

No. 4577

**OFFICIAL ORDER
of the
TEXAS COMMISSIONER OF INSURANCE**

Date: JUL 14 2016

Subjects Considered:

FARMERS INSURANCE EXCHANGE
FIRE INSURANCE EXCHANGE
6301 Owensmouth Ave.
Woodland Hills, California 91367

CONSENT ORDER
SOAH DOCKET NO. 454-03-0193.D
TDI ENFORCEMENT FILE NO. 1043

General remarks and official action taken:

The commissioner of insurance considers whether disciplinary action should be taken against Farmers Insurance Exchange and Fire Insurance Exchange (Exchanges), which hold a certificate of authority issued by the department.

TDI and the Exchanges have entered into a comprehensive settlement where the parties have agreed to dispose of this case pursuant to the provisions of TEX. GOV'T CODE ANN. § 2001.056. TDI, by and through its counsel, and the Exchanges, by and through their duly authorized representatives and counsel, have agreed, pursuant to TEX. INS. CODE ANN. § 82.055 and TEX. GOV'T CODE ANN. § 2001.056 to the entry of this consent order.

WAIVER

The Exchanges acknowledge that the Texas Insurance Code and other applicable law provide certain rights. The Exchanges waive all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order. Pursuant to TEX. INS. CODE ANN. § 82.055, the Exchanges do not admit to any violation of any statute or TDI rule, but agree to the entry of this Order solely for the purpose of resolving this matter.

FINDINGS OF FACT

The commissioner makes the following findings of fact:

1. The Exchanges are foreign, reciprocal insurance carriers organized and existing under the law of California and currently hold Certificates of Authority issued by TDI to transact the business of insurance.

2. In January 2002, TDI commenced a market conduct examination of the Exchanges pursuant to TEX. INS. CODE ANN. art. 1.15 (Vernon's 2002).
3. On August 5, 2002, the Office of the Attorney General, on behalf of the state of Texas and the commissioner of insurance filed a suit in Cause No. GV-202501 (now Cause No. D-1-GV-02-002501) in the 261st Judicial District Court of Travis County, Texas, alleging violations of Texas insurance and other laws.
4. On August 13, 2002, TDI staff filed an Application for an Emergency Cease and Desist Order.
5. On August 13, 2002, the commissioner issued Emergency Cease and Desist Order No. 02-0844 on an ex parte basis pursuant to TEX. INS. CODE ANN. § 83.051.
6. On August 14, 2002, TDI staff issued a Report to Commissioner seeking penalties, restitution, and injunctive relief pursuant to TEX. INS. CODE ANN. §§ 84.001-84.051.
7. On August 30, 2002, the Exchanges requested a hearing on the Report to Commissioner and on the Emergency Cease and Desist Order.
8. On August 30, 2002, the Exchanges filed a suit in Cause No. GN-203156 in the 353rd Judicial District Court of Travis County, Texas, appealing from the Emergency Cease and Desist Order and challenging the commissioner's authority to issue the Emergency Cease and Desist Order and to institute disciplinary action as outlined in the Report to Commissioner.
9. On September 12, 2002, the Exchanges filed a "request for hearing and for appointment of administrative law judge to decide pre-hearing matters" for Emergency Cease and Desist Order No. 02-0844.
10. On September 18, 2002, TDI filed a Notice of Hearing before the State Office of Administrative Hearings in Docket No. 454-03-0193.D.
11. The parties subsequently entered into a written Settlement Agreement and Stipulation on December 18, 2002, a Second Amended Settlement Agreement and Stipulation (Settlement Agreement) on August 29, 2013, and subsequently a Supplement to the Second Amended Settlement Agreement and Stipulation (Supplement) on March 4, 2015, whereby TDI agrees to dismiss with prejudice TDI's claims in the Report and Notice of Hearing, and to set aside the Emergency Cease and Desist Order in its entirety. TDI believes this Settlement Agreement and Supplement to be fair, adequate, reasonable and in the best interests of Texas policyholders. A copy of the Settlement Agreement and Supplement is attached hereto as Exhibit A.
12. On February 5, 2016, the district court judge approved the Settlement Agreement and entered a Final Judgment in which the court found the Settlement Agreement to be reasonable, fair, just, and adequate. A copy of the Final Judgment is attached as Exhibit B.

13. TDI has agreed that the findings of the commissioner in the Emergency Cease and Desist Order should be set aside in their entirety, that the Emergency Cease and Desist Order should be set aside in its entirety, and that neither the findings nor the orders shall be of any further force or effect whatsoever and may not be utilized as evidence of, or be used or relied upon by a person in any proceeding as evidence of, any alleged violation of law or breach of contract by the Exchanges.
14. TDI has agreed that the Application for Emergency Cease and Desist Order dated August 13, 2002, is of no further force and effect whatsoever, and that such application may not be used as evidence of, nor be used or relied upon by any person in any proceeding as evidence of, any violation of law or breach of contract by the Exchanges.
15. TDI has agreed that the Report to Commissioner and Notice of Report, both dated August 14, 2002, and the Notice of Hearing regarding the Exchanges, dated September 18, 2002, may not be used as evidence of, or be relied upon by any person in any proceeding as evidence of, any alleged violation of law or breach of contract by the Exchanges.
16. The entry of this consent order is part of and required to be part of the Settlement Agreement and Supplement filed in Cause No. D-1-GV-02-002501 (formerly Cause No. GV-202501) in the 261st Judicial District Court of Travis County, Texas.
17. The basis for the Application for Emergency Cease and Desist Order, Report to the Commissioner, Emergency Cease and Desist Order, and Notice of Hearing was information obtained from a market conduct examination of Farmers that was commenced by TDI in January 2002.
18. TDI has agreed to withdraw the preliminary report which resulted from the January 2002 market conduct examination, and further agrees that the report may not be used as evidence of, or be used or relied upon by any person in any proceeding as evidence of any violation of law or breach of contract by the Exchanges. All information obtained by TDI as part of its January 2002 market conduct examination shall remain confidential pursuant to TEX. INS. CODE ANN. art. 1.15 (Vernon's 2002) and to the extent provided in the Second Amended Protective Order issued in Cause No. D-1-GV-02-002501 (formerly Cause No. GV-202501).

CONCLUSIONS OF LAW

The commissioner of insurance makes the following conclusions of law:

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE ANN. §§ 83.054 and 84.003; and TEX. GOV'T CODE ANN. § 2001.056.
2. The commissioner has the authority to dispose of this case informally pursuant to the provisions TEX. INS. CODE ANN. §§ 82.055 and 84.002; and TEX. GOV'T CODE ANN. §2001.056.

ORDER

Based on the findings of fact and conclusions of law, the commissioner orders that:

1. Commissioner's Emergency Cease and Desist Order No. 02-0844 including all findings of fact and conclusions of law is set aside in its entirety.
2. The findings in Emergency Cease and Desist Order No. 02-0844 are set aside in their entirety and are of no further force and effect. Neither the findings in Emergency Cease and Desist Order No. 02-0844, nor the order itself, may be utilized as evidence of, or be used or relied upon by any person in any proceeding as evidence of, any alleged violation of law or breach of contract by the Exchanges.
3. The Application for Emergency Cease and Desist Order, dated August 13, 2002, is of no force or effect, and such Application may not be used as evidence of, or be used or relied upon by any person in any proceeding as evidence of, any violation of the law or breach of contract by the Exchanges.
4. The Report to the Commissioner concerning Farmers Insurance Exchange and Fire Insurance Exchange and the Notice of Report, both dated August 14, 2002, are withdrawn in their entirety. Neither the notice nor the report may be used as evidence of, or be used or relied upon by any person in any proceeding as evidence of, any violation of the law or breach of contract by the Exchanges.
5. The Notice of Hearing in SOAH Docket No. 454-03-0193.D is withdrawn in its entirety. TDI shall file a motion with the State Office of Administrative Hearings to dismiss the administrative proceeding. The notice may not be used as evidence of, nor be relied upon by a person in any proceeding as evidence of any alleged violation of law or breach of contract by the Exchanges.
6. The preliminary report that was issued as a result of the market conduct examination commenced in January 2002 is withdrawn and may not be used as evidence of, or be used or relied upon by any person in any proceeding as evidence of, any violation of law or breach of contract by the Exchanges. All information obtained by TDI as part of its January 2002 market conduct examination shall remain confidential pursuant to TEX. INS. CODE ANN. art. 1.15 (Vernon's 2002) and to the extent provided in the Second Amended Protective Order issued in Cause No. D-1-GV-02-002501 (formerly Cause No. GV-202501).



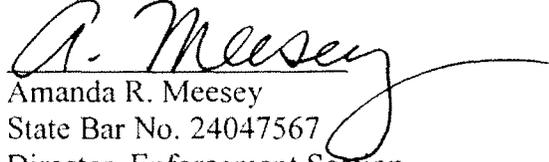
David Mattax
Commissioner of Insurance

4577

COMMISSIONER'S ORDER
FARMERS INSURANCE EXCHANGE AND FIRE INSURANCE EXCHANGE
Page 5 of 7

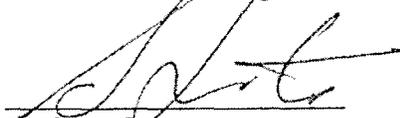
AGREED AS TO FORM AND SUBSTANCE:

Texas Department of Insurance



Amanda R. Meesey
State Bar No. 24047567
Director, Enforcement Section
Texas Department of Insurance
333 Guadalupe
Austin, Texas 78701
512-676-6348
512-490-1020 (facsimile)

Norton Rose Fulbright U.S. LLP



M. Scott Incerto
State Bar No. 10388950
Norton Rose Fulbright U.S. LLP
98 San Jacinto St., Suite 1100
Austin, TX 78701
512-474-5201
512-536-4598 (facsimile)

ATTORNEY FOR FARMERS INSURANCE EXCHANGE
AND FIRE INSURANCE EXCHANGE

4577

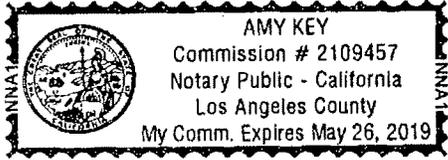
CALIFORNIA JURAT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of Los Angeles

Subscribed and sworn to (or affirmed) before me on this 22nd day of June, 2016, by Margaret Giles, proved to me on the basis of satisfactory evidence to be the person who appeared before me.



Place Notary Seal and/or Stamp Above

Amy Key
Signature of Notary Public

4577

AFFIDAVIT

STATE OF CALIFORNIA §
 §
COUNTY OF LOS ANGELES§

Before me, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

"My name is Margaret Giles. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

"I hold the office of assistant secretary, and am the authorized representative of Fire Insurance Exchange. I am duly authorized by said organization to execute this statement.

"Fire Insurance Exchange waives rights provided by the Texas Insurance Code and other applicable law and acknowledges the jurisdiction of the commissioner of insurance.

"Fire Insurance Exchange voluntarily enters into this consent order and consents to the issuance and service of this consent order."

Margaret Giles
Affiant

SWORN TO AND SUBSCRIBED before me on this 22nd day of June, 2016.

(NOTARY STAMP)

**Please See Attached
CA Notary Certificate**

Signature of Notary Public

4577

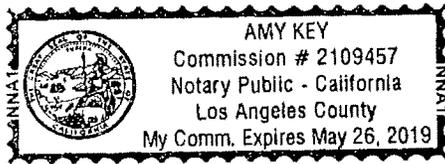
CALIFORNIA JURAT

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of Los Angeles

Subscribed and sworn to (or affirmed) before me on this 22nd day of June, 2016, by Margaret Giles, proved to me on the basis of satisfactory evidence to be the person who appeared before me.



Place Notary Seal and/or Stamp Above

Amy Key
Signature of Notary Public

SECOND AMENDED SETTLEMENT AGREEMENT AND STIPULATION

This Second Amended Settlement Agreement and Stipulation (“Settlement Agreement”), entered into on the 29th of August, 2013, amends and supersedes the Settlement Agreement and Stipulation entered into on the 18th day of December, 2002, as amended on 13th of June, 2003 (“2003 Amended Settlement Agreement”), by and among the State of Texas (“Texas”), the Office of the Attorney General (“OAG”), the Texas Department of Insurance (“TDI”), including the Texas Commissioner of Insurance (“Commissioner”) (hereafter sometimes referred to collectively as the “State”), and defendants Fire Underwriters Association, Farmers Group, Inc., individually and d/b/a Farmers Underwriters Association, Farmers Insurance Exchange, Fire Insurance Exchange, Texas Farmers Insurance Company, Mid-Century Insurance Company of Texas, Mid-Century Insurance Company, Farmers Texas County Mutual Insurance Company, Truck Insurance Exchange, and Truck Underwriters Association (hereafter sometimes referred to collectively as the “Farmers Parties”). The State and the Farmers Parties (hereafter collectively the “Parties”) agree as follows:

I. DEFINITIONS

For purposes of this Settlement Agreement, the following terms have the meanings specified below:

“Administrative Proceeding” means the Notice of Public Hearing, Docket No. 454-03-0193.D, To Consider Whether Commissioner’s Emergency Cease and Desist Order No. 02-0844 Should Be Affirmed and Whether Disciplinary Action Should Be Taken Against Farmers Insurance Exchange and Fire Insurance Exchange, which TDI issued on or about September 18, 2002.

“AG Lawsuit” means Cause No. GV202501, *The State of Texas and The Texas Commissioner of Insurance v. Farmers Group, Inc., Farmers Underwriters Association, Fire Underwriters Association, Farmers Insurance Exchange, and Fire Insurance Exchange*, in the 261st Judicial District Court of Travis County, Texas, filed on or about August 5, 2002, and including all amendments thereto.

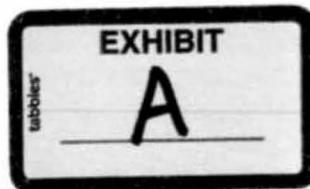
“Agreed Discounts” means the discounts described in Section IV, Paragraph 3(b), below.

“Associations” means defendants Fire Underwriters Association and Farmers Group, Inc. d/b/a Farmers Underwriters Association, acting as the Exchanges’ attorneys in fact.

“Amended Order of Preliminary Approval” means an order substantially in the form attached as Exhibit A.

“Automobile insurance” means private passenger automobile insurance.

“Automobile Insurance Providers” means defendants Texas Farmers Insurance Company, Mid-Century Insurance Company of Texas, Mid-Century Insurance Company, Farmers Texas County Mutual Insurance Company, and Truck Insurance Exchange.



“Cease and Desist Order” means the Cease and Desist Order, No. 02-0844, which the Commissioner signed and entered against the Exchanges, on or about August 13, 2002.

“Claim Form” means the form to be used by applicants for the Credit Usage Notice Fund, attached as Exhibit E hereto and addressed in Section IV, Paragraph 4(b) below.

“Commissioner” means the Texas Commissioner of Insurance.

“Court” means the 261st Judicial District Court of Travis County, Texas, in which the AG Lawsuit was filed.

“Credit Period” shall have the meaning given it in Section IV, Paragraph 2, below.

“Credit Usage Notice Fund” shall have the meaning given it in Section IV, Paragraph 4, below.

“Credit Usage Notice” means a notice of adverse action under the Fair Credit Reporting Act.

“Effective Date” means the date by which all of the following have occurred: (i) an Order of Preliminary Approval has been entered by the Court in the AG Lawsuit giving notice of a hearing on the Settlement of the Settlement Classes’ claims; (ii) the Court has approved the Settlement in all respects; (iii) a Final Judgment as described below shall have been entered by the Court and not vacated, stayed, or modified in any material way, upon appeal or otherwise; and (iv) either the time to appeal or otherwise seek review of the Final Judgment has expired without any appeal having been taken or review sought, or if an appeal is taken or review sought, the expiration of five days after such an appeal or review shall have been finally determined by the highest court before which appeal or review is sought and is not subject to further judicial review.

“Exchanges” means Farmers Insurance Exchange and Fire Insurance Exchange.

“Exchanges Lawsuit” means Cause No. GN-203156, *Farmers Insurance Exchange and Fire Insurance Exchange v. Jose Montemayor, individually and in his capacity as Texas Commissioner of Insurance, and Texas Department of Insurance*, in the 353rd Judicial District Court of Travis County, Texas.

“FARA” means Farmers Auto Risk Assessment.

“FCRA” means the Fair Credit Reporting Act.

“Fogel Action” means *Benjamin Fogel v. Farmers Group, Inc., et al.*, Case No. BC 300142, in the Superior Court for the State of California for the County of Los Angeles, in which a final judgment was signed on December 21, 2011.

“FPRA” means Farmers Property Risk Assessment.

"Homeowners insurance" means and includes policies written on TDI-promulgated forms described as HO-A (including TDP-1), HO-B (as defined in "Released Claims"), HO-B-CON, and HO-B-T, and all endorsements, promulgated or approved, for use with such forms.

"IDA Eligibility" shall have the meaning given it in Section IV, Paragraph 3(a), below.

"Individualized Discount Adjustment" shall have the meaning given it in Section IV, Paragraph 3, below.

"Final Judgment" means a final judgment to be rendered by the 261st Judicial District Court of Travis County, Texas, substantially in the form attached as Exhibit K hereto.

"Mobbs Action" means *In re Farmers Insurance Co, Inc. FCRA Litig.*, No. CIV-03-158-F, including all cases consolidated or coordinated in MDL No. 1564, before the U.S. District Court for the Western District of Oklahoma, in which a final judgment was entered on September 29, 2011.

"MOU" means the Memorandum of Understanding between and among the Parties, which was signed by authorized representatives of the Parties on November 30, 2002.

"Notice of Proposed Class Settlement" means the notice of this Settlement Agreement and of the Settlement Hearing substantially in the form of Exhibit B hereto that is to be made available to all persons in the Settlement Classes pursuant to Section III, Paragraph 7 below.

"OAG CIDs" means all Civil Investigative Demands that OAG has served on the Released Parties that are listed in the attached Exhibit N.

"Opt-Out Claimant" means a member of the Settlement Classes who submits a timely and valid request for exclusion in accordance with the Amended Order of Preliminary Approval and the Notice of Proposed Class Settlement, and who does not revoke that request for exclusion in writing at least seven (7) days prior to the Settlement Hearing. Such requests for exclusion shall apply to all of the Released Claims which a given Opt-Out Claimant has against the Released Parties.

"Opt-Out Claims" means Released Claims that belong to Opt-Out Claimants. Opt-Out Claims are not settled by this Settlement Agreement.

"Order of Preliminary Approval" means the Order signed by the District Court on June 27, 2003, certifying the Settlement Classes and preliminarily approving the 2003 Settlement Agreement.

"Prospective Rate Reduction" shall have the meaning given it in Section IV, Paragraph 1, below.

