FGI had to return to him -- and all other similarly situated class members -- the percentage of premium that was paid by the Farmers Exchanges to FGI as AIF fees. Fogel also alleged that the AIF fee was excessive by some unspecified amount -- even though the AIF fee paid by the Farmers Exchanges to the AIF never exceeded the percentages specified in the subscription agreement.

Relatively early on, the Fogel lawsuit was dismissed by the trial court. The trial court determined that the suit violated the “filed rate doctrine." In other words, since Mr. Fogel and class members never paid anything other than premium -- and never paid more than the permitted premium -- the claim for AIF fees was just a disguised claim for return of premium.

Fogel appealed the dismissal, and the case sat in the Court of Appeal for years. The Court of Appeal eventually overturned the trial court's dismissal, and remanded the case back to the trial court. The appeal opinion did not speak to the legal or factual merits of plaintiff's, other than to conclude that the filed rate doctrine did not prohibit Mr. Fogel from alleging his suit.

Reinstatement of the case meant that there was a risk of very protracted litigation. FGI decided to settle the Fogel lawsuit because the case would have depended, in part, on events dating from years or even decades ago. As such, the ability of FGI to mount a vigorous defense would have been constrained by the passage of time; the turnover of Farmers' customers and agency force;

and the challenge of retrieving subscription agreements on insurance policies, many of which expired long ago.

While the FGI AIF fees never exceeded the amounts specified in the policyholder subscription agreements, a business decision was made by FGI to settle the lawsuit and resolve the matter rather than engage in a protracted process of locating hundreds of thousands of policyholder subscription agreements over more than a 10-year period.

Under the terms of the court approved, Fogel lawsuit settlement, a sum of $455 million was made available, on a claims made basis, to a class of approximately 13 million policyholder subscribers, to resolve all claims dating back to 1999.

It is important to note that the Fogel lawsuit is not about the premiums paid by Farmers' customers as there was no allegation that customers were ever charged anything other than the correct premium for their policy. Rather, the Fogel lawsuit was about the management services (AIF) fees paid by the Farmers Exchanges to FGI.

It is also important to note that this final settlement has no affect on Farmers policyholders' insurance premiums or coverage.

Does the settlement provide any relief other than money?

Yes. For at least 5 years after the settlement becomes final, the defendants, FGI will do the following:

- Provide the subscription agreement as part of the application process for all new Farmers Exchange policies;

- Provide new Farmers policyholders with a "welcome pack" notice that includes information about the nature of the Farmers Exchanges; and the role of the management services fees as stated in the policyholder subscription agreements;

- Institute and maintain a process to provide all Farmers Exchange policyholder subscribers with a copy of the policyholder subscription agreements on a periodic basis;

- Distribute to the Farmers agency force a "Subscription Agreement Procedure Bulletin" that outlines the procedures for obtaining policyholder subscribers' signatures on policyholder subscription agreements; and

- Provide training to the Farmers agency force to educate sales agents about the terms of the policyholder subscription agreement.

What is the average amount that the class members who filed claims will receive?

The average claim is for approximately $60. Actual payments to individual class members can vary widely from the average amount, depending on the amount of premiums that each class member paid during the class period.

When will checks be sent to the class members?

Checks will begin to be mailed on October 29th, 2012.

What will happen to the funds that are unclaimed from the Fogel lawsuit settlement?

Per the terms of the court approved Fogel lawsuit settlement, unclaimed funds will become part of the surplus of the Farmers Exchanges, which are owned by Farmers policyholders and not controlled by Farmers Group, Inc. The Board of Governors of the Farmers Exchanges will decide how to use the unclaimed funds, which will be part of the surplus of the Farmers Exchanges, which are owned by Farmers policyholders. The Board of Governors of the Farmers Exchanges are separate from FGI and the Board of Governors of the Farmers Exchanges make their own decisions.