"Released Claims" means and includes, with respect to homeowners insurance offered or sold by the Released Parties, all existing, known claims and Unknown Claims, demands and causes of action against the Released Parties, whether pending or threatened, suspected or unsuspected, contingent or non-contingent, for all existing, known and unknown damages and

remedies that arise out of or relate to the acts and/or occurrences alleged in the AG Lawsuit, or in the Cease and Desist Order or the Administrative Proceedings, or in the OAG CIDs to the extent any such acts or occurrences took place prior to November 30, 2002, including but not limited to issues concerning or related to a management fee or fees, the placement of policyholders in a particular insuring entity, the age of home discount, the unfunded catastrophe load, the decision to no longer offer HO-B policies (including HO-Protector Plus (PTP), HO380 endorsement, TDP-2, TDP-3, DF-Builder's Risk, and HO-A with HO-170 endorsement (collectively referred to herein as "HO-B")), the offering of HO-A policies in place of HO-B policies, territorial discounts, credit scoring, the use of the Farmers Property Risk Assessment, or the rates that the Released Parties have charged for homeowners policies and endorsements and all notices and statements that the Released Parties have made or issued in connection with the above, including but not limited to the notices of non-renewal of the HO-B policies and notices issued pursuant to the Fair Credit Reporting Act. The State's release of claims against Texas Farmers Insurance Company related to credit scoring is expressly based on Texas Farmers Insurance Company's representation that it did not and has not used credit scores, insurance scores, credit reports or any other method of calculating premiums based on credit history until 2011, at which time it began using the credit model that is on file with TDI. "Released Claims" also include any claims, demands, or causes of action to the effect that the discounted rates adopted by the Exchanges from November 11, 2002, through and including August 31, 2003, are unfair, unreasonable, discriminatory, misleading or excessive. With respect to the automobile insurance offered or sold by the Released Parties, "Released Claims" includes all existing claims, demands, and causes of action related only to the disclosure or nondisclosure of consumer credit information or the disclosure or nondisclosure of the use or effect of using consumer credit information, including claims under the Fair Credit Reporting Act. "Released Claims" does not include individual claims or complaints about claims payments, handling or processing pursued by individual claimants directly or such individual claims or complaints about claims payments, handling or processing as may be pursued by TDI under Article 21.55, Texas Insurance Code, which are identified in a schedule which has been provided by TDI to the Farmers Parties. Remedies for any such scheduled claims or complaints, if pursued by the TDI, shall be limited to the payment of interest under article 21.55, section 6 (now § 542.060), of the Texas Insurance Code (which interest is not part of the total value of this settlement), as the result of non-compliance with that statute, and may not include fines or penalties or any other relief, except relief may include corrective action respecting procedures. "Released Claims" also does not include claims that have been asserted in Cause No. GV000271, *State of Texas v. Texas Farmers Insurance Company, et al.*, which was pending in the 200th Judicial District Court of Travis County, Texas, relates to betterment in the context of automobile insurance in the Texas market, and was dismissed in 2003.

"Released Parties" means and includes Farmers Group, Inc., individually and d/b/a Farmers Underwriters Association, Fire Underwriters Association, Farmers Insurance Exchange, Fire Insurance Exchange, Texas Farmers Insurance Company, Mid-Century Insurance Company of Texas, Mid-Century Insurance Company, Farmers Texas County Mutual Insurance Company, Truck Insurance Exchange, and Truck Underwriters Association, as well as their affiliates, officers, employees, agents, directors or governors, representatives, attorneys, predecessors, successors and assigns.

"Releasing Parties" means and includes Texas, the OAG (both on behalf of Texas and, subject to Court approval, the members of the Settlement Classes defined below), the TDI, and the Commissioner.

"Retrospective Rate Reduction" shall have the meaning given it in Section IV, Paragraph 2, below.

"Settlement" shall have the meaning given it in Section II, below.

"Settlement Classes" means and includes (1) all of the Exchanges' Texas homeowners insurance policyholders (a) whose homeowners insurance policy inception (including renewals) from December 28, 2001, through and including December 27, 2002, or (b) who received a notice at any time after November 14, 2001, that their HO-B policy would not be renewed (the "Rate Class"); (2) all of the Exchanges' Texas homeowners insurance policyholders who according to Farmers records were eligible to receive discounts for FPRA, age of home, or territory from November 16, 2000, through and including December 10, 2002 (the "Discount Class"); and (3) all Texas homeowners or automobile insurance policyholders of the Exchanges or the Automobile Insurance Providers who according to Farmers records were provided or should have been provided a Credit Usage Notice from October 1, 1999, through February 28, 2003 (the "Credit Usage Notice Class").

"Settlement Class Members" means all members of the Settlement Classes except for Opt-Out Claimants.

"Settlement Fund" shall have the meaning given it in Section IV, below.

"Settlement Hearing" means the hearing to be held before the District Court of Travis County, Texas, to determine (a) whether this Settlement Agreement, including the Settlement Fund and the attached exhibits, should be approved as fair, adequate and reasonable; and (b) whether the Final Judgment should be entered.

"Summary Notice of Settlement" shall have the meaning given it in Section III, Paragraph 7, below.

"Unknown Claims" means any and all provisions, rights, and benefits conferred either (a) by section 1542 of the California Civil Code, or (b) by any federal law or law of any state or territory of the United States, or by any principle of common law that is similar, comparable, or equivalent to section 1542 of the California Civil Code, with respect to the Claims released pursuant to part II.B. Section 1542 of the California Civil Code reads:

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

II. RECITALS

WHEREAS, on or about October 1, 1999, the FARA discount program was introduced in Texas for the Farmers Parties' automobile policyholders;

WHEREAS, on or about November 16, 2000, the FPRA discount program was introduced in Texas for the Farmers Parties' homeowners policyholders;

WHEREAS, on or about November 9, 2001, the Exchanges announced they would no longer renew Texas HO-B homeowners policies;

WHEREAS, on or about November 14, 2001, the Exchanges began issuing notices of non-renewal of HO-B policies to Texas HO-B homeowners insureds;

WHEREAS, on or about January, 2002, the TDI initiated a market conduct examination of the Farmers Parties pursuant to article 1.15 of the Texas Insurance Code;

WHEREAS, on or about December 28, 2001, Fire Insurance Exchange began offering Texas HO-A homeowners policies for former HO-B insureds;

WHEREAS, on or about March 20, 2002, Farmers Insurance Exchange began offering Texas HO-A homeowners policies for former HO-B insureds;

WHEREAS, on or about August 5, 2002, the OAG, on behalf of Texas and the TDI, brought the AG Lawsuit against the Farmers Parties;

WHEREAS, on or about August 13, 2002, the TDI brought an Application for Emergency Cease and Desist Order against the Exchanges;

WHEREAS, on or about August 13, 2002, the Commissioner entered the Cease and Desist Order against the Exchanges;

WHEREAS, on or about August 14, 2002, the TDI filed a Report to the Commissioner of Insurance concerning the Exchanges;

WHEREAS, the OAG has served the "OAG CIDs" on the Released Parties;

WHEREAS, on or about August 30, 2002, the Exchanges brought the Exchanges Lawsuit against the Commissioner and TDI, appealing from the Cease and Desist Order and also seeking a declaratory judgment that, *inter alia*, the Commissioner and TDI lack the authority to issue the Cease and Desist Order and to institute disciplinary action as outlined in the Report to the Commissioner of Insurance filed by TDI on or about August 14, 2002;

WHEREAS, on or about September 18, 2002, the TDI commenced the Administrative Proceedings against the Exchanges;

WHEREAS, on or about September 24, 2002, the Exchanges gave notice to their Texas homeowners insureds that the Exchanges would not be offering coverage or renewing

homeowners insurance policies, with effective dates of such non-renewal action falling between November 11, 2002 and November 10, 2003, and also notified their agents they would accept no new business after November 11, 2002:

WHEREAS, on November 13, 2002, TDI agreed to extend the effective date of the Cease and Desist Order for thirty days through December 10, 2002, to allow the Parties an opportunity to negotiate a settlement of these matters and the Exchanges, in turn, agreed to continue offering coverage and renewing homeowners insurance policies until December 10, 2002, with a base rate reduction of 6.8% from the rate structure used in the period immediately prior to November 2002;

WHEREAS, after considering the benefits to be gained under the Settlement Agreement, the risks associated with continuing to prosecute this complex and time-consuming litigation, the likelihood of success on the merits of the litigation, the public interest in an efficient market for homeowners and automobile insurance, the welfare of Texas' consumers, and to avoid further expense and inconvenience, the State believes this Settlement Agreement is fair, adequate, reasonable, and in the best interests of the Settlement Classes;

WHEREAS, the Farmers Parties, while denying each of the claims alleged herein and further denying wrongdoing of any kind whatsoever, and without admitting liability, have agreed to enter into the Settlement Agreement to avoid further expense, inconvenience, and the distraction of a burdensome and lengthy litigation, and in order to be completely free of any further controversy with respect to the Released Claims;

WHEREAS, the Parties have agreed that there should be a global settlement of all of the Released Claims, as herein defined, and this document sets forth the terms of the Parties' settlement agreement, which was reached after arms' length negotiations between the State and the Farmers Parties (the "Settlement");

WHEREAS, the Court has certified the Settlement Classes and preliminarily approved the 2003 Amended Settlement Agreement by order of June 27, 2003 ("Order"), which was appealed to the Third Court of Appeals and the Texas Supreme Court, which affirmed the Order, and the case was ultimately remanded to this Court on March 9, 2010;

WHEREAS, upon its remand to the Court, this case was stayed pending the resolution of certain nationwide class actions involving some of the claims made in the AG Lawsuit, including the *Fogel* and *Mobbs* Actions, in which final judgments approving settlement agreements were issued on September 29, 2011, and December 21, 2011, respectively;

WHEREAS the passage of time caused by the lengthy appeal and the settlement agreements in the *Fogel* and *Mobbs* Actions have necessitated certain limited changes to the 2003 Amended Settlement Agreement:

NOW THEREFORE IT IS AGREED by the Parties that subject to approval of the Judicial District Court of Travis County, Texas, the AG Lawsuit, the Administrative Proceeding, the Exchanges Lawsuit, and the other matters in Section IX below are conditionally settled, on the following terms and conditions:

III. CERTIFICATION OF SETTLEMENT CLASSES

1. The Parties shall promptly and jointly submit this Settlement Agreement, including the exhibits hereto, to the Court for preliminary approval.

2. The State has sought, and the Farmers Parties have agreed to, conditional certification of the Settlement Classes pursuant to this Settlement Agreement, which the Court granted in its June 27, 2003 Order. The Farmers Parties do not agree to certification of the Settlement Classes for any purpose other than to effectuate this Settlement Agreement. In the event that the Court were not to approve and certify the Settlement Classes in all respects as defined in this Settlement Agreement, (1) any stipulations and agreements made herein are null and void and (2) it is understood that the Farmers Parties would challenge the certification of a litigation class and nothing relating to this Settlement Agreement will be introduced into evidence or used in any way to impede the exercise of that right.

3. The State shall file an amended motion for preliminary approval that requests the Court to enter an Amended Order of Preliminary Approval substantially in the form of Exhibit A hereto.

4. The Parties agree that the Court may enter an order conditionally certifying the Settlement Classes and appointing the State of Texas, through the Attorney General, as representative and counsel for the Settlement Classes.

5. If this Settlement Agreement is terminated pursuant to its terms, or if the Effective Date does not occur for any reason, the conditional certification of the Settlement Classes shall be vacated.

6. In additional proceedings before the Court (and before any appellate courts, if necessary), the State shall continue to affirmatively present their support for certification of the Settlement Classes and for final judicial approval of the Settlement Agreement.

7. Subject to the Court's prior preliminary approval of the Settlement Agreement (including the exhibits hereto), the Farmers Parties shall assume responsibility for identifying, locating, and providing a copy of the Notice of Proposed Class Settlement, substantially in the form attached as Exhibit B hereto, to as many members of the Settlement Classes as is reasonably practicable by means of a direct mailing to such Settlement Classes members' most recent address in the Farmers Parties' records. In addition, the OAG, TDI and the Farmers Parties shall disseminate a Summary Notice of Settlement, in the form attached hereto as Exhibit C, by posting the Summary Notice of Settlement through their respective web-sites (www.farmers.com, www.oag.state.tx.us, and www.tdi.state.tx.us), as well as at www.TexasFarmersSettlement.com, beginning as soon as practicable after the Court's entry of the Order of Preliminary Approval and continuing until the date of the Settlement Hearing. The full Notice of Proposed Class Settlement also shall be made available through these websites over the same period of time. In order to avoid any confusion, no other documents interpreting the Settlement Agreement or the Notice of Proposed Class Settlement, or the provisions or effect of such documents, will be posted on the Parties' websites without prior Court approval.

IV. SETTLEMENT FUND

In conjunction with the settlement of the Released Claims, the Released Parties agree to create a settlement fund ("Settlement Fund") with the following components:

1. **Prospective Rate Reduction.** Subject in all respects to Paragraph 1(b) below, the Exchanges agreed (1) to reduce their HO-A primary contract homeowners insurance (excluding endorsements) base rates in effect as of November 10, 2002 in the overall average amount of 6.8%, based on a statewide average rate indication for all classes, effective as of November 11, 2002 (the "Prospective Rate Reduction"), (2) to refrain from any increase in those base rates that would take effect prior to midnight on August 31, 2003, provided, however, that rates can be changed to include charges for any existing endorsement or any new endorsements approved by TDI or for coverage changes requested by policyholders, and (3) for the period December 11, 2002 through August 31, 2003, to adopt the Agreed Discounts described in Section IV, Paragraph 3(b) hereof.

a. The reduction in premiums contemplated by the Prospective Rate Reduction was undertaken for all Texas policyholders who renewed an existing HO-A homeowners' insurance policy through the Exchanges or obtained a new policy.

b. It is understood and agreed to by the Parties that adopting the Agreed Discounts as contemplated under this settlement will change each customer's rate even though the 6.8% reduction is made to the base rate;

c. If legislation or regulation is hereafter enacted that has the effect of requiring or compelling the Exchanges to implement a rate reduction or rollback, then:

(1) The Exchanges' obligation to issue or grant credits or refunds under the Prospective Rate Reduction and, if the legislation or regulation is retroactive, under the Retrospective Rate Reduction, will be reduced by the amount of the rate reduction or rollback to customers mandated by such legislation or regulation;

(2) In the event any such rate reduction or rollback is enacted or adopted, the Exchanges' rates and rate structures on the day before the effective date of any such rate reduction or rollback shall be deemed to revert back to the rates and rate structures in effect as of November 10, 2002. Under no circumstances would such rate reduction or rollback be applied to the Exchanges' rates in effect as the result of the Prospective Rate Reduction, the Retrospective Rate Reduction, or any other term of this Settlement Agreement.

(3) This consideration was previously provided to the Class Members pursuant to the Parties' agreement.

2. **Retrospective Rate Reduction.** In addition to the Prospective Rate Reduction, for all Texas policyholders who were insured under an HO-A policy form issued by the Exchanges at any time during the period commencing on December 28, 2001 up to and including November 10, 2002 (the "Credit Period"), the Exchanges agree to fund a Retrospective Rate

Reduction in the amount of 6.8% of the base premium for the HO-A policy form earned by the Exchanges during those policies' actual term ("Retrospective Rate Reduction").

a. For those Texas policyholders who were insured under an HO-A policy form issued by the Exchanges during the Credit Period but such policy is no longer in effect or is not renewed at the next renewal date after the 30th day following the Effective Date, the Retrospective Rate Reduction shall be paid by means of a refund check based on each individual HO-A policy's base rate premium earned with appropriate release language in favor of the Released Parties as an endorsement. Refund checks in payment of the Retrospective Rate Reduction will be processed and paid on: thirty (30) days after the Effective Date.

b. For those Texas policyholders who were insured under an HO-A policy form issued by the Exchanges during the Credit Period with coverage going forward beyond the next renewal date after the 30th day following the Effective Date, the Retrospective Rate Reduction shall be applied as either a credit or a refund check, at Farmers' election. Unearned policy premiums that may be returned to the policyholder shall not include the credit or refund. If a credit is used, the credit shall be applied to the first premium notice for such HO-A policies renewed after the 30th day following the Effective Date.

3. **Individualized Discount Adjustment.** In addition to the Prospective Rate Reduction and Retrospective Rate Reduction described above, and with respect to Texas homeowners insurance policyholders who did not receive the Agreed Discounts for FPRA, age of home, and territory at any time during the period commencing November 16, 2000, continuing through and including December 10, 2002, the day immediately preceding the adoption of the Agreed Discounts described in Paragraph 3(b) below, the Exchanges agree to fund an "Individualized Discount Adjustment" payment.

a. Payments to individual Texas homeowners insurance policyholders for the Individualized Discount Adjustment shall be determined in the following fashion: The Individualized Discount Adjustment payment for each Texas policyholder equals the amount by which the premium actually charged for the Texas policyholder's policy exceeded the premium which would have been charged if the Exchanges had adopted discounts for FPRA, age of home, and territory elements at the Agreed Discounts on a revenue neutral basis, rather than the lesser discounts which were actually adopted on a revenue neutral basis (the "IDA Eligibility") as provided in Paragraph 3(b) below. In calculating each policyholder's IDA Eligibility, if the aggregate of the three discount factors (FPRA, age of home, or territory) results in a negative value for that individual, then the Individual Discount Adjustment shall be considered a zero.

b. The Parties' actuaries have met and agreed on discounts for FPRA and age of home, as well as territorial rate revisions, to be applied for purposes of the Individualized Discount Adjustment and also to be applied to the same factors for the period identified in Section IV, Paragraph 1 hereof (the "Agreed Discounts"). For informational purposes, schedules setting forth the Agreed Discounts for the FPRA and age of home discounts and the territorial rate revisions to be applied for purposes of the

Individualized Discount Adjustment are attached as Exhibits D-1 and D-3, and schedules setting forth the Agreed Discounts for the FPRA and age of home discounts and the territorial rate revisions to be applied commencing December 11, 2002, and continuing through and including August 31, 2003, are attached as Exhibits D-2 and D-3.

c. No Individualized Discount Adjustment benefits shall be paid or credited prior to the Effective Date.

d. Credits and payment of the Individualized Discount Adjustment shall be made in the same manner and at the same time as the Retrospective Rate Reduction listed above.

e. Thirty (30) days after the final payment is made or credit provided under this section dealing with the Individualized Discount Adjustment, the Released Parties shall report to the OAG and TDI the amounts so paid and credited.

4. **Credit Usage Notice Fund.** In addition to the Prospective Rate Reduction, the Retrospective Rate Reduction, and the Individualized Discount Adjustment, the Released Parties further agree initially to provide funds in the total amount of \$3.0 million, but will provide additional funds if necessary ("Credit Usage Notice Fund"), as well as certain non-cash benefits, to compensate eligible Settlement Class Members who allege that adverse actions were taken by the Farmers Parties without providing sufficient notice as required by the Fair Credit Reporting Act, 15 U.S.C. § 1681m, resulting in credit report inaccuracies going undetected and potentially resulting in FPRA or FARA discounts lower than would have resulted from correct credit information or to assignment to a company affiliated with the Farmers Parties having a higher premium structure.

a. Eligibility for the Credit Usage Notice Fund is limited to Credit Usage Notice Class Members who were issued an automobile or homeowners insurance policy by one or more Released Parties during the time period October 1, 1999, through February 28, 2003; provided however, that any eligible Settlement Class Member who mailed a timely claim form (or on whose behalf such a claim form was submitted) pursuant to the settlement agreement in the *Mobbs* Action is not eligible for any additional benefits, including cash payments, described in this component (part IV.4) of the Settlement Agreement.

b. Submission of a completed Claim Form in the form attached hereto as Exhibit E ("Claim Form") is a prerequisite to any individual receiving a credit report code to obtain a free copy of his or her credit report from Equifax and any payment from the Credit Usage Notice Fund. Eligible Settlement Class Members will have until 60 days after the Settlement Hearing to mail-in the Claim Form. A timely submitted and completed Claim Form entitles the eligible Settlement Class Member to access and review at no cost his or her individual credit report as maintained by Equifax, Inc. A Claim Form will be considered complete if it provides all of the requested information except a policy number, so long as the information provided is sufficient to identify the claimant from the records of the Released Parties after a good faith effort. Each eligible Settlement Class Member will receive only one Claim Form with the Class Notice and is

eligible to receive only one credit report code and one payment as provided in paragraph (d) below.

c. Within 15 business days after the deadline to mail-in the Claim Form, each eligible Settlement Class Member who timely completes and submits a Claim Form will be mailed a credit report code and accompanying letter on how class members may use the credit report code to review their individual credit report for accuracy. The credit report code will expire 30 days from the date of mailing.

d. Settlement Class Members who use the credit report code and review their credit reports will be given the opportunity to certify online that they reviewed their individual credit reports for accuracy within 45 days from the date of mailing of the letter described in paragraph IV.4(c) above. The certification will read as follows: "I certify that I have reviewed my Equifax consumer credit report for errors and inaccuracies." Each eligible Settlement Class Member who so certifies will be mailed a check in the amount of thirty-five dollars (\$35.00 US) within 60 days following receipt of the Settlement Class Member's certification, assuming the Effective Date has passed.

e. Each eligible Settlement Class Member who timely submits a Claim Form shall also receive an educational credit brochure, explaining the importance of accurate credit reports and the Settlement Class Member's right to review his or her credit report and dispute any inaccuracies or errors contained in it.

f. The Credit Usage Notice Fund shall terminate 180 days after the Effective Date. To the extent that there is a remaining balance in the Credit Usage Notice Fund as of this termination date, such remaining balance shall revert to the Released Parties.

g. In agreeing to create the Credit Usage Notice Fund, the Parties agree that the Released Parties have denied that there have been any overcharges to Texas policyholders as the result of erroneous FPRA or FARA assignments. The Parties further agree that neither this Settlement Agreement, nor the MOU, nor anything stated herein or in the MOU or in connection with the Settlement should be construed or interpreted as an admission or evidence of any wrongdoing or liability by any of the Released Parties or of any violation of state or federal law, including without limitation the Fair Credit Reporting Act.

h. Within 30 days after the last payment is made under the Credit Usage Notice Fund, the Released Parties shall provide a report to the OAG and TDI which reflects the total number of Claim Forms submitted; the total dollar amount of payments made to persons eligible to participate in the Credit Usage Notice Fund; the total number of persons who were mailed checks; and the total number and dollar amount of negotiated checks.

i. The Parties acknowledge that as of February 2003, Farmers has used the Forms attached as Exhibits F, G, H, and I for new and renewed Texas homeowners and automobile policies. The Parties further agree that Farmers can cease using these exemplar forms of notice thirty (30) days after they have submitted replacement notice

forms for Farmers Texas homeowners and automobile policies to TDI, provided that TDI does not object to the replacement forms.

5. **Payment or Credit of 100%.** With regard to the Individualized Discount Adjustment, Released Parties have committed to a payment or credit of 100% of any premium differential resulting from the adjustment process set forth in Section IV, Paragraph 3. These calculations, which require individualized calculations, have been made by Released Parties and will be reported to the OAG and the TDI, and will be subject to verification by the TDI.

6. **Unclaimed Funds.** The cash components of the Settlement Fund shall be evidenced by a check that shall be valid for not less than 120 days after issuance. Any such checks that are uncashed, unclaimed, undeliverable, or not negotiated after 120 days from issuance shall be subject to Texas Property Code § 72.001 *et seq.*

7. **Mailing of Checks.** All checks to Settlement Class Members mailed under this Settlement Agreement must be accompanied by a letter and release language in the form attached as Exhibit J.

8. **Attorneys' Fees and Investigative Costs.** No later than 30 days after the Effective Date, the Farmers Parties shall pay a total of \$2 million to the State of Texas for its attorneys' fees, expenses, and costs of investigation.

9. **Estimated value.** Based upon the Parties' assumptions and projections, the estimated total value of the Settlement is \$117,500,000.

10. **Accounting Treatment for Settlement Fund Payments and Credits.** All amounts paid or credited to policyholders for the Retrospective Rate Reduction, the Individualized Discount Adjustment, and the Credit Usage Notice Fund components shall be treated and accounted for by the Farmers Parties as a return of written premiums. The Farmers Parties shall also prepare such amendments as necessary to their previously reported statistical plan filings to reflect a reduction in direct written premiums for amounts paid for the above-referenced components.

V. RELEASE

On the Effective Date, the State, for itself and for the Settlement Class Members, RELEASES, ACQUITS, and FOREVER DISCHARGES the Released Parties from all Released Claims.

VI. FINAL JUDGMENT

At the Settlement Hearing, a Final Judgment, substantially in the form attached as Exhibit K hereto, will be submitted to the Court, and entry requested. Among other things, the Final Judgment directs that the Judicial District Court of Travis County, Texas, expressly retains jurisdiction to enforce and modify the relief granted in the Final Judgment, including injunctive relief, to the fullest extent allowed by Texas law. The Parties also specifically agree that the venue for any dispute arising under this Settlement Agreement shall be in the District Court of Travis County, Texas.

VII. OTHER CONSIDERATIONS REGARDING SETTLEMENT CLASSES

1. In the event that the Court were to alter or make any change in the Settlement Classes or this Settlement Agreement (including the Settlement Fund) or to decline to approve the Settlement Classes and this Settlement Agreement (including the Settlement Fund) in all respects, any of the Parties to this Settlement Agreement shall have the right to terminate the Settlement and this Settlement Agreement. In the event of such termination, no further payments or credits will be made under the Settlement Fund and all releases and dismissals executed hereunder will become null and void.

2. Any person within the Settlement Classes as defined may request not to participate as a member of the Settlement Classes, by submitting a timely request for exclusion in accordance with the Amended Order of Preliminary Approval and the Notice of Proposed Class Settlement. To be effective, any person requesting exclusion from the Settlement Classes must submit a timely written request for exclusion. Such written request must contain all of the information described in the discussion of Exclusion Requests that is contained in the Notice of Proposed Class Settlement, and it must be sent to the address specified in the Notice of Proposed Class Settlement, by first class mail, postmarked no later than thirty (30) days before the date scheduled for the Settlement Hearing. Any person who submits such a timely written request and who does not revoke that request for exclusion in writing at least seven (7) days prior to the Settlement Hearing, is an Opt-Out Claimant. An Opt-Out Claimant thereby elects not to participate in any benefits or payments under the Settlement Fund or this Settlement Agreement and is deemed to have waived any and all claims to any part of the Settlement Fund.

3. A Settlement Classes member who does not opt out may submit objections, if any to (a) certification of the Settlement Classes; (b) the terms of the Settlement Agreement, including the exhibits hereto; or (c) the proposed form of Final Judgment. In order for any such objection to be considered by the Court at the Settlement Hearing, the objection must (a) contain all of the information described in the discussion of Objections that is contained in the Notice of Proposed Class Settlement and (b) be sent to the addresses specified in the Notice of Proposed Class Settlement, by first class U.S. mail, postmarked no later than the date specified by the Court.

4. All Parties shall undertake to encourage participation of the putative class members in the Settlement Classes. In the event that more than 2% of the policyholders eligible to receive benefits from the Retrospective Rate Reduction or Individualized Discount Adjustment portions of the Settlement Fund were to opt out of the Settlement Classes, any of the Parties to this Settlement Agreement shall have the right to terminate the Settlement and this Settlement Agreement.

VIII. NO ADMISSION OF LIABILITY

In entering into this Settlement Agreement, the Parties agree that the Released Parties have denied, and continue to deny, any wrongdoing or liability with respect to the claims that have been made in the AG Lawsuit, the Cease and Desist Order, the Administrative Proceedings and the OAG CIDs, or that have been made or could have been made by or on behalf of the Exchanges' individual policyholders in any other forum arising out of or relating to the subject

matters of the AG Lawsuit, the Cease and Desist Order, the Administrative Proceedings or the OAG CIDs. The Parties further agree that neither this Settlement Agreement nor anything stated herein or in connection with the Settlement should be construed or interpreted as an admission or evidence of any wrongdoing or liability by any of the Released Parties. The Released Parties are entering into this Settlement Agreement and the Settlement in order to avoid the further expense and burden of protracted litigation.

IX. RELATED PROCEEDINGS

1. **Dismissal With Prejudice of Administrative Proceeding, Setting Aside of Cease and Desist Order, and Related Matters.** TDI will request that the Administrative Law Judge in the Administrative Proceeding dismiss with prejudice TDI's claims in the Administrative Proceeding, substantially in the form attached hereto as Exhibit L, and the Commissioner will enter a final order, substantially in the form attached as Exhibit M hereto, that dismisses those claims with prejudice and that also provides (a) the findings of the Commissioner in the Cease and Desist Order are set aside in their entirety; (b) the Cease and Desist Order is set aside in its entirety; (c) the findings and order shall be of no further force and effect whatsoever; and (d) neither the findings nor the order may be utilized as evidence of, or be used or relied upon by any person in any proceeding as evidence of, any alleged violation of law or breach of contract by the Released Parties. The State agrees that the Application for Emergency Cease and Desist Order, dated August 13, 2002, by Karen A. L. Barratt ("Application") is of no further force and effect whatsoever, and neither the Application nor the Order may be used as evidence of, or be used or relied upon by any person in any proceeding as evidence of, any violation of law or breach of contract by the Released Parties. TDI also will set aside in its entirety and with prejudice, substantially in the form contained in the Commissioner's Order attached as Exhibit M hereto, the (1) the Report concerning Farmers Insurance Exchange and Fire Insurance Exchange dated August 14, 2002, and (2) the "Notice of Report to Commissioner: Alleged Violations by Farmers Insurance Exchange and Fire Insurance Exchanges," dated August 14, 2002. The State agrees that, upon such setting aside, the Report is of no further force and effect whatsoever; and that such Report may not be used as evidence of, or be used or relied upon by any person in any proceeding as evidence of, any violation of law or breach of contract by the Released Parties.

2. **Termination of OAG CIDs.** All OAG CIDs issued to the Released Parties (listed in Exhibit N hereto) shall be withdrawn and all associated investigations as to the Released Parties shall be terminated. The investigations associated with the time periods covered by each CID are concluded and there will be no new investigations or CIDs for these time periods. The Farmers Parties also will dismiss with prejudice their challenges that have been filed in the district courts of Travis County to certain of the OAG CIDs, substantially in the form of the example attached as Exhibit O hereto.

3. **Termination of Market Conduct Examination.** The market conduct examination of the Exchanges commenced by TDI in January 2002 pursuant to article 1.15 (now revised to Section 401.051 et. seq.) of the Texas Insurance Code, and all associated investigations, shall be terminated and no new investigation will commence concerning Released Claims. The market conduct examination report has never been finalized and shall be withdrawn in its entirety and with prejudice, in the form attached as Exhibit M hereto, and shall not be used

in evidence of or relied upon by any person in any proceeding as evidence of any violation of law or breach of contract by the Released Parties.

4. **Dismissal With Prejudice of Exchanges' Lawsuit and Counterclaim.** The Exchanges agree that they will dismiss with prejudice the claims that the Exchanges made against TDI and the Commissioner and Jose Montemayor, individually, in the Exchanges Lawsuit, substantially in the form attached as Exhibit O hereto. The Farmers Parties also will dismiss with prejudice their counterclaim in the AG Lawsuit, substantially in the form contained in the Final Judgment attached as Exhibit K hereto. The dismissal of the Farmers Parties' counterclaim in the AG Lawsuit shall have no effect on obligations set forth in the Protective Orders entered therein regarding the Parties' continuing duties regarding confidential documents or documents produced under seal or in camera.

5. **Abatement Pending Effective Date.** Upon execution of this Settlement Agreement, counsel for the Parties in the legal proceedings referenced in this Section IX, Paragraphs 1-4 above, will take all appropriate steps to stay or abate the matters that are the subject of this Settlement Agreement until either (a) the Final Judgment entered in accord with Section VI of this Settlement Agreement becomes final and no longer subject to appeal or review, or (b) the Court refuses or declines to enter the Final Judgment in accord with this Settlement Agreement, or (c) such a Final Judgment is reversed or vacated on appeal, or (d) it becomes impossible for the Effective Date to occur for any reason. If the Effective Date occurs, then the Parties agree that, within thirty (30) days after the Effective Date, they will take the appropriate steps in the cases listed in this Section IX to enter the indicated dismissals with prejudice.

6. **Management Fee.** For the Released Parties and any other company or reciprocal or inter-insurance exchange associated or affiliated with the Released Parties, and regardless of whether such entity is or is not subject to rate regulation in Texas, TDI agrees henceforward that it will not consider the management fee (profits or expenses) as a separate element in its evaluation of such company's expense structure or consider such management fee in the rate process generally, but may consider the over-all expense component of the rate as it compares the companies' expenses with other agency distribution companies doing business in Texas. This section does not preclude TDI from evaluating overall rate levels as authorized by law.

X. **OTHER PROVISIONS**

1. **Cooperation.** It is the mutual intent of the Parties to consummate this Settlement Agreement promptly. The Parties therefore agree to cooperate and to exercise their best efforts to the extent necessary to effectuate and implement all of its terms and conditions as quickly as possible. The OAG, TDI, and the Commissioner further agree to comply with all reasonable requests for assistance that the Released Parties may make in order to give effect to the purposes of the Settlement, including (without limitation) providing affidavits and/or testimony in connection with any lawsuits, claims or demands that have been made or could have been made by or on behalf of the Released Parties' policyholders in any forum arising out of or relating to the subject matters of the AG Lawsuit (as amended), the Cease and Desist Order, or the Administrative Proceedings. The intent and spirit of this Settlement Agreement is to terminate all of the disputes arising out of and relating to the Released Claims, except as provided herein.

and to permit the Farmers Parties to continue to provide insurance in the Texas market. The Parties agree to take all reasonable steps and exercise best efforts to achieve that goal. As an initial step towards the restoration of a correct and constructive relationship between the Released Parties and the TDI, the TDI agrees that should it have concern in the future about any practice undertaken by the Released Parties, it will use its best efforts as authorized by statute to contact the appropriate representative of the Released Parties to discuss and hopefully resolve any such concerns. The Released Parties will use their best efforts to notify the TDI, in advance, of any material changes in their course of conduct.

2. This Settlement Agreement and the Exhibits hereto constitute the entire agreement among the Parties. All other agreements and understandings between the Parties, including the MOU, are superseded by this Settlement Agreement.

3. This Settlement Agreement may be amended or modified only by a written instrument signed by or on behalf of the Parties or their successors in interest.

4. Except as otherwise expressly provided in this Settlement Agreement, each Party shall bear its own costs, including taxable court costs.

5. The undersigned each represent that he or she is fully authorized to execute this Settlement Agreement on behalf of the Parties for which he or she signs.

6. This Settlement Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective agents, representatives, successors and assigns. This Settlement Agreement can be signed in multiple counterparts.

THE STATE OF TEXAS, AND THE OFFICE OF
THE ATTORNEY GENERAL



By: David Mattax
Director of Defense Litigation
Office of the Attorney General



JULIA J. RATHGEBER, COMMISSIONER
TEXAS DEPARTMENT OF INSURANCE

[Handwritten signature]

FARMERS INSURANCE EXCHANGE

[Handwritten signature]

FIRE INSURANCE EXCHANGE

Margaret S. Hiles

FIRE UNDERWRITERS ASSOCIATION

Margaret S. Hiles

FARMERS GROUP, INC., INDIVIDUALLY AND
D/B/A FARMERS UNDERWRITERS
ASSOCIATION

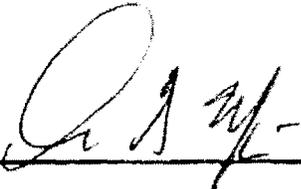
[Handwritten signature]

TEXAS FARMERS INSURANCE COMPANY

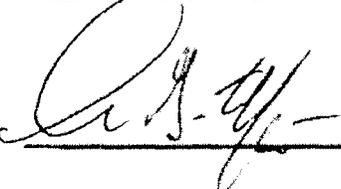
[Handwritten signature]

MID-CENTURY INSURANCE COMPANY OF
TEXAS

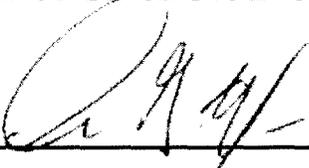
4577



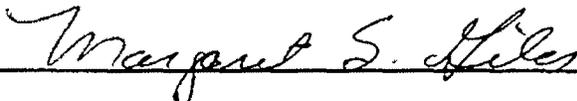
MID-CENTURY INSURANCE COMPANY



FARMERS TEXAS COUNTY MUTUAL
INSURANCE COMPANY



TRUCK INSURANCE EXCHANGE



TRUCK UNDERWRITERS ASSOCIATION

Insurance Exchange, Texas Farmers Insurance Company, Mid-Century Insurance Company of Texas, Mid-Century Insurance Company, Farmers Texas County Mutual Insurance Company, Truck Insurance Exchange, and Truck Underwriters Association (collectively, the "Farmers Parties"). The State and the Farmers Parties have moved jointly, pursuant to Texas Rule of Civil Procedure Rule 42(e) and Texas Insurance Code § 541.266, for an Order of Preliminary Approval (the "Order") (1) preliminarily approving the settlement of all claims asserted in the above-captioned cause (the "Action"), the terms of which are set forth in the Second Amended Settlement Agreement which has been filed with the Clerk of the Court, and (2) approving the proposed notice to the Classes.

The Court having read and considered the Second Amended Settlement Agreement and attached exhibits, including the proposed Notice of Proposed Class Settlement, the proposed Claim Form, the proposed form of Final Judgment, exhibits, pleadings and record in this case, the evidence and other materials presented at the hearing, and argument of counsel and applicable authorities, finds that there exists substantial and sufficient grounds for entering this Order.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. The Court, for purposes of this Order, adopts all defined terms as set forth in the Settlement Agreement.
2. Pursuant to Rule 42 and Texas Insurance Code §§ 541.251-.267, this Court hereby certifies, only for purposes of effectuating the Settlement Agreement, the following Settlement Classes (the "Settlement Classes"):
 - (i) All of the Exchanges' Texas homeowners insurance policyholders (a) whose homeowners insurance policy incepted (including renewals) from December 28, 2001, through and including December 27, 2002, or

(b) who received a notice at any time after November 14, 2001, that their HO-B policy would not be renewed (the "Rate Class");

- (ii) All of the Exchanges' Texas homeowners insurance policyholders who according to Farmers' records were eligible to receive discounts for FPRA, age of home, or territory from November 16, 2000, through and including December 10, 2002 (the "Discount Class"); and
- (iii) All Texas homeowners or automobile insurance policyholders of the Exchanges or the Automobile Insurance Providers who according to Farmers' records had a homeowners or automobile insurance policy in effect with Farmers from October 1, 1999, through February 28, 2003 (the "Credit Usage Notice Class").

3. The Court hereby acknowledges and confirms the State, through the Office of the Attorney General, to fulfill the role of the Settlement Classes' Counsel. The Court finds that the Attorney General's office is authorized to bring this class action by the *parens patriae* authority granted in sections 541.251 and 541.256-57 of the Insurance Code and Rule 42 of the Texas Rules of Civil Procedure. *See Farmers Group, Inc. v. Lubin*, 222 S.W.3d 417 (Tex. 2007).

4. This Court additionally finds and concludes that each of the requirements of Rule 42(a) & (b) and §§ 541.256 and 541.257 of the Texas Insurance Code has been met, specifically:

- (a) each of the Settlement Classes is so numerous that joinder of all members is impracticable;
- (b) there are questions of law or fact common to the Settlement Classes which predominate over any individual questions;
- (c) the claims or defenses brought by the State on behalf of Farmers' policyholders are typical of the claims or defenses of the Settlement Classes and the State is authorized to bring claims on behalf of the Settlement Classes;
- (d) in negotiating and entering into the Settlement Agreement, the State has fairly and adequately represented and protected the interests of the Settlement Classes;
- (e) the questions of law or fact common to the Settlement Classes predominate over any questions affecting only individual members; and
- (f) certifying this Action as a class action for settlement purposes is superior to other available methods for the fair and efficient adjudication of the controversy.

5. The Court further finds that there has been no collusion between the State and the Farmers Parties with respect to negotiating the Settlement Agreement and that the State has represented, and will continue to represent, the interests of the Farmers' policyholders fairly and adequately and without a conflict of interests. Accordingly, the Court preliminarily approves: (a) the Second Amended Settlement Agreement, including the terms and the releases set forth therein, as being fair, just, reasonable, and adequate as to each of the parties thereto, and (b) the Settlement Funds described therein, including the Prospective Rate Reduction, Retrospective Rate Reduction, Individualized Discount Adjustment, and Credit Usage Notice Adjustment Fund, and the proposed additional consideration, subject to the right of any member of the Settlement Classes to exclude himself or herself from the Settlement Classes in accordance with the terms set forth in the Settlement Agreement, and to show cause, if any exists, why a Final Judgment should not be entered in accordance with the terms of the Settlement Agreement.

6. A hearing (the "Settlement Hearing") shall be held before this Court on January 22, 2014, at 9:00 a.m. in the 53rd Judicial District Court Room: (a) to determine whether the proposed Second Amended Settlement Agreement is fair, reasonable, and adequate and should be approved, and whether the Final Judgment should be entered as to claims asserted therein, or which could have been asserted, against the Released Parties on the merits; (b) to determine whether the Settlement Classes members' right to adequate representation has been satisfied; and (c) to reserve jurisdiction to effect and enforce the Settlement Agreement.

7. The Farmers Parties shall disseminate notice of the proposed Second Amended Settlement Agreement and Settlement Hearing to putative members of the Settlement Classes within thirty (30) days of the date of this Order. A copy of the Notice of Proposed Class Settlement (the "Notice"), together with a copy of the Claim Form, substantially in the form

attached hereto as Exhibit 1, shall be mailed by first-class U.S. mail, postage prepaid, to all members of the Settlement Classes at the address of each such person as set forth in the records of the Released Parties or as otherwise may be identified through reasonable effort. In addition, commencing within seven (7) days of the date of this Order and continuing until the date of the Settlement Hearing, the Office of the Attorney General, the Texas Department of Insurance, and the Farmers Parties shall post on their respective Internet web-sites (www.oag.state.tx.us, www.tdi.state.tx.us and www.farmers.com), as well as at www.TexasFarmersSettlement.com, the Notice and a Summary Notice of Settlement, substantially in the form attached hereto as Exhibit B ("Summary Notice").

8. The Court approves the form of Notice, the Summary Notice, and the Claim Form, and finds that the procedures established for mailing and distributing such notices substantially in the manner and form set forth in paragraph 7 of this Order meet the requirements of Rule 42 of the Texas Rules of Civil Procedure and §§ 541.261 and 541.267(b) of the Texas Insurance Code and due process, and constitute the best notice practicable under the circumstances.

9. To effectuate the provision of notice provided in paragraph 7 hereof, the Farmers Parties shall be responsible for the receipt of all responses from the members of the Settlement Classes and, until further order of this Court, shall preserve all entries of appearance, Claim Forms, requests for exclusion, and any and all other written communications from members of the Settlement Classes or any other person in response to the Notice. The costs of notification of the Settlement Classes as provided herein, including printing, mailing, and posting on the Internet of all required notices, shall be borne by the party charged with the responsibility for such actions in paragraph 7 of this Order.

10. Three (3) days before the date fixed by this Court for the Settlement Hearing, the State and the Farmers Parties shall cause to be filed with the Clerk of the Court affidavits or declarations of the person or persons under whose general direction the mailing of the Notice and the distribution of the Summary Notice by posting on the web-sites identified in paragraph 7 shall have been made, showing that such mailing and publication have been made in accordance with this Order.

11. Each member of the Settlement Classes will be bound by the proposed settlement provided for in the Settlement Agreement, and by the Final Judgment or any other determination by this Court affecting the Settlement Classes, unless such member shall mail, by first-class U.S. mail, a written request for exclusion from the Settlement Classes, post-marked no later than December 23, 2013, addressed to State v. Farmers Settlement Administrator, Rust Consulting, Inc.; P.O. Box 9348; Minneapolis, MN 55440-9348. Such request for exclusion must state (a) the name, address and telephone number of the person seeking exclusion; (b) whether such person has a homeowners or automobile insurance policy from the Farmers Parties, or both; (c) the date of inception of such policy(ies) and the most recent date of renewal for such policy(ies), if available; (d) the policy number(s), if available; and (e) that the person making the request wishes to be excluded from the Settlement Classes. Because the Settlement Agreement is intended to be a resolution of all Released Claims, any person requesting exclusion must either exclude himself or herself from the Settlement Agreement in its entirety, or submit to the Settlement Agreement in its entirety. A request for exclusion shall not be effective unless it is made in the manner and within the time set forth in this paragraph and in the Notice. If a member of the Settlement Classes requests to be excluded, that person will not receive any benefit from the Retrospective Rate Reduction, the Individualized Discount Adjustment, or the

Credit Usage Notice Adjustment Fund provided for in the Settlement Agreement, in the event the Settlement Agreement is approved by the Court, nor will such person be permitted to participate further in the Action. Any Class Member who does not request exclusion in the manner provided for herein may, but need not, enter an appearance in this Action at his or her own cost through counsel of his or her own choice. If a member of the Settlement Classes does not enter an appearance, that person's interests will be represented by the State in the Action.

12. Any member of the Settlement Classes who has not requested exclusion from the Settlement Classes may appear at the Settlement Hearing, in person or through counsel, to object and be heard in opposition to any of the matters to be heard at the Settlement Hearing, including (a) the requested approval of the Settlement Agreement as fair, adequate, and reasonable, and/or (b) the requested entry of the Final Judgment. A member of the Settlement Classes cannot request exclusion from the Settlement Classes AND object to the Settlement Agreement. For any objection to be considered by the Court, the objector must mail a valid written objection, and it must be postmarked by no later than December 23, 2013. In order to be valid, the written objection must set forth (a) a reference, at the top, to "State of Texas v. Farmers, Cause No. GV202501," (b) a statement as to whether the objector intends to appear at the Settlement Hearing, either in person or through counsel, (c) a detailed statement of the specific basis for the objection, (d) the name that is set forth on the Notice that was sent to the objector, (e) the objector's current name, if different from the name set forth on the Notice, (f) the objector's current address, (g) the objector's current telephone number and, if available, telecopier number, (h) the objector's type of policy and policy number, and (i) the objector's signature or that of his or her authorized representative. Three copies of the written objection must be sent, the first addressed to the District Clerk of Travis County, Texas, 1000 Guadalupe Street, Austin, Texas

78701, the second addressed to David C. Mattax, Director of Defense Litigation, Office of the Attorney General, P.O. Box 12548, Austin, Texas 78711-2548, and the third addressed to Marcy Hogan Greer, Fulbright & Jaworski L.L.P., 98 San Jacinto Boulevard, Suite 1100, Austin, Texas 78701. If an objection does not include all of the required information or if it is not timely mailed to the three correct addresses, then it shall be invalid and it will not be considered by the Court. Any member of the Settlement Classes who does not object in the manner provided shall be deemed to have waived such objection and shall forever be foreclosed from making any objection to the fairness, adequacy, or reasonableness of the Settlement Agreement and the proposed Final Judgment.

13. If the Court gives final approval to the Settlement Agreement and enters a final judgment, in order to be entitled to participate in the Credit Usage Notice Adjustment Fund portion of the Settlement Agreement, a member of the Credit Usage Notice Class who has not requested exclusion from the Settlement Classes must submit a Claim Form, substantially in the form attached as Exhibit C hereto, to the Claims Administrator at the address set forth in the Notice. Such Claim Form must be completed and postmarked on or before March 24, 2014. Any member of the Credit Usage Notice Class who does not submit a completed Claim Form shall not be entitled to share in the Credit Usage Notice Adjustment Fund but nonetheless shall be bound by the terms of the Second Amended Settlement Agreement and by the Final Judgment and any other Order of this Court approving the Second Amended Settlement Agreement, including all releases therein, and shall be barred and enjoined in this or any other action from asserting any Released Claims.

14. Members of the Rate and Discount Classes shall automatically receive their share of Settlement Funds upon final approval of the Second Amended Settlement Agreement and

entry of final judgment, unless they file a written request for exclusion from the Settlement Classes as provided in paragraph 11 herein.

15. The Court expressly retains the power to adjourn the Settlement Hearing, without any further notice other than an announcement at the Settlement Hearing of adjournment thereof, and to approve, modify, or disapprove the Second Amended Settlement Agreement without further notice to members of the Settlement Classes. The Court retains jurisdiction over this Action to consider all further applications arising out of or connected with the proposed settlement herein.

16. The administration of the Second Amended Settlement Agreement, and the decision of all disputed questions of law and fact with respect to the validity of any claim or right of any person to participate in the distribution of the Settlement Fund, shall be under the authority of the Court. The parties to this Second Amended Settlement Agreement, counsel herein in any capacity in which they may act hereunder, and any employees or agents of such law firms or the parties to the Second Amended Settlement Agreement (including, without limitation, those employees who may furnish services in connection with the proposed Settlement) shall not be liable for anything done or omitted in connection with the Second Amended Settlement Agreement and the administration thereof except for their own willful misconduct.

17. The parties to the Settlement Agreement are directed to carry out their obligations under the Second Amended Settlement Agreement.

18. In the event that the Second Amended Settlement Agreement is not approved by the Court, or the Court enters the Final Judgment and it is vacated or modified on appeal, or otherwise altered in a material way, or the Effective Date for any other reason does not occur,

and if any party to the Second Amended Settlement Agreement thereafter exercises its right to terminate the Settlement Agreement as provided therein, then the Second Amended Settlement Agreement and any actions to be taken in connection therewith shall be vacated and terminated and shall become null and void for all purposes, and all negotiations, transactions and proceedings connected with it (a) shall be without prejudice to the rights of any party hereto; (b) shall not be deemed or construed as evidence or an admission by any party of any fact, matter or thing; and (c) shall not be admissible in evidence or used for any purpose in any subsequent proceeding in the Action, or any other action or proceeding in this or any other forum, judicial, administrative, or otherwise, except proceedings to enforce the Settlement.

SIGNED _____, 2013.

PRESIDING JUDGE

4577

ALL FARMERS INSURANCE EXCHANGE OR FIRE INSURANCE EXCHANGE TEXAS HOMEOWNERS POLICYHOLDERS WHO ACCORDING TO FARMERS RECORDS WERE ELIGIBLE TO RECEIVE DISCOUNTS FOR FARMERS PROPERTY RISK ASSESSMENT ("FPRA"), AGE OF HOME, OR TERRITORY FROM NOVEMBER 16, 2000 THROUGH AND INCLUDING DECEMBER 10, 2002.

ALL TEXAS HOMEOWNERS OR AUTO INSURANCE POLICYHOLDERS OF FARMERS INSURANCE EXCHANGE, FIRE INSURANCE EXCHANGE, MID-CENTURY INSURANCE COMPANY OF TEXAS, MID-CENTURY INSURANCE COMPANY, FARMERS TEXAS COUNTY MUTUAL INSURANCE COMPANY, OR TRUCK INSURANCE EXCHANGE WHO HAD A HOMEOWNERS OR AUTOMOBILE INSURANCE POLICY IN EFFECT WITH FARMERS FROM OCTOBER 1, 1999 THROUGH FEBRUARY 28, 2003.

A lawsuit has been pending in the 261st Judicial District Court of Travis County, Texas, since August 2002 (Cause No. GV202501) (the "Action") in which the Attorney General of the State of Texas has brought suit in the name of the State of Texas, the Texas Department of Insurance, and the Texas Commissioner of Insurance (hereafter collectively defined as the "State"), and has filed a class action claiming that one or more of Fire Underwriters Association, Farmers Group, Inc. d/b/a Farmers Underwriters Association, Farmers Insurance Exchange, Fire Insurance Exchange, Texas Farmers Insurance Company, Mid-Century Insurance Company of Texas, Mid-Century Insurance Company, Farmers Texas County Mutual Insurance Company, Truck Insurance Exchange, and Truck Underwriters Association (collectively, "Farmers Parties") failed to disclose information with respect to their calculation of premiums, committed unfair and deceptive acts or practices in the business of insurance, and unfairly discriminated against Texas policyholders of the Farmers Parties in the business of insurance. The State also alleges anticompetitive practices with respect to the Farmers Parties' sale and marketing of their homeowners and automobile insurance policies.

The Farmers Parties deny the State's allegations and have alleged numerous affirmative defenses. The Farmers Parties have also counterclaimed, seeking declaratory relief that its practices do not violate Texas law.

The Court in May 2003, conditionally ruled that this Action may be maintained on behalf of three classes (collectively, the "Settlement Classes") defined as:

- (1) **Rate Class**: All of the Exchanges' (Farmers Insurance Exchange and Fire Insurance Exchange) Texas homeowners insurance policyholders (a) whose homeowners insurance policy incepted (including renewals) from December 28, 2001, through and including December 27, 2002, or (b) who received a notice at any time after November 14, 2001, that their HO-B policy would not be renewed;
- (2) **Discount Class**: All of the Exchanges' Texas homeowners insurance policyholders who according to Farmers records were eligible to receive discounts for FPRA, age of home, or territory from November 16, 2000, through and including December 10, 2002; and
- (3) **Credit Usage Notice Class**: All Texas homeowners or automobile insurance policyholders of the Exchanges or the Automobile Insurance Providers (Texas Farmers Insurance Company, Mid-Century Insurance Company of Texas, Mid-Century Insurance Company, Farmers Texas County Mutual Insurance Company, and Truck Insurance Exchange) who according to Farmers records had a homeowners or automobile insurance policy in effect with Farmers from October 1, 1999, through February 28, 2003.

The purpose of this Notice of Proposed Class Settlement is to advise persons included in the Settlement Classes of the filing and status of the Action and of your rights with respect to a proposed settlement of the Action (including certain rights which you can lose if not protected). If this notice is addressed to you, you may be according to Farmers' records a member of one or more of these classes. If this notice is not personally addressed to you and you believe that you may be a class member, or have any questions, then you can contact Rust Consulting, Inc. at 1-888-222-0691. You may also seek further information about the settlement at www.TexasFarmersSettlement.com.

The rights of class members include the right to be excluded from the Settlement Classes. If you do not request exclusion from the settlement, you will become a "Settlement Class Member." **Please read this entire Notice of Proposed Class Settlement carefully to understand your rights and options.**

TERMS OF PROPOSED SETTLEMENT

1. Subject to the District Court's final approval, on December 18, 2002, the State and the Farmers Parties signed a Settlement Agreement and Stipulation, and subsequently signed an Amended Settlement Agreement and Stipulation on June 13, 2003, and a Second Amended Settlement Agreement and Stipulation on August ___, 2013 (collectively, the "Settlement Agreement"). The District Court has certified the Settlement Classes and preliminarily approved the 2003 Amended Settlement Agreement by order of June 27, 2003 ("Order"), which was appealed to the Third Court of Appeals and the Texas Supreme Court, which both affirmed the Order, and the case was ultimately remanded to this Court on March 9, 2010. Upon its return to the District Court, the case has been stayed pending the resolution of certain nationwide class actions involving some of the claims made in this lawsuit, including the ones described below in the section entitled, "Other Class Actions That May Impact Your Rights."

2. The Settlement Agreement provides that Settlement Class Members within the Rate Class ("Rate Class Members") shall be eligible to receive or participate in the following:

Retrospective Rate Reduction. Rate Class Members who were insured under an HO-A policy form issued by the Exchanges at any time during the period commencing on December 28, 2001 up to and including November 10, 2002 (the "Credit Period"), shall receive a Retrospective Rate Reduction in the amount of 6.8% of the HO-A base premium earned by the Exchanges during those policies' actual term. For the Rate Class Members whose policy is no longer in effect or is not renewed at the next renewal date after the 30th day following the Effective Date (as defined in the Settlement Agreement), the Retrospective Rate Reduction shall be paid by means of a refund check based on each individual HO-A policy's base rate premium earned during the Credit Period. For the above-referenced

Rate Class Members whose policy is renewed at the next renewal date after the 30th day following the Effective Date (as defined in the Settlement Agreement), the Retrospective Rate Reduction can be applied as a credit at Farmers' sole election. Unearned policy premiums that may be returned to the policyholder shall not include the credit. IF YOU ARE ELIGIBLE TO RECEIVE THIS PAYMENT, YOU DO NOT HAVE TO DO ANYTHING TO QUALIFY AND RECEIVE THE RETROSPECTIVE RATE REDUCTION.

3. In addition, the Settlement Agreement provides that Settlement Class Members within the Discount Class ("Discount Class Members") shall be eligible to receive or participate in the following:

Individualized Discount Adjustment. Discount Class Members who did not receive discounts for FPRA, age of home, and territory at the level agreed to by the State and the Farmers Parties as defined in the Settlement Agreement ("Agreed Discounts") shall receive an "Individualized Discount Adjustment" payment. The Individualized Discount Adjustment payment for each Discount Class Member shall equal the amount by which the premium actually charged for the Discount Class Member's HO-A policy exceeded the premium that would have been charged if the Farmers Parties had adopted discounts for FPRA, age of home, and territory elements at the Agreed Discounts on a revenue neutral basis ("IDA Eligibility").

The amount of the Individual Discount Adjustment, if any, will be different for each policyholder depending on insurance score, age of home and the territory in which the home is located. IF YOU ARE ELIGIBLE, YOU DO NOT HAVE TO DO ANYTHING TO RECEIVE THE INDIVIDUALIZED DISCOUNT ADJUSTMENT.

4. In addition, the Settlement Agreement provides that Settlement Class Members within the Credit Usage Notice Class ("Credit Usage Notice Class Members") shall be eligible to receive or participate in the following:

- a) Revised Credit Usage Notice. Beginning in February 2003, the Farmers Parties replaced their prior Credit Usage Notice forms for Texas homeowners and automobile policies with a new Credit Usage Notice, the terms of which were agreed upon jointly between the State and the Farmers Parties as a result of this settlement. The Settlement Agreement further provides that thirty (30) days after submission of new credit usage notice forms to the Texas Department of Insurance ("TDI"), Farmers may

commence using the replacement forms instead of the notice forms required by the 2003 Settlement Agreement, so long as TDI has no objection to the replacement forms.

- b) Credit Usage Notice Fund. Credit Usage Notice Class Members are also eligible to assert a claim against the Credit Usage Notice Fund. The Credit Usage Notice Fund is a fund established by the Farmers Parties for the purpose of compensating class members who may claim they did not receive adequate notice of the use of their credit information as required by the Fair Credit Reporting Act, 15 U.S.C. § 1681m, which may have resulted in credit report inaccuracies going undetected and possibly resulting in the Farmers Parties having provided premium discounts lower than would have resulted from correct credit information or to assignment to a company affiliated with the Farmers Parties having a higher premium structure. If you believe that you are eligible for recovery from the Credit Usage Notice Fund, you must submit the Claim Form attached to this Notice of Proposed Class Settlement as Exhibit A **postmarked by March 24, 2014.**

WITH REGARD TO THE INDIVIDUALIZED DISCOUNT ADJUSTMENT, RELEASED PARTIES HAVE COMMITTED TO A PAYMENT OR CREDIT OF 100% OF ANY PREMIUM DIFFERENTIAL RESULTING FROM THE ADJUSTMENT PROCESS SET FORTH IN THE IMMEDIATELY PRECEDING PARAGRAPH 2. THESE CALCULATIONS, WHICH REQUIRE INDIVIDUALIZED CALCULATIONS, HAVE BEEN MADE BY RELEASED PARTIES AND WILL BE REPORTED TO THE OFFICE OF THE ATTORNEY GENERAL AND THE TEXAS DEPARTMENT OF INSURANCE, AND WILL BE SUBJECT TO VERIFICATION BY THE TEXAS DEPARTMENT OF INSURANCE.

5. Prospective Rate Reduction. In addition, the Settlement Agreement afforded the Exchanges' Texas homeowners insurance policyholders who renewed or received a new homeowners insurance policy with the Farmers Parties after November 10, 2002 and prior to September 1, 2003, a reduction in premiums calculated based on 6.8% of the statewide average base rate indications for all classes in effect as of November 10, 2002. The Farmers Parties also agreed to refrain from any increase in those base rates that would take effect prior to midnight on August 31, 2003, provided, however, that rates could be changed to include charges for any

existing endorsement or any new endorsements approved by TDI or for coverage changes requested by policyholders. This 6.8% reduction in the base rate did not necessarily result in a 6.8% reduction in each policyholder's premium upon renewal, because each policy's premium depends on a number of variables, including the coverages a policyholder may choose, an increase or decrease in the value of the home insured, and other factors. However, the 6.8% reduction in the base rate reduced the amount of the premium that otherwise would have been charged by the Exchanges. The Exchanges adopted discounts, applicable through August 31, 2003, based on FPRA, age of home, and territory elements in consultation with the State and consistent with sound actuarial principles. The effect of the new discounts varies from one policyholder to another. Because some policyholders who do not receive the Individualized Discount Adjustment benefited from the way the Exchanges calculated rates under the previous system, they may have seen a net increase in their premium under the newly adopted discounts at their next policy renewal. Collectively, the relief described in this paragraph is referred to as the Prospective Rate Reduction. As with other elements of the Settlement described in this Notice, the Farmers Parties elected notwithstanding the absence of a final settlement approval to implement certain agreed terms including the Prospective Rate Reduction, which was reflected in premiums charged between November 10, 2002, and September 1, 2003, when the Texas Department of Insurance implemented new rate-setting proceedings for the Farmers insurers, as described below.

6. In 2003, the Texas Legislature passed legislation (Tex. Ins. Code art. 5.13-2) amending the Texas Insurance Code on matters pertaining to the regulation of insurance rates charged by insurers, including Farmers Insurance Exchange and Fire Insurance Exchange ("Exchanges"). Article 5.13-2 of the Insurance Code now regulates rates for reciprocal

exchanges, requiring them to file proposed rates, supporting materials, and supplementary rating information with the Commissioner, who may disapprove those rates if he or she determines they do not otherwise comply with Tex. Ins. Code arts. 5.13-2, 1.02 and Section 2251.003. Any claims based upon the rates set after September 1, 2003, are outside the scope of this Settlement Agreement.

7. Pursuant to the Settlement Agreement, the Farmers Parties also agreed, for the benefit of all Settlement Class Members, (a) not to require that individuals desiring to purchase homeowners insurance from the Farmers Parties also purchase automobile insurance from the Farmers Parties, or vice versa, and not to refuse to deal in good faith with any homeowners insurance customer who purchases automobile insurance from another carrier, or vice versa; (b) not to enter into any contracts, combinations, or conspiracies in restraint of trade to boycott homeowners insurance consumers or competitors, whether directly or by artificially reducing and constricting the writing of mold and water-damage-related homeowners insurance coverages; and (c) not to enter into any contracts, combinations, or conspiracies in restraint of trade to raise, standardize or otherwise fix prices by artificially reducing and constricting the writing of mold and water-damage-related homeowner's coverages. The agreements by the Farmers Parties described in this paragraph are collectively referred to as the "Injunctive Relief." The Farmers Parties have abided by such injunction since at least May 2003. Accordingly, the Parties agree that from the date of execution of the Second Amended Settlement Agreement forward, the Farmers Parties will no longer be bound by this injunction. From this point forward, the Farmers Parties will continue to abide by the antitrust laws of the United States and the State of Texas.

8. In addition to these settlement terms, the Farmers Parties have agreed to pay a total of \$2 million to the State for its attorneys' fees, expenses, and costs of investigation.

9. Under the terms of the Settlement Agreement, the State of Texas, the Office of the Attorney General, the Texas Department of Insurance, the Texas Commissioner of Insurance, and the Settlement Class Members, on behalf of themselves and their heirs, assigns and successors, FULLY RELEASE AND FOREVER DISCHARGE the following entities ("Released Parties"):

Farmers Group, Inc., individually and d/b/a Farmers Underwriters Association, and Fire Underwriters Association, Farmers Insurance Exchange, Fire Insurance Exchange, Texas Farmers Insurance Company, Mid-Century Insurance Company of Texas, Mid-Century Insurance Company, Farmers Texas County Mutual Insurance Company, Truck Insurance Exchange, and Truck Underwriters Association, as well as their affiliates, officers, employees, agents, directors or governors, representatives, attorneys, predecessors, successors and assigns,

from any and all "Released Claims," which is defined in the Settlement Agreement as follows:

"Released Claims" means and includes, with respect to homeowners insurance offered or sold by the Released Parties, all existing, known claims and Unknown Claims, demands and causes of action against the Released Parties, whether pending or threatened, suspected or unsuspected, contingent or non-contingent, for all existing, known and unknown damages and remedies that arise out of or relate to the acts and/or occurrences alleged in the AG Lawsuit, or in the Cease and Desist Order or the Administrative Proceedings, or in the OAG CIDs to the extent any such acts or occurrences took place prior to November 30, 2002 including but not limited to issues concerning or related to a management fee or fees, the placement of policyholders in a particular insuring entity, the age of home discount, the unfunded catastrophe load, the decision to no longer offer HO-B policies (including HO-Protector Plus (PTP), HO380 endorsement, TDP-2, TDP-3, DF-Builder's Risk, and HO-A with HO-170 endorsement (collectively referred to herein as "HO-B")), the offering of HO-A policies in place of HO-B policies, territorial discounts, credit scoring, the use of the Farmers Property Risk Assessment, or the rates that the Released Parties have charged for homeowners policies and endorsements and all notices and statements that the Released Parties have made or issued in connection with the above, including but not limited to the notices of non-renewal of the HO-B policies and notices issued pursuant to the Fair Credit Reporting Act. The State's release of claims against Texas Farmers Insurance Company related to credit scoring is expressly based on Texas Farmers Insurance Company's representation that it did not and has not used credit scores, insurance scores, credit reports or any other method of calculating premiums based on credit history until 2011, at which time it began using the credit model that is on file with FDI. "Released Claims" also include any claims, demands, or causes of action to the effect that the discounted rates adopted by the Exchanges

from November 11, 2002, through and including August 31, 2003, are unfair, unreasonable, discriminatory, misleading or excessive. With respect to the automobile insurance offered or sold by the Released Parties, "Released Claims" includes all existing claims, demands, and causes of action related only to the disclosure or nondisclosure of consumer credit information or the disclosure or nondisclosure of the use or effect of using consumer credit information, including claims under the Fair Credit Reporting Act. "Released Claims" does not include individual claims or complaints about claims payments, handling or processing pursued by individual claimants directly or such individual claims or complaints about claims payments, handling or processing as may be pursued by TDI under Article 21.55, Texas Insurance Code, which are identified in a schedule which has been provided by TDI to the Farmers Parties. Remedies for any such scheduled claims or complaints, if pursued by the TDI, shall be limited to the payment of interest under article 21.55, section 6 (now § 542.060), of the Texas Insurance Code (which interest is not part of the total value of this settlement), as the result of non-compliance with that statute, and may not include fines or penalties or any other relief, except relief may include corrective action respecting procedures. "Released Claims" also does not include claims that have been asserted in Cause No. GV000271, *State of Texas v. Texas Farmers Insurance Company, et al.*, which was pending in the 200th Judicial District Court of Travis County, Texas, relates to betterment in the context of automobile insurance in the Texas market, and was dismissed in 2003.

"Unknown Claims" means any and all provisions, rights, and benefits conferred either (a) by section 1542 of the California Civil Code, or (b) by any federal law or law of any state or territory of the United States, or by any principle of common law that is similar, comparable, or equivalent to section 1542 of the California Civil Code, with respect to the Claims released pursuant to part II.B. Section 1542 of the California Civil Code reads:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR

The Prospective Rate Reduction, the Retrospective Rate Reduction, the Individualized Discount Adjustment, the Revised Credit Usage Notices, the Credit Usage Notice Fund, the Injunctive Relief, and the payment of costs and fees to the State, as described above, are the only consideration, fees, costs, or expenses that the Farmers Parties or the Released Parties shall be obligated to give to any Settlement Class Member, the State, or counsel for the

State or any Settlement Class Member, or other attorney in connection with the settlement and release of the Released Claims and/or the payment of attorneys' fees and expenses.

The Released Parties do not admit any wrongdoing or liability. The proposed settlement is a compromise of disputed claims and does not mean that the Released Parties are liable for the actions charged by the State. The terms of the settlement and the Settlement Agreement itself are matters of public record and are not confidential. Any terms used in this Notice of Proposed Class Settlement that are not defined herein shall have the meaning specified in the Settlement Agreement.

OTHER CLASS ACTIONS THAT MAY IMPACT YOUR RIGHTS

You are a class member in this case if you were a Texas homeowner or automobile insurance policyholder of the Exchanges or the Automobile Insurance Providers and had a homeowners or automobile insurance policy in effect with Farmers from October 1, 1999, through February 28, 2003. You may also be a class member of a nationwide class that was certified in *In re: Farmers Insurance Co., Inc. FCRA Litigation*, Case No. CIV-03-158-F, including all cases consolidated and coordinated in MDL No. 1564, before the United States District Court for the Western District of Oklahoma ("Mobbs Action"). A final judgment approving the settlement agreement in the Mobbs Action was entered by that court on September 29, 2011. Except as to Settlement Class Members who participated in the Mobbs settlement by filing a timely and completed claim form, the Farmers Parties agree that they will not assert the defenses of release, accord and satisfaction, estoppel, collateral estoppel (issue preclusion) res judicata (claim preclusion), or any similar defense that is based on the Mobbs settlement agreement or the final judgment in the Mobbs Action to preclude any recovery under the Settlement Agreement in this case. Settlement Class Members who participated in the Mobbs settlement by filing a timely

proof of claim are not entitled to receive any benefits, including cash payments, under the Credit Usage Notice component of the Settlement Agreement in this case (part IV.4 of the Settlement Agreement), but may receive the other benefits provided under the Settlement Agreement if they are otherwise eligible to receive them. As a result, you may participate in, and do not need to opt out of, the benefits provided by this Settlement Agreement even if you were a member of the class certified in the Mobbs Action.

You may also be a class member of a nationwide class that was certified in *Benjamin Fogel v. Farmers Group, Inc., et al.*, Case No. BC 300142, in the Superior Court for the State of California for the County of Los Angeles ("Fogel Action"). A final judgment approving the settlement agreement in the Fogel Action was signed by that court on December 21, 2011. The Farmers Parties agree that they will not assert the defenses of release, accord and satisfaction, estoppel, collateral estoppel (issue preclusion) res judicata (claim preclusion), or any similar defense that is based on the Fogel settlement agreement or the final judgment in the Fogel Action to preclude any recovery under the Settlement Agreement in this case. As a result, you may participate in, and do not need to opt out of, the benefits provided by this Settlement Agreement even if you were a member of the class certified in the Fogel Action.

You are a class member in this case if your HO-B policy was not renewed by Farmers as specified in this notice, and you are also a member of the class certified in a case filed by Sandra Geter against certain of the Farmers Parties, which was assigned the Cause No. E-0167872 in the 172nd District Court in Jefferson County, Texas ("Geter Action"). Geter essentially contends that, under policy terms, Farmers did not have the authority to refuse to renew its HO-B policies. The Geter class is composed of the many of the same individuals that make up the Settlement Classes in this case. Geter class members have been advised that the Geter class' claim for

declaratory relief, which is their only claim, has been certified under Texas Rule of Civil Procedure 42. Geter Class members have also been warned that claims for damages or any other relief not within the scope of the declaratory relief certified will not be available in the Geter Action, and there is a real and substantial danger that such claims may later be found to be barred by a judgment for or against the Geter class, unless the Geter class member opts out of the Geter Action. If you wish to preserve your rights to seek declaratory relief in the Geter Action and not to participate in the recovery set forth below as part of this settlement, you must opt out of this suit by following the procedure in "Rights and Options of Class Members," ¶ 2. below.

RIGHTS AND OPTIONS OF CLASS MEMBERS

As a Class Member, you have the following rights and options:

1. **You may become a Settlement Class Member.** If you do not request exclusion from the Settlement Classes, you will become a Settlement Class Member. Your interests will be represented by the State, through the Office of the Attorney General. You will not be charged for their services. The Office of the Attorney General cannot by law represent you individually, but you are free to seek legal advice from a private attorney at your own expense. As a Settlement Class Member, you will be bound by the Final Judgment or other disposition of this Action.

A. **Rate and Discount Class Members.** If the settlement is approved by the Court and the Final Judgment becomes final, and if you are a Rate or Discount Class Member, you will be entitled to receive the benefits described above for which you qualify, including the Prospective Rate Reduction (which has already occurred), the Retrospective Rate Reduction, and the Individualized Discount Adjustment, without doing anything.

B. Credit Usage Notice Class Members. If the settlement is approved by the Court and the Final Judgment becomes final, you may be entitled to benefits from the Credit Usage Notice Fund. To determine whether you are entitled to benefits, you must:

1. Not have participated in the settlement agreement in the Mobbs Action by filing a timely and completed claim form in that case.
2. Submit a completed Claim Form in the form provided with this Notice that is post-marked on or before March 24, 2014.
3. Use the credit report code that will be mailed to you by Equifax to obtain and review a free copy of your credit report for errors or inaccuracies within 30 days of the date it is mailed to you.
4. You will also receive an educational credit brochure, explaining the importance of accurate credit reports and your right to review your credit report and dispute any inaccuracies or errors contained in it.
5. Certify that you have reviewed your credit report online within 45 days of the date the letter is mailed to you. The certification will read as follows: "I certify that I have reviewed my Equifax consumer credit report for errors and inaccuracies."
6. Within 60 days after you make that online certification, you will receive a check for US \$35.00, assuming you are otherwise eligible and the Effective Date (defined below) of the Settlement has passed.
7. Note that you may submit only one Claim Form, and you are eligible to receive only one credit report code and one payment under the Credit Usage Notice Fund component of the Settlement Agreement (part IV.4).
8. *If you fail to complete and send in the Claim Form, postmarked by the date indicated, you will lose your right to make a claim under the Credit Usage Notice Fund. As a Settlement Class Member, you will be bound by the Final Judgment or other disposition of this Action, even if you do not mail in a Claim Form.*

2. **You may request exclusion from the Settlement Classes.** If you request exclusion from the Settlement Classes, you will not be bound by any judgment or settlement of

this Action, and you will not receive the benefits of the settlement provided, however, that as to Class Members who renewed their homeowners policies with either of the Exchanges, the Prospective Rate Reduction was reflected in their premiums between November 10, 2002, and September 1, 2003. If you wish to be excluded from the Settlement Classes, you must send in a request for exclusion by first-class U.S. mail stating: (1) your name, address, and telephone number; (2) whether you have or had a homeowners or automobile insurance policy from the Farmers Parties, or both; (3) the date of inception of your policy(ies), and the most recent date on which the policy(ies) was renewed, if you know; (4) that you wish to be excluded from the Settlement Classes; and (5) the policy number(s), if you know. The Settlement Agreement is intended to be a final resolution of all disputes, and thus you must either exclude yourself from the Settlement Agreement in its entirety, or submit to the Settlement Agreement in its entirety. Requests for exclusion must be sent to "Exclusion Requests," c/o Rust Consulting, Inc.; P.O. Box 9348; Minneapolis, MN 55440-9348, by first-class U.S. mail, postmarked on or before December 23, 2013. Requests will not be accepted if made verbally, by fax, e-mail, or other means. **Failure to follow these instructions for requesting exclusion will result in waiver of your right to exclude yourself from the Settlement Classes.** Even if you provide written notice of your election to opt out of the class by December 23, 2013, you have the right to revoke that request for exclusion in writing up to January 15, 2014.

3. **You may object to the Settlement.** Settlement Class Members may appear, in person or through counsel, to object and be heard in opposition to any of the matters to be heard at the Settlement Hearing, including (a) the requested approval of the Settlement Agreement as fair, adequate, and reasonable, and/or (b) the requested entry of the Final Judgment. **You cannot request exclusion AND object to the settlement. Only Settlement Class Members may**

object to the settlement. For his or her objection to be considered by the Court, the objecting Settlement Class Member must mail by U.S. first-class mail a valid written objection, and it must be postmarked by no later than December 23, 2013. In order to be valid, the written objection must set forth (a) a reference, at the top, to "State of Texas v. Farmers, Cause No. GV202501." (b) a statement as to whether the objecting Settlement Class Member intends to appear at the Settlement Hearing, either in person or through counsel, (c) a detailed statement of the specific basis for the objection, (d) the name that is set forth on the notice that was sent to the objecting Settlement Class Member, (e) the objecting Settlement Class Member's current name, if different from the name set forth on the notice, (f) the objecting Settlement Class Member's current address, (g) the objecting Settlement Class Member's current telephone number and, if available, telecopier number, (h) the objector's type of policy and policy number, and (i) the objecting Settlement Class Member's signature or that of his or her authorized representative. Three copies of the written objection must be sent, the first addressed to the District Court Clerk of Travis County, Texas, 1000 Guadalupe Street, Austin, Texas 78701, the second addressed to David C. Mattax, Director of Defense Litigation, Officer of the Attorney General, P.O. Box 12548, Austin, Texas 78711-2548, and the third addressed to Marcy Hogan Greer, Fulbright & Jaworski L.L.P., 98 San Jacinto Blvd., Suite 1100, Austin, Texas 78701. All such objections must be postmarked on or before December 23, 2013. **IF AN OBJECTION DOES NOT INCLUDE ALL OF THE REQUIRED INFORMATION OR IF IT IS NOT TIMELY MAILED BY U.S. FIRST-CLASS MAIL TO THE THREE CORRECT ADDRESSES, THEN IT SHALL BE INVALID AND IT WILL NOT BE CONSIDERED BY THE COURT. ANY MEMBER OF THE SETTLEMENT CLASSES WHO DOES NOT OBJECT IN THE MANNER PROVIDED SHALL BE DEEMED TO HAVE WAIVED**

SUCH OBJECTION AND SHALL FOREVER BE FORECLOSED FROM MAKING ANY OBJECTION TO THE FAIRNESS, ADEQUACY, OR REASONABLENESS OF THE SETTLEMENT AGREEMENT AND THE PROPOSED FINAL JUDGMENT TO BE ENTERED APPROVING THE SETTLEMENT.

SETTLEMENT HEARING

The Court has given its preliminary approval to the proposed settlement and has conditionally certified the Settlement Classes. The Court will hold a hearing in the District Court of Travis County, Texas, 1000 Guadalupe Street, Austin, Texas, on the 22nd day of January, 2014, at 9:00 a.m. to determine whether, as recommended by the Parties, it should give final approval to the proposed settlement.

Any objections to the proposed settlement by Settlement Class Members will be considered by the Court, but only if such objections are filed in writing with the Clerk postmarked on or before the 23rd day of December, 2013, and mailed to the individuals at the addresses stated herein. Attendance at the hearing is not necessary; however, any Settlement Class Member wishing to be heard orally in opposition to the proposed settlement must indicate this intention in his or her objection. Settlement Class Members who support the proposed settlement do not need to appear at the hearing or take any other action to indicate their approval.

SETTLEMENT DISTRIBUTION

If the settlement is approved by the Court, and if you are a Rate or Discount Class Member, you will receive any benefits to which you are entitled as follows: (a) you have already received the Prospective Rate Reduction; (b) as to the Retrospective Rate Reduction component of the Settlement, you will receive a refund check within 30 days after the date by which all of

the following have occurred: (i) an Order of Preliminary Approval has been entered by the Court in the Action; (ii) the Court has approved the settlement in all respects; (iii) an order and final judgment shall have been entered by the Court and not vacated, stayed, or modified in any material way, upon appeal or otherwise; and (iv) either the time to appeal or otherwise seek review of the order and final judgment has expired without any appeal having been taken or review sought, or if an appeal is taken or review sought, the expiration of five days after such an appeal or review shall have been finally determined by the highest court before which appeal or review is sought and is not subject to further judicial review ("Effective Date"); and (c) credits and payment of the Individualized Discount Adjustment shall be made in the same manner and at the same time as the Retrospective Rate Reduction listed above.

If the settlement is approved by the Court, and if you are a Credit Usage Notice Class Member and submit a timely and valid proof of claim, any payments you are entitled to from the Credit Usage Notice Fund shall be made by means of a check received within sixty (60) days following receipt of your certification that you have reviewed your credit report as required by the Settlement Agreement.

In the event that the settlement, or the terms provided by the Settlement Agreement, is not approved by the Court, or if the Effective Date for any other reason does not occur, and if any Party to the Settlement Agreement exercises their rights to terminate the Settlement Agreement, as provided therein, then any actions to be taken in connection with the Settlement Agreement shall be vacated and terminated and shall become null and void for all purposes, and all negotiations, transactions, and proceedings connected with it (a) shall be without prejudice to the rights of any party thereto; (b) shall not be deemed or construed as evidence or an admission by any party of any fact, matter or thing; and (c) shall not be admissible in evidence or used for

4577

any purpose in any subsequent proceeding in the Action, or any other action or proceeding in any forum, judicial, administrative, or otherwise, except proceedings to enforce the settlement.

ADDITIONAL INFORMATION: OBTAINING A COPY OF THE SETTLEMENT AGREEMENT AND RELEASE

Any questions you have about the matters in this Notice should be directed in writing to Office of the Attorney General, Consumer Protection Division, P.O. Box 12548, Austin, Texas 78711-2548. *Questions may not be directed to the Court.* The foregoing is only a summary of the Action and the Settlement Agreement and does not purport to be comprehensive. If you wish to obtain a copy of the Settlement Agreement (including the Release and the Agreed Discounts), you may do so by requesting it in writing from the same address, or a copy may also be secured through the Texas Department of Insurance website at "www.tdi.state.tx.us" or www.TexasFarmersSettlement.com.

You may, of course, seek the advice and guidance of your own attorney if you desire. The pleadings and other records in this litigation may be examined and copied at any time during regular office hours at the office of the District Clerk, Travis County, Texas, 1000 Guadalupe Street, Austin, Texas 78701. Please do not contact the Court with any questions about the Settlement Agreement.

TIME LIMITS

1. IF YOU WISH TO BE EXCLUDED FROM THE SETTLEMENT CLASSES, YOU MUST SEND YOUR WRITTEN REQUEST FOR EXCLUSION BY FIRST CLASS UNITED STATES MAIL TO "EXCLUSION REQUESTS" C/O RUST CONSULTING, INC.; P.O. BOX 9348; MINNEAPOLIS, MN 55440-9348, POSTMARKED ON OR BEFORE THE 23RD DAY OF DECEMBER, 2013.

2. IF YOU WISH TO OBJECT TO THE PROPOSED SETTLEMENT, YOU MUST MAIL YOUR WRITTEN OBJECTION TO THE CLERK OF THE COURT AND TO THE OTHER PERSONS IDENTIFIED ABOVE BY FIRST-CLASS UNITED STATES MAIL, POSTMARKED ON OR BEFORE THE 23RD DAY OF DECEMBER, 2013. YOU MUST

4577

INCLUDE A REQUEST FOR ORAL ARGUMENT IF YOU WANT TO BE HEARD ORALLY AT THE SETTLEMENT HEARING.

3. TO BE ELIGIBLE FOR BENEFITS FROM THE CREDIT USAGE NOTICE FUND, YOUR CLAIM FORM (ATTACHED HERETO AS EXHIBIT A) MUST BE POSTMARKED ON OR BEFORE MARCH 24, 2014.

4577

ATTENTION

Your rights may be affected by a class action
In the 261st Judicial District of Travis County, Texas

SUMMARY NOTICE OF SETTLEMENT

TO: ALL FARMERS INSURANCE EXCHANGE OR FIRE INSURANCE EXCHANGE TEXAS HOMEOWNERS POLICYHOLDERS (A) WHOSE HO-A POLICIES (INCLUDING TDP-1) INCEPTED OR WERE RENEWED AT ANY TIME DURING THE PERIOD OF DECEMBER 28, 2001 THROUGH AND INCLUDING DECEMBER 27, 2002, OR (B) WHO RECEIVED A NOTICE AT ANY TIME AFTER NOVEMBER 14, 2001, THAT THEIR HO-B POLICY (INCLUDING HO-PROTECTOR PLUS (PTP), HO380 ENDORSEMENT, TDP-2, TDP-3, DF-BUILDER'S RISK, AND HO-A WITH HO-170 ENDORSEMENT (COLLECTIVELY REFERRED TO HEREIN AS "HO-B")) WOULD NOT BE RENEWED ("RATE CLASS MEMBERS").

ALL FARMERS INSURANCE EXCHANGE OR FIRE INSURANCE EXCHANGE TEXAS HOMEOWNERS POLICYHOLDERS WHO ACCORDING TO FARMERS RECORDS WERE ELIGIBLE TO RECEIVE DISCOUNTS FOR FARMERS PROPERTY RISK ASSESSMENT ("FPRA"), AGE OF HOME, OR TERRITORY FROM NOVEMBER 16, 2000 THROUGH AND INCLUDING DECEMBER 10, 2002 ("DISCOUNT CLASS MEMBERS").

ALL TEXAS HOMEOWNERS OR AUTO INSURANCE POLICYHOLDERS OF FARMERS INSURANCE EXCHANGE, FIRE INSURANCE EXCHANGE, MID-CENTURY INSURANCE COMPANY OF TEXAS, MID-CENTURY INSURANCE COMPANY, FARMERS TEXAS COUNTY MUTUAL INSURANCE COMPANY OR TRUCK INSURANCE EXCHANGE WHO ACCORDING TO FARMERS RECORDS HAD A HOMEOWNERS OR AUTOMOBILE INSURANCE POLICY IN EFFECT WITH FARMERS FROM OCTOBER 1, 1999 THROUGH FEBRUARY 28, 2003 ("CREDIT USAGE NOTICE CLASS").

NOTICE IS HEREBY GIVEN of the settlement of a lawsuit pending in the 261st Judicial District Court of Travis County, Texas (Civil Action No. GV202501) ("the Action"), in which the Attorney General of the State of Texas has brought suit in the name of the State of Texas, the Texas Department of Insurance, and the Texas Commissioner of Insurance (hereafter collectively defined as the "State"), and has filed a class action claiming that one or more of Fire Underwriters Association, Farmers Group, Inc. d/b/a Farmers Underwriters Association, Farmers Insurance Exchange, Fire Insurance Exchange, Texas Farmers Insurance Company, Mid-Century Insurance Company of Texas, Mid-Century Insurance Company, Farmers Texas County Mutual Insurance Company, Truck Insurance Exchange, and Truck Underwriters

**Second Amended Settlement
Agreement and Stipulation**

EXHIBIT C

Association (collectively, the "Farmers Parties") failed to disclose information with respect to their calculation of premiums, committed unfair and deceptive acts or practices in the business of insurance, and unfairly discriminated against Texas policyholders of the Farmers Parties in the business of insurance. The State also alleges anticompetitive practices with respect to the Farmers Parties' sale and marketing of their homeowners and automobile insurance policies. The Farmers Parties deny the State's allegations and have alleged numerous affirmative defenses. On December 18, 2002, the State and the Farmers Parties executed a Settlement Agreement and Stipulation and subsequently an Amended Settlement Agreement and Stipulation on June 13, 2003, and as further amended on August __, 2013 (collectively, the "Settlement Agreement"), providing for the certification of certain settlement classes ("Settlement Classes") who would receive or be eligible to apply for certain financial and other benefits. These benefits and the Settlement Classes contemplated by the Settlement Agreement (including the Rate Class, the Discount Class, and the Credit Usage Notice Class) are more fully described in the "Notice of Proposed Class Settlement."

IF, AT ANY TIME AFTER OCTOBER 1, 1999, YOU WERE INSURED BY THE FARMERS PARTIES THEN YOU MAY BE ELIGIBLE TO SHARE IN THE BENEFITS OF THE SETTLEMENT.

The proposed settlement provides benefits that vary based on which class you are in. Rate Class Members are eligible for a 6.8% refund of earned base premiums paid on HO-A policies incepted or renewed from December 28, 2001, up to and including November 10, 2002, either in the form of a refund check or a credit upon renewal after approval of the settlement. Discount Class Members who did not receive discounts for FPRA, age of home, and territory at the level agreed to by the State and the Farmers Parties are eligible to receive an Individualized Discount Adjustment payment. Credit Usage Notice Class Members are eligible to make a claim against the Credit Usage Notice Fund, designed to compensate class members who may claim that they did not receive adequate notice of the use of their credit information as required by the Fair Credit Reporting Act, 15 U.S.C. § 1681m, which may have resulted in credit report inaccuracies going undetected and possibly resulting in the Farmers Parties having provided premium discounts lower than would have resulted from correct credit information or to assignment to a company affiliated with the Farmers Parties having a higher premium structure. In addition, policyholders who renewed or received a new homeowners insurance policy with the Farmers Parties after November 11, 2002, and prior to September 1, 2003, have been afforded a reduction in premiums calculated based on 6.8% reduction of the statewide average base rate indications for all classes in effect as of November 10, 2002. The Farmers Parties also agreed to refrain from certain conduct in the marketing of their homeowners and automobile insurance policy products and to compensate the State in the amount of \$2 million for the State's fees, costs and expenses in the Action and related proceedings.

Rate Class Members and Discount Class Members need not do anything to receive credit or payments provided for under the settlement for these classes. However, if you are a Credit Usage Notice Class Member who desires to make a claim against the Credit Usage Notice Adjustment Fund, you must fill out and return a Claim Form postmarked on or before March 24, 2014. Claim Forms and copies of the "Notice of Proposed Class Settlement," which more fully describes the Action, the Settlement Agreement, and the rights and options available to Settlement Class Members, have been mailed to persons in

4577

the Settlement Classes. If you have not received your Notice of Proposed Class Settlement, you may obtain a copy by sending a request including your name and mailing address by first-class U.S. mail to State v. Farmers Settlement, c/o Rust Consulting, Inc.; 501 Marquette Avenue, Suite 700; Minneapolis, MN 55402.

Any requests for exclusion from the proposed settlement must comply with all applicable procedures and be sent by first-class U.S. mail to "Exclusion Requests"; c/o Rust Consulting, Inc.; P.O. Box 9348; Minneapolis, MN 55440-9348, postmarked by December 23, 2013. Rights, obligations, and procedures regarding exclusion are fully explained in the "Notice of Proposed Class Settlement."

Any objections to the proposed settlement must comply with all applicable procedures and be sent by first-class U.S. mail to the District Court Clerk of Travis County, Texas, 1000 Guadalupe Street, Austin, Texas 78701, the second addressed to David C. Mattax, Director of Defense Litigation, Office of the Attorney General, P.O. Box 12548, Austin, Texas 78711-2548, and the third addressed to Marcy Hogan Greer, Fulbright & Jaworski L.L.P., 98 San Jacinto Blvd., Suite 1100, Austin Texas 78701, postmarked by December 23, 2013. The procedures and requirements for making an objection are fully explained in the "Notice of Proposed Class Settlement."

The Judicial District Court of Travis County, Texas, has ordered that a hearing take place in the Courtroom of the 53rd Judicial District Court of Travis County, Texas, on the 22nd day of January, 2014, at 9:00 a.m. to determine the following: (1) whether the proposed settlement of the class action litigation on terms set forth in the Settlement Agreement is fair, reasonable and adequate; and (2) whether the Court should enter the proposed Final Judgment.

DO NOT CONTACT THE COURT OR THE CLERK'S OFFICE FOR INFORMATION.

DATED: _____, 2013.

4577

FARMERS INSURANCE EXCHANGE / FIRE INSURANCE EXCHANGE
AGREED DISCOUNTS
INDIVIDUALIZED DISCOUNT ADJUSTMENTS

Time period: 11/16/00 to 9/15/01

Time period: 9/16/01 to 12/10/02

<u>FPRA Discount Category</u>	<u>Agreed Discount</u>
I,N	14.0%
Z,E	0.0%
Y	0.0%
X	0.0%
W	0.0%
V	0.0%
U	0.0%
T	7.0%
S	7.0%
R	7.0%
Q	7.0%
P	11.0%
O	11.0%
L	11.0%
K	15.0%
J	15.0%
H	15.0%
G	17.0%
F	17.0%
A,B,C,D	18.0%

<u>FPRA Discount Category</u>	<u>Agreed Discount</u>
I,N	36.0%
Z,E	0.0%
Y	0.0%
X	0.0%
W	0.0%
V	0.0%
U	0.0%
T	19.0%
S	19.0%
R	19.0%
Q	19.0%
P	34.0%
O	34.0%
L	34.0%
K	36.0%
J	36.0%
H	36.0%
G	44.0%
F	44.0%
A,B,C,D	47.0%

Second Amended Settlement
Agreement And Stipulation

EXHIBIT D-1

4577

FARMERS INSURANCE EXCHANGE / FIRE INSURANCE EXCHANGE
AGREED DISCOUNTS
INDIVIDUALIZED DISCOUNT ADJUSTMENTS

Time period: 11/16/00 to 12/15/01

<u>Age of Home (Years Old)</u>	<u>Agreed Discount</u>
0	25.0%
1	22.0%
2	19.0%
3	16.0%
4	13.0%
5	9.0%
6	5.0%
7	0.0%
8	0.0%
9	0.0%
10+	0.0%

Time period: 12/16/01 to 12/10/02

<u>Age of Home (Years Old)</u>	<u>Agreed Discount</u>
0	40.0%
1	40.0%
2	37.0%
3	34.0%
4	31.0%
5	28.0%
6	24.0%
7	20.0%
8	15.0%
9	8.0%
10+	0.0%

4577

FARMERS INSURANCE EXCHANGE / FIRE INSURANCE EXCHANGE
 AGREED TERRITORIAL RATE REVISIONS
 INDIVIDUALIZED DISCOUNT ADJUSTMENTS

Territory	Farmers Insurance Exchange		Fire Insurance Exchange	
	Prior to 12/28/01 Percent Change	12/28/01 to 12/10/02 Percent Change	Prior to 12/28/01 Percent Change	12/28/01 to 12/10/02 Percent Change
01	0.0%	4.4%	0.0%	-1.4%
02	0.0%	5.0%	0.0%	-5.0%
03	0.0%	1.9%	0.0%	1.6%
04	0.0%	-5.0%	0.0%	5.0%
05	0.0%	5.0%	0.0%	-0.5%
07	0.0%	-5.0%	0.0%	-5.0%
08	0.0%	5.0%	0.0%	1.1%
10	0.0%	5.0%	0.0%	5.0%
14	0.0%	5.0%	0.0%	5.0%
15	0.0%	4.6%	0.0%	5.0%
16	0.0%	5.0%	0.0%	5.0%
17	0.0%	5.0%	0.0%	1.6%
19	0.0%	5.0%	0.0%	-1.6%
20	0.0%	-5.0%	0.0%	-5.0%
21	0.0%	-5.0%	0.0%	-5.0%
23	0.0%	5.0%	0.0%	5.0%
24	0.0%	5.0%	0.0%	0.0%
25	0.0%	-5.0%	0.0%	1.7%
26	0.0%	-5.0%	0.0%	-5.0%
27	0.0%	5.0%	0.0%	5.0%
28	0.0%	-5.0%	0.0%	-5.0%
29	0.0%	5.0%	0.0%	5.0%
30	0.0%	5.0%	0.0%	5.0%
31	0.0%	5.0%	0.0%	5.0%
32	0.0%	5.0%	0.0%	5.0%
33	0.0%	2.1%	0.0%	5.0%
34	0.0%	-5.0%	0.0%	-4.7%
35	0.0%	0.5%	0.0%	5.0%
36	0.0%	5.0%	0.0%	1.7%
38	0.0%	-5.0%	0.0%	-5.0%
39	0.0%	-1.1%	0.0%	-5.0%
45	0.0%	5.0%	0.0%	-1.4%
46	0.0%	-1.1%	0.0%	5.0%
47	0.0%	5.0%	0.0%	-5.0%
48	0.0%	-3.8%	0.0%	-4.3%
49	0.0%	-5.0%	0.0%	-4.5%
50	0.0%	-5.0%	0.0%	-0.6%
51	0.0%	-4.1%	0.0%	5.0%
52	0.0%	5.0%	0.0%	5.0%
53	0.0%	-5.0%	0.0%	-5.0%
54	0.0%	5.0%	0.0%	5.0%
55	0.0%	-5.0%	0.0%	-5.0%
56	0.0%	3.0%	0.0%	5.0%
57	0.0%	-1.5%	0.0%	5.0%
58	0.0%	-5.0%	0.0%	-5.0%
59	0.0%	5.0%	0.0%	5.0%

4577

FARMERS INSURANCE EXCHANGE / FIRE INSURANCE EXCHANGE
AGREED DISCOUNTS

<u>FPRA Discount Category</u>	<u>Agreed Discount</u>	<u>Age of Home (Years Old)</u>	<u>Agreed Discount</u>
I,N	43.0%	0	47.0%
Z,E	0.0%	1	46.0%
Y	4.0%	2	44.0%
X	8.0%	3	42.0%
W	12.0%	4	39.0%
V	15.0%	5	35.0%
U	19.0%	6	30.0%
T	22.0%	7	23.0%
S	25.0%	8	15.0%
R	28.0%	9	8.0%
Q	31.0%	10+	0.0%
P	33.0%		
O	36.0%		
L	38.0%		
K	40.0%		
J	43.0%		
H	45.0%		
G	47.0%		
F	48.0%		
A,B,C,D	53.0%		

Second Amended Settlement
Agreement And Stipulation

EXHIBIT D-2

4577

April 7, 2003

Jose Montemayor
Commissioner of Insurance
Texas Department of Insurance
P.O. Box 149104
Austin, Texas 78714-9104

Kevin Kelso
Sr. Vice President
Farmers Group Inc.
4700 Wilshire Blvd.
Los Angeles, California 90010

SUBJECT: SETTLEMENT AGREEMENT -- ACTUARIAL AGREEMENT

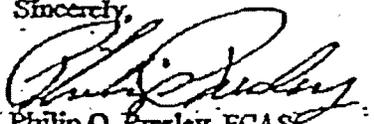
On December 15, 2002, the State of Texas, the Office of the Attorney General, the Texas Department of Insurance, Jose Montemayor as Commissioner of Insurance, Farmers Insurance Exchange, Fire Insurance Exchange, and the Exchange attorneys in fact, Farmers Group Inc. d/b/a Farmers Underwriters Association and Fire Underwriters Association, executed a Settlement Agreement and stipulation. Pursuant to that Settlement Agreement and stipulation, the Parties' actuaries on March 14, 2003, adopted the Agreed Discounts for TDP policy forms as shown on the attached Exhibit.

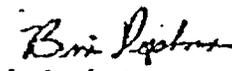
This agreement provides the rating factors to be used for the Farmers Property Risk Assessment (FPRA) and Age of Home discounts on the TDP-1, TDP-2 and TDP-3 policy forms. In addition, this agreement also provides for the percent changes to the TDP-1 territory factors applicable to the TDP-1 primary contract insurance base rates (excluding endorsements).

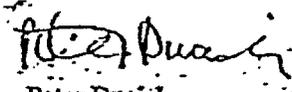
Conclusion

The Parties' actuaries agree that the discount factors and territory factor changes set out in Exhibit 1 are based on sound actuarial principles and are consistent with the Settlement Agreement and stipulation. Mr. Presley has not independently reviewed the hurricane load in support of the territory relativities and renders no actuarial opinion on that aspect of the factor changes.

Sincerely,


Philip O. Presley, FCAS
Chief Actuary
Manager
Texas Department of Insurance


Brian Deephouse, FCAS
Actuary / Fire Product Manager
Farmers Group Inc.


Peter Ducich
Fire Product
Farmers Group Inc.

Second Amended Settlement
Agreement And Stipulation

EXHIBIT D-3

FIRE INSURANCE EXCHANGE AGREED DISCOUNTS (IDP policy forms) INDIVIDUALIZED DISCOUNT ADJUSTMENTS

Time period: 11/16/00 to 8/31/03

Time Period: 9/16/01 to 03/31/03

<u>FRPA Discount Category</u>	<u>Agreed Discount</u>	<u>Age of Home (Years Old)</u>	<u>Agreed Discount</u>
LN	5.0%	0	15.0%
Z,E	0.0%	1	13.0%
Y	0.0%	2	11.0%
X	0.0%	3	9.0%
W	0.0%	4	7.0%
V	0.0%	5	5.0%
U	0.0%	6	3.0%
T	0.0%	7	0.0%
S	0.0%	8	0.0%
R	0.0%	9	0.0%
Q	5.0%	10+	0.0%
P	5.0%		
O	5.0%		
L	5.0%		
K	5.0%		
J	5.0%		
H	5.0%		
G	5.0%		
F	5.0%		
A,B,C,D	5.0%		

Approved: Pop

BD

PD

FIRE INSURANCE EXCHANGE
AGREED DISCOUNTS (IDP policy forms)
INDIVIDUALIZED DISCOUNT ADJUSTMENTS

Time period: 12/28/01 to 08/31/03

<u>Territory</u>	<u>Prior to 12/28/01 Percent Change</u>	<u>12/28/01 to 12/10/02 Percent Change</u>
01	0.0%	+5.0%
02	0.0%	-5.0%
03	0.0%	-5.0%
04	0.0%	-5.0%
05	0.0%	-5.0%
06	0.0%	-5.0%
07	0.0%	-5.0%
08	0.0%	+5.0%
09	0.0%	+5.0%
10	0.0%	+5.0%
14	0.0%	+4.2%
15	0.0%	-5.0%
16	0.0%	-5.0%
17	0.0%	-5.0%
18	0.0%	-5.0%
19	0.0%	-5.0%
20	0.0%	-5.0%
21	0.0%	-5.0%
22	0.0%	-5.0%
23	0.0%	-5.0%
24	0.0%	-5.0%
25	0.0%	-5.0%
26	0.0%	-5.0%
27	0.0%	+5.0%
28	0.0%	+5.0%
29	0.0%	-5.0%

Approved:

Pop

BD

PD

4577

AND YOU WILL BE DEEMED TO HAVE WAIVED ALL RIGHTS TO RECEIVE ANY CONSIDERATION UNDER THIS PORTION OF THE SETTLEMENT. If you do not request exclusion from the Settlement Class, you are bound by the terms of the Settlement Agreement and Release and Final Judgment entered pursuant to the settlement whether or not you return a Claim Form.

Must Be Postmarked No
Later Than March 24, 2014

Deliver to: State v. Farmers Claim Forms
c/o Rust Consulting, Inc.
P.O. Box 9348
Minneapolis, MN 55440-9348

CLAIM FORM

A. PERSONAL INFORMATION

Name (Last)

(First, Middle)

Address (Street Name and Number, Apartment Number, If Applicable)

City

State

Zip Code

Daytime Phone #

B. HOMEOWNERS' POLICY INFORMATION (If Applicable)

Names(s) of Insured(s), if
different from above

Effective Date of Policy(ies)

Address of Insured Premises

Policy Number(s)

Name of Agent

C. AUTOMOBILE POLICY INFORMATION (If Applicable)

Names(s) of Insured(s), if
different from above

Effective Date of Policy(ies)

Address of Insured(s), if
Different from above

Policy Number(s)

Name of Agent

Vehicle Identification Number
(VIN) of Insured Vehicle

D. CERTIFICATION UNDER PENALTY OF PERJURY

I hereby affirm and declare under penalty of perjury that:

1. I have not opted out of the Settlement Classes in this case and will not request exclusion from the Settlement Classes;

2. I did not submit a claim form in the settlement in *In re Farmers Insurance Co. Inc. FCRA Litig.* ("Mobbs Action"), No. CIV-03-158-F, including all cases consolidated and coordinated in MDL No. 1564, before the U.S. District Court for the Western District of Oklahoma, in which a final judgment was entered on September 29, 2011

3. I have read and understand the contents of this Claim Form; and

4. I am voluntarily submitting to the jurisdiction of the 261st Judicial District Court of Travis County, Texas for purposes of this claim.

DATED

SIGNED

4577

FAIR CREDIT REPORTING ACT NOTIFICATION

Notice of Adverse Action

This notice of "adverse action" is sent in accordance with the Fair Credit Reporting Act, 15 U.S.C. section 1681 et. seq. A risk assessment indicator was used during the underwriting of your policy. This risk assessment indicator was developed from credit history contained in a credit report. The risk assessment indicator was furnished by the consumer reporting agency listed below at our request for insurance underwriting purposes.

The risk assessment indicator is one of several factors used in the underwriting of your policy. Due, in whole or in part, to the risk assessment indicator, you qualify for the _____ rating program, but not the _____ rating program. The premium charged in the _____ rating program is lower than that charged in the _____ rating program.

As indicated, the risk assessment indicator was developed from information in a credit report. You have the right, under the Fair Credit Reporting Act, to obtain a free copy of the credit report from the consumer reporting agency listed below. This request must be made no later than 60 days after you receive this notice. In addition, if you find any inaccurate or incomplete information contained in the report you receive, you have the right to dispute the matter with the consumer reporting agency. Correcting inaccurate or incomplete information on the credit report may change your risk assessment indicator, which could qualify you for placement in a different rating program and result in a lower premium.

The consumer reporting agency did not make the decision regarding your policy and is unable to explain why the decision was made.

Your agent can inform you what your risk assessment indicator is. You can find information on risk assessment indicators at our web site at www.farmers.com. Please select the link *Products and Services*. Click on *Auto* or *Home* and select the link *Questions You May Have About Risk Assessment Indicators*.

If you have further questions, please contact your agent.

Trans Union Corp.
Consumer Disclosure Request
2 Baldwin Place
P.O. Box 1000
Chester, PA 19032
1-800-645-1938

Second Amended Settlement
Agreement And Stipulation

30373996 2

EXHIBIT F

4577

FAIR CREDIT REPORTING ACT NOTIFICATION

Notice of Adverse Action

This notice of "adverse action" is sent in accordance with the Fair Credit Reporting Act, 15 U.S.C. section 1681 et. seq. A risk assessment indicator was used during the underwriting of your policy. This risk assessment indicator was developed from credit history contained in a credit report. The risk assessment indicator was furnished by the consumer reporting agency listed below at our request for insurance underwriting purposes.

The risk assessment indicator is one of several factors used in the underwriting of your policy. Due, in whole or in part, to the risk assessment indicator, you received a discount of ____%, instead of the highest available discount of ____%.

As indicated, the risk assessment indicator was developed from information in a credit report. You have the right, under the Fair Credit Reporting Act, to obtain a free copy of the credit report from the consumer reporting agency listed below. This request must be made no later than 60 days after you receive this notice. In addition, if you find any inaccurate or incomplete information contained in the report you receive, you have the right to dispute the matter with the consumer reporting agency. Correcting inaccurate or incomplete information on the credit report may change your risk assessment indicator, which could result in a lower premium.

The consumer reporting agency did not make the decision regarding your policy and is unable to explain why the decision was made.

Your agent can inform you what your risk assessment indicator is. You can find information on risk assessment indicators at our web site at www.farmers.com. Please select the link *Products and Services*. Click on *Auto* or *Home* and select the link *Questions You May Have About Risk Assessment Indicators*.

If you have further questions, please contact your agent.

Trans Union Corp.
Consumer Disclosure Request
2 Baldwin Place
P.O. Box 1000
Chester, PA 19032
1-800-645-1938

Second Amended Settlement
Agreement And Stipulation

30373996.1

EXHIBIT G

4577

FAIR CREDIT REPORTING ACT NOTIFICATION

Notice of Adverse Action

This "notice of adverse action" is sent in accordance with the Fair Credit Reporting Act, 15 U.S.C. section 1681 et. seq. A risk assessment indicator was used during the underwriting of your policy. The risk assessment indicator was developed from credit history contained in a credit report. The risk assessment indicator was furnished by the consumer reporting agency listed below at our request for insurance underwriting purposes.

The risk assessment indicator is one of several factors used in the underwriting of your policy. Due, in whole or in part, to the risk assessment indicator, you received a discount of ____%, instead of the highest available discount of ____%. In addition, due, in whole or in part, to the risk assessment indicator, you qualify for the _____ rating program, but not the _____ rating program. The premium charged in the _____ rating program is lower than that charged in the _____ rating program.

As indicated, the risk assessment indicator was developed from information in a credit report. You have the right, under the Fair Credit Reporting Act, to obtain a free copy of the credit report from the consumer reporting agency listed below. This request must be made no later than 60 days after you receive this notice. In addition, if you find any inaccurate or incomplete information contained in the report you receive, you have the right to dispute the matter with the consumer reporting agency. Correcting inaccurate or incomplete information on the credit report may change your risk assessment indicator, which could qualify you for placement in a different rating program and result in a lower premium.

The consumer reporting agency did not make the decision regarding your policy and is unable to explain why the decision was made.

Your agent can inform you what your risk assessment indicator is. You can find information on risk assessment indicators at our web site at www.farmers.com. Please select the link *Products and Services*. Click on *Auto* or *Home* and select the link *Questions You May Have About Risk Assessment Indicators*."

If you have further questions, please contact your agent.

Name of Consumer Reporting Agency
Address
City, State, Zip Code
Telephone

Second Amended Settlement
Agreement And Stipulation

30373996.3

EXHIBIT II

4577

FAIR CREDIT REPORTING ACT NOTIFICATION

Notice of Adverse Action

This notice of "adverse action" is sent in accordance with the Fair Credit Reporting Act, 15 U.S.C. section 1681 et. seq. A risk assessment indicator was used during the underwriting of your policy. This risk assessment indicator was developed from credit history contained in a credit report. The risk assessment indicator was furnished by the consumer reporting agency listed below at our request for insurance underwriting purposes.

The risk assessment indicator is one of several factors used in the underwriting of your policy. Due, in whole or in part, to the risk assessment indicator, you have been determined to be ineligible for coverage in Truck Insurance Exchange.

As indicated, the risk assessment indicator was developed from information in a credit report. You have the right, under the Fair Credit Reporting Act, to obtain a free copy of the credit report from the consumer reporting agency listed below. This request must be made no later than 60 days after you receive this notice. In addition, if you find any inaccurate or incomplete information contained in the report you receive, you have the right to dispute the matter with the consumer reporting agency. Correcting inaccurate or incomplete information on the credit report may change your risk assessment indicator, which could qualify you for placement in a different rating program and result in a lower premium.

The consumer reporting agency did not make the decision regarding your policy and is unable to explain why the decision was made.

Your agent can inform you what your risk assessment indicator is. You can find information on risk assessment indicators at our web site at www.farmers.com. Please select the link *Products and Services*. Click on *Auto* or *Home* and select the link *Questions You May Have About Risk Assessment Indicators*.

If you have further questions, please contact your agent.

Trans Union Corp.
Consumer Disclosure Request
2 Baldwin Place
P.O. Box 1000
Chester, PA 19032
1-800-645-1938

Second Amended Settlement
Agreement And Stipulation

30373996.4

EXHIBIT I

EXHIBIT J

DESCRIPTION OF DISTRIBUTION CHECK

1. **Description of Check.** Each check mailed to a Settlement Class Member will contain the substantial equivalent of the following language, as approved by the Court:

(a) Each check must have the following language, or its substantial equivalent as approved by the Court, on the front of the check:

Every payee must sign the endorsement on the reverse side of this check before it can be deposited, negotiated, transferred or cashed. The endorsement may not be altered. This check will not be paid without such endorsement.

(b) Each check must have the following language, or its substantial equivalent as approved by the Court, on the back of the check, in the customary space for endorsement.

ENDORSEMENT

By signing below and presenting this check for payment, the payee releases Released Parties (as defined by the Settlement Agreement in Cause No. GV202501, *State of Texas et al. v. Farmers Group, Inc., et al.*, 261st Dist. Ct. of Travis Co., Texas) from liability to the payee with respect to the Settlement Fund identified on the front of this check.

2. **Description of Transmittal Notice accompanying Distribution Check.** Each check mailed to a Settlement Class Member shall be accompanied by a transmittal notice containing the following language, or its substantial equivalent as approved by the Court:

TRANSMITTAL NOTICE

To: SETTLEMENT CLASS MEMBERS IN THE CLASS ACTION DESCRIBED BELOW

Re: Distribution of cash proceeds in *The State of Texas, et al., v. Farmers Group, Inc., et al.*, Cause No. GV 202501; In the 261st Judicial District Court of Travis County, Texas.

PLEASE READ THIS NOTICE CAREFULLY. AS SET FORTH BELOW, YOU WILL NOT BE ABLE TO CASH THE ENCLOSED CHECK IF IT IS NOT ENDORSED AND PRESENTED TO A PAYOR BANK WITHIN 120 DAYS AFTER THE DATE OF THE CHECK.

A "Notice of Proposed Class Settlement" was previously sent to you, describing a proposed settlement of the Class Action. The District Court has now approved that settlement, and it has entered a Final Judgment dismissing the Settlement Class Claims.

4577

The "Notice of Proposed Class Settlement" explained that persons eligible for inclusion within the Settlement Classes who did not file timely requests for exclusion from the settlement are included in the settlement as Settlement Class Members.

The enclosed check or checks represents the distribution of a cash portion of the Settlement Fund that is allocated to the payee(s) named on the check(s).

As set forth in the "Notice of Proposed Class Settlement," before presenting a distribution check to a payor bank, each Settlement Class Member must endorse language on the back of the check.

NO CASH AMOUNT OF THE SETTLEMENT FUND IS PERMITTED TO BE DISTRIBUTED TO A SETTLEMENT CLASS MEMBER WHO DOES NOT ENDORSE THE DISTRIBUTION CHECK (INCLUDING THE RELEASE ON THE BACK OF THAT CHECK) AND PRESENT IT FOR PAYMENT TO A PAYOR BANK WITHIN 120 DAYS AFTER THE DATE OF THE DISTRIBUTION CHECK. THEREAFTER, ANY DISTRIBUTION CHECK THAT HAS NOT BEEN ENDORSED AND PRESENTED FOR PAYMENT WILL BE VOID.

As stated in the "Notice of Proposed Class Settlement," the complete terms of the settlement of this Class Action are set forth in the Settlement Agreement.

Texas Commissioner of Insurance (collectively, the "State"), as well as the Settlement Class Members, as plaintiffs, and Fire Underwriters Association, Farmers Group, Inc. d/b/a Farmers Underwriters Association, Farmers Insurance Exchange, Fire Insurance Exchange, Texas Farmers Insurance Company, Mid-Century Insurance Company of Texas, Mid-Century Insurance Company, Farmers Texas County Mutual Insurance Company, Truck Insurance Exchange, and Truck Underwriters Association, as defendants (collectively, the "Farmers Parties");

2. The Settlement Agreement is reasonable, fair, just, and adequate and satisfies Texas Rule of Civil Procedure 42 and Texas Insurance Code § 541.266(a);

3. The State has satisfied the Settlement Class Members' rights to adequate representation;

4. The Court hereby acknowledges and confirms the State, through the Office of the Attorney General, to fulfill the role of the Settlement Classes' Counsel. The Court finds that the Attorney General's office is authorized to bring this class action by the *parens patriae* authority granted in sections 541.251 and 541.256-.257 of the Texas Insurance Code and Rule 42 of the Texas Rules of Civil Procedure;

5. This Court additionally finds and concludes that each of the requirements of Rule 42(a) and (b) and sections 541.256 and 541.257 of the Texas Insurance Code has been met, specifically: (a) each of the Settlement Classes is so numerous that joinder of all members is impracticable; (b) there are questions of law or fact common to the Settlement Classes which predominate over any individual questions; (c) the claims or defenses brought by the State on behalf of Farmers' policyholders are typical of the claims or defenses of the Settlement Classes and the State is authorized to bring claims on behalf of the Settlement Classes; (d) in negotiating

and entering into the Settlement Agreement, the State has fairly and adequately represented and protected the interests of the Settlement Classes: (e) the questions of law or fact common to the Settlement Classes predominate over any questions affecting only individual members; and (f) certifying this Action as a class action for settlement purposes is superior to other available methods for the fair and efficient adjudication of the controversy;

6. The Court further finds that there has been no collusion between the State and the Farmers Parties with respect to negotiating the Settlement Agreement and that the State has represented, and will continue to represent, the interests of the Farmers' policyholders fairly and adequately and without a conflict of interests.

7. The Notice provided pursuant to the Court's Order of Preliminary Approval signed the day of October 18, 2013, provided the best notice practicable to all persons within the definition of the Settlement Classes under the circumstances, and fully complies with Tex. R. Civ. P. 42(c)(2), sections 541.261 and 541.267(b) of the Texas Insurance Code, and the Texas and United States Constitutions;

8. At the time Farmers Insurance Exchange and Fire Insurance Exchange ("Exchanges") ceased offering HO-B form policies in Texas, they were not subject to the withdrawal requirements found in former art. 21.49-2C of the Texas Insurance Code pursuant to former Texas Insurance Code Article 19.12;

9. The Farmers Parties have no statutory or regulatory duty nor any contractual obligation under forms approved by the Texas Department of Insurance, either to renew or offer HO-B policies to policyholders in the State of Texas; and

10. The decision to discontinue the Exchanges' HO-B policy offerings, and offer, as an alternative to the HO-B policy, an amended HO-A policy, was accepted by the Commissioner of Insurance.

The Court ORDERS as follows:

1. The Settlement Agreement, including the definitions contained therein and the exhibits thereto, is approved and shall be consummated in accordance with the terms and provisions thereof, and the Court orders the Parties to comply with the Settlement Agreement. The terms "Released Parties," "Released Claims," "Settlement Classes," "Settlement Class Members," and all other terms in this Final Judgment are defined in accord with the terms in the Settlement Agreement.

2. This Final Judgment is binding on all parties to the Settlement Agreement and on all Settlement Class Members. Settlement Class Members, as defined in the Settlement Agreement, include all of the following who did not timely request exclusion from the Settlement Classes:

(a) All of the Exchanges' Texas homeowners insurance policyholders (a) whose homeowners insurance policy incepted (including renewals) from December 28, 2001, through and including December 27, 2002, or (b) who received a notice at any time after November 14, 2001, that their HO-B policy would not be renewed (the "Rate Class");

(b) All of the Exchanges' Texas homeowners insurance policyholders who according to Farmers' records were eligible to receive discounts for FPRA, age of home, or territory from November 16, 2000, through and including December 10, 2002 (the "Discount Class"); and

(c) All Texas homeowners or automobile insurance policyholders of the Exchanges or the Automobile Insurance Providers who according to Farmers' records had a homeowners or automobile insurance policy in effect with Farmers from October 1, 1999, through February 28, 2003 (the "Credit Usage Class").

3. In accordance with and pursuant to the terms of the Settlement Agreement, the Released Parties shall make available to eligible Settlement Class Members the Prospective Rate Reduction, the Retrospective Rate Reduction, the Individualized Discount Adjustment, and the Credit Usage Notice Fund.

4. Entry of this Final Judgment approves the Settlement Agreement and settles all Released Claims. As of the Effective Date of the Settlement Agreement, the State and Settlement Class Members shall be forever barred from bringing or prosecuting any action or proceeding that involves or asserts any of the Released Claims, as defined in the Settlement Agreement against the Released Parties, and shall be deemed to have released and forever discharged the Released Parties from all Released Claims.

5. As of the Effective Date of the Settlement Agreement, the State and Settlement Class Members shall be conclusively deemed to have acknowledged the release of all Released Claims, including but not limited to claims, rights, demands, causes of action, liabilities or suits that are not known or suspected to exist as of November 30, 2002.

6. The Settlement Funds, Revised Credit Usage Notices, and payment of attorney's fees and costs provided in the Settlement Agreement are the only consideration, fees, and expenses the Farmers Parties shall be obligated to give the State and Settlement Class Members in connection with the Settlement Agreement.

7. All Released Claims, as defined in the approved Settlement Agreement, are dismissed in their entirety, with prejudice.

The Court DECLARES as follows:

1. The Released Parties were under no obligation—whether statutory, regulatory or under forms approved by the Texas Department of Insurance—to renew or offer HO-B policies to policyholders in the State of Texas:

2. The HO-B policy nonrenewal endorsements contained in the HO-B insurance policies issued by the Released Parties impose no renewal obligation on Released Parties; and

3. The Texas Department of Insurance's nonrenewal endorsement, HO-350, does not limit the Released Parties' ability to cease offering HO-B policies to policyholders in the State of Texas.

The Court further ORDERS as follows:

1. The Court reserves and retains exclusive and continuing jurisdiction over this Action, the State, the Settlement Class Members, and the Released Parties, to the fullest extent allowed by Texas law, for the purposes of supervising the enforcement, construction, and interpretation of:

- (a) the Settlement Agreement,
- (b) the Court's Protective Order signed the 10th day of February, 2003, and
- (c) this Final Judgment.

2. The Court's Protective Order entered on February 10, 2003, shall continue in effect by its terms;

3. This Final Judgment and the Settlement Agreement, and all papers related thereto, are not, and shall not be construed to be, an admission by any Party of any liability or wrongdoing whatsoever; and

4577

4. This Final Judgment incorporates all other orders and resolves all claims in this case made by all parties. All other relief not expressly granted herein to the State or the Settlement Class Members, or to the Farmers Parties as counter-plaintiffs, is hereby DENIED.

SIGNED _____, 2014.

JUDGE PRESIDING

IN THE MATTER OF	§	BEFORE THE
	§	
FARMERS INSURANCE EXCHANGE	§	STATE OFFICE OF
FIRE INSURANCE EXCHANGE	§	
	§	
RESPONDENT	§	ADMINISTRATIVE HEARINGS

JOINT MOTION TO DISMISS

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE:

The Texas Department of Insurance, Farmers Insurance Exchange, and Fire Insurance Exchange, (collectively "Parties") file this Joint Motion to Dismiss this case with prejudice from the docket as all matters have been fully and finally resolved.

PRAYER

The Parties respectfully requests that the Court grant this motion and enter an order dismissing this case.

Respectfully submitted,

Texas Department of Insurance

Amanda R. Meeseey
 State Bar No. 24047567
 Staff Attorney, Compliance Division
 Texas Department of Insurance
 333 Guadalupe
 Austin, Texas 78701
 512-322-4173
 512-475-1772 (facsimile)

**Second Amended Settlement
 Agreement And Stipulation**

EXHIBIT L

4577

Fulbright & Jaworski LLP

M. Scott Incerto
State Bar No. 10388950
Marcy Hogan Greer
State Bar No. 08417650
Fulbright & Jaworski, LLP
600 Congress Avenue, Suite 2400
Austin, TX 78701-2978
512-474-5201
512-536-4598 (facsimile)
and
Richard N. Carrell
State Bar No. 03871000
1301 McKinney, Suite 5100
Houston, Texas 77010-3095
713-651-5151
713-651-5246 (facsimile)

ATTORNEYS FOR FARMERS INSURANCE EXCHANGE
AND FIRE INSURANCE EXCHANGE

CERTIFICATE OF SERVICE

I CERTIFY that a true and correct copy of this Joint Motion to Dismiss was served on Scott Incerto and Richard Carrell, attorneys for Respondents, by facsimile at 512-536-4598 and 713-651-5246, respectively in accordance with 1 TEX. ADMIN. CODE §155.103 and the Texas Rules of Civil Procedure on _____, 2013.

Amanda R. Meesey

4577

No. _____

**OFFICIAL ORDER
of the
TEXAS COMMISSIONER OF INSURANCE**

Date: _____

Subjects Considered:

FARMERS INSURANCE EXCHANGE
FIRE INSURANCE EXCHANGE
4680 Wilshire Boulevard
Los Angeles, California 90010

CONSENT ORDER
SOAH DOCKET NO. 454-03-0193.D
TDI ENFORCEMENT FILE NO. 1043

General remarks and official action taken:

The commissioner of insurance considers whether disciplinary action should be taken against Farmers Insurance Exchange and Fire Insurance Exchange (Exchanges), which hold certificates of authority issued by the department.

TDI and the Exchanges have entered into a comprehensive settlement where the parties have agreed to dispose of this case pursuant to the provisions of TEX. GOV'T CODE ANN. § 2001.056. TDI, by and through its counsel, and the Exchanges, by and through their duly authorized representatives and counsel, have agreed, pursuant to TEX. INS. CODE ANN. § 82.055 and TEX. GOV'T CODE ANN. § 2001.056 to the entry of this consent order.

WAIVER

The Exchanges acknowledge that the Texas Insurance Code and other applicable law provide certain rights. The Exchanges waive all of these rights, and any other applicable procedural rights, in consideration of the entry of this consent order. Pursuant to TEX. INS. CODE ANN. § 82.055, the Exchanges do not admit to any violation of any statute or TDI rule, but agree to the entry of this Order solely for the purpose of resolving this matter.

FINDINGS OF FACT

The commissioner makes the following findings of fact:

559435693

**Second Amended Settlement
Agreement And Stipulation**

EXHIBIT M

4577

COMMISSIONER'S ORDER
FARMERS INSURANCE EXCHANGE AND FIRE INSURANCE EXCHANGE

Page 2 of 7

1. The Exchanges are foreign, reciprocal insurance carriers organized and existing under the law of California and currently hold Certificates of Authority issued by TDI to transact the business of insurance.
2. In January 2002, TDI commenced a market conduct examination of the Exchanges pursuant to TEX. INS. CODE ANN. art. 1.15 (Vernon's 2002).
3. On August 5, 2002, the Office of the Attorney General, on behalf of the State of Texas and the Commissioner of Insurance filed a suit in Cause No. GV-202501 in the 261st Judicial District Court of Travis County, Texas, alleging violations of Texas insurance and other laws.
4. On August 13, 2002, TDI staff filed an Application for an Emergency Cease and Desist Order.
5. On August 13, 2002, the commissioner issued Emergency Cease and Desist Order No. 02-0844 on an ex parte basis pursuant to TEX. INS. CODE ANN. § 83.051.
6. On August 14, 2002, TDI staff issued a Report to Commissioner seeking penalties, restitution, and injunctive relief pursuant to TEX. INS. CODE ANN. §§ 84.001-84.051.
7. On August 30, 2002, the Exchanges requested a hearing on the Report to Commissioner and on the Emergency Cease and Desist Order.
8. On August 30, 2002, the Exchanges filed a suit in Cause No. GN-203156 in the 353rd Judicial District Court of Travis County, Texas, appealing from the Cease and Desist Order and challenging the Commissioner's authority to issue the Cease and Desist Order and to institute disciplinary action as outlined in the Report to Commissioner.
9. On September 12, 2002, the Exchanges filed a "request for hearing and for appointment of administrative law judge to decide pre-hearing matters" to contest Emergency Cease and Desist Order No. 02-0844.
10. On September 18, 2002, TDI filed a Notice of Hearing before the State Office of Administrative Hearings in Docket No. 454-03-0193.D.
11. The parties subsequently entered into a written Settlement Agreement and Stipulation on December 18, 2002, and subsequently a Second Amended Settlement Agreement and Stipulation (Settlement Agreement) whereby TDI agrees to dismiss with prejudice TDI's claims in the Report and Notice of Hearing, and to set aside the Emergency Cease and Desist Order in its entirety. TDI believes this Settlement Agreement to be fair, adequate, reasonable and in the best interests of Texas policyholders. A copy of the Settlement Agreement is attached hereto as Exhibit A.
12. TDI has agreed that the findings of the commissioner in the Cease and Desist order should be set aside in their entirety, that the Emergency Cease and Desist Order should be set aside in its entirety, and that neither the findings nor the orders shall be of any further force or

effect whatsoever and may not be utilized as evidence of, or be used or relied upon by a person in any proceeding as evidence of, any alleged violation of law or breach of contract by the Exchanges.

13. TDI has agreed that the Application for Emergency Cease and Desist Order dated August 13, 2002, is of no further force and effect whatsoever, and that such application may not be used as evidence of, nor be used or relied upon by any person in any proceeding as evidence of, any violation of law or breach of contract by the Exchanges.
14. TDI has agreed that the Report dated August 14, 2002, and the Notice of Report to the Commissioner regarding the Exchanges, dated September 18, 2002, may not be used as evidence of, or be relied upon by any person in any proceeding as evidence of, any alleged violation of law or breach of contract by the Exchanges.
15. The entry of this consent order is part of and required to be part of the Settlement Agreement filed in Cause No. GV-202501 in the 261st Judicial District Court of Travis County, Texas.
16. The basis for the Application, Report, Order, and Notice was information obtained from a market conduct examination of Farmers that was commenced by TDI in January 2002.
17. TDI has agreed to withdraw the preliminary report resulting from the January 2002 market conduct examination, and further agrees that the report may not be used as evidence of, or be used or relied upon by any person in any proceeding as evidence of any violation of law or breach of contract by the Exchanges. All information obtained by TDI as part of its January 2002 market conduct examination shall remain confidential pursuant to TEX. INS. CODE ANN. art. 1.15 (Vernon's 2002) and to the extent provided in the Protective Order issued in Cause No. GV-202501.

CONCLUSIONS OF LAW

The commissioner of insurance makes the following conclusions of law:

1. The commissioner has jurisdiction over this matter pursuant to TEX. INS. CODE ANN. §§ 83.054 and 84.003; and TEX. GOV'T CODE ANN. § 2001.056.
2. The commissioner has the authority to dispose of this case informally pursuant to the provisions TEX. INS. CODE ANN. §§ 82.055 and 84.002; TEX. GOV'T CODE ANN. §2001.056; and 28 TEX. ADMIN. CODE § 1.47.

ORDER

Based on the findings of fact and conclusions of law, the commissioner orders that:

1. Commissioner's Emergency Cease and Desist Order No. 02-0844 including all findings of fact and conclusions of law is set aside in its entirety.

2. The findings in Emergency Cease and Desist Order No. 02-0844 are set aside in their entirety and are of no further force and effect. Neither the findings in Emergency Cease and Desist Order No. 02-0844, nor the order itself, may be utilized as evidence of, or be used or relied upon by any person in any proceeding as evidence of, any alleged violation of law or breach of contract by the Exchanges.
3. The Application for Emergency Cease and Desist Order, dated August 13, 2002, is of no force or effect, and such Application may not be used as evidence of, or be used or relied upon by any person in any proceeding as evidence of, any violation of the law or breach of contract by the Exchanges.
4. The Report to the Commissioner concerning Farmers Insurance Exchange and Fire Insurance Exchange and the Notice of Report, both dated August 14, 2002, are withdrawn in their entirety. Neither the Notice nor the Report may be used as evidence of, or be used or relied upon by any person in any proceeding as evidence of, any violation of the law or breach of contract by the Exchanges.
5. The Notice of Hearing in SOAH Docket No. 454-03-0193.D is withdrawn in its entirety. TDI shall file a motion with the State Office of Administrative Hearings to dismiss the administrative proceeding. The Notice may not be used as evidence of, nor be relied upon by a person in any proceeding as evidence of any alleged violation of law or breach of contract by the Exchanges.
6. The preliminary report that was issued as a result of the market conduct examination commenced in January 2002 is withdrawn and may not be used as evidence of, or be used or relied upon by any person in any proceeding as evidence of, any violation of law or breach of contract by the Exchanges. All information obtained by TDI as part of its January 2002 market conduct examination shall remain confidential pursuant to TEX. INS. CODE ANN. art. 1.15 (Vernon's 2002) and to the extent provided in the Protective Order issued in Cause No. GV-202501.

Julia J. Rathgeber
Commissioner of Insurance

4577

COMMISSIONER'S ORDER
FARMERS INSURANCE EXCHANGE AND FIRE INSURANCE EXCHANGE
Page 5 of 7

AGREED AS TO FORM AND SUBSTANCE:

Texas Department of Insurance

Amanda R. Meesey
State Bar No. 24047567
Staff Attorney, Compliance Division
Texas Department of Insurance
333 Guadalupe
Austin, Texas 78701
512-322-4173
512-475-1772 (facsimile)

Fulbright & Jaworski LLP

M. Scott Incerto
State Bar No. 10388950
Marcy Hogan Greer
State Bar No. 08417650
Fulbright & Jaworski, LLP
98 San Jacinto Blvd., Suite 1100
Austin, TX 78701-2978
512-474-5201
512-536-4598 (facsimile)
and
Richard N. Carrell
State Bar No. 03871000
1301 McKinney, Suite 5100
Houston, Texas 77010-3095
713-651-5151
713-651-5246 (facsimile)

ATTORNEYS FOR FARMERS INSURANCE EXCHANGE
AND FIRE INSURANCE EXCHANGE

AFFIDAVIT

STATE OF _____ §

COUNTY OF _____ §

Before me, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

"My name is _____. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

"I hold the office of _____, and am the authorized representative of Farmers Insurance Exchange. I am duly authorized by said organization to execute this statement.

"Farmers Insurance Exchange waives rights provided by the Texas Insurance Code and other applicable law and acknowledges the jurisdiction of the commissioner of insurance.

"Farmers Insurance Exchange voluntarily enters into this consent order and consents to the issuance and service of this consent order."

Affiant

SWORN TO AND SUBSCRIBED before me on this _____ day of _____, 2013.

(NOTARY STAMP)

Signature of Notary Public

4577

AFFIDAVIT

STATE OF _____ §

COUNTY OF _____ §

Before me, the undersigned authority, personally appeared the affiant, who being by me duly sworn, deposed as follows:

"My name is _____. I am of sound mind, capable of making this statement, and have personal knowledge of these facts which are true and correct.

"I hold the office of _____, and am the authorized representative of Fire Insurance Exchange. I am duly authorized by said organization to execute this statement.

"Fire Insurance Exchange waives rights provided by the Texas Insurance Code and other applicable law and acknowledges the jurisdiction of the commissioner of insurance.

"Fire Insurance Exchange voluntarily enters into this consent order and consents to the issuance and service of this consent order."

Affiant

SWORN TO AND SUBSCRIBED before me on this _____ day of _____, 2013.

(NOTARY STAMP)

Signature of Notary Public



OFFICE of the ATTORNEY GENERAL
GREG ABBOTT

December 6, 2002

M. Scott Incerto
Fulbright & Jaworski, L.L.P.
600 Congress Ave., Suite 2400
Austin, TX 78701-3271

via facsimile

Re: Cause No. GV202501
*The State of Texas and The Texas Commissioner of Insurance v. Farmers Group, Inc.,
Farmers Underwriters Association, Fire Underwriters Association, Farmers Insurance
Exchange, and Fire Insurance Exchange; in the 261st District Court, Travis County, Texas*

Dear Scott:

For purposes of the settlement agreement, please find below a list of all outstanding Civil Investigative Demands ("CIDs") issued by the Office of the Attorney General to Farmers:

Homeowners Insurance Claims Handling CIDs

<i>Company</i>	<i>Date Issued</i>
Farmers Insurance Exchange	October 18, 2001
Texas Farmers Insurance Company	October 18, 2001
Fire Insurance Exchange	October 19, 2001
Farmers Insurance Exchange	January 30, 2002
Texas Farmers Insurance Company	January 30, 2002
Fire Insurance Exchange	January 30, 2002

CIDs on Sales, Advertising and Marketing Practices on Texas Homeowners Policies

<i>Company</i>	<i>Date Issued</i>
Farmers Insurance Exchange	March 20, 2002
Texas Farmers Insurance Company	March 20, 2002
Fire Insurance Exchange	March 20, 2002

Second Amended Settlement
Agreement And Stipulation

EXHIBIT N

Auto Credit Scoring CIDs

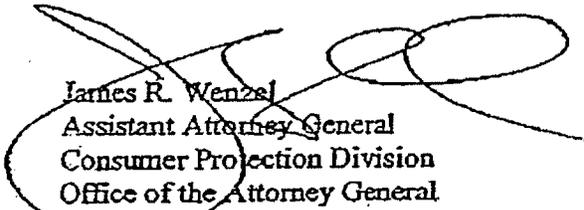
<i>Company</i>	<i>Date Issued</i>
Farmers Texas County Mutual Ins. Co.	August 30, 2002
Texas Farmers Insurance Company	August 30, 2002
Mid-Century Insurance Co. of Texas	August 30, 2002

Antitrust CIDs

<i>Company</i>	<i>Date Issued</i>	<i>Cause Number</i>
Texas Farmers Insurance Company	June 18, 2002	GN-202870
Farmers Group, Inc.	August 21, 2002	GN-203286
Farmers Insurance Exchange	August 22, 2002	GN-203347
Farmers Texas County Mutual Ins. Co.	August 22, 2002	GN-203346
Fire Insurance Exchange	August 22, 2002	GN-203343
Mid-Century Insurance Company	August 22, 2002	GN-203345
Mid-Century Insurance Co. of Texas	August 22, 2002	GN-203344
Farmers Underwriters Association	August 23, 2002	GN-203415
Fire Underwriters Association	August 23, 2002	GN-203416

Farmers will need to dismiss its lawsuits on the antitrust CIDs as part of the settlement. If you have any questions, please do not hesitate to contact me.

Sincerely,



James R. Wenzel
 Assistant Attorney General
 Consumer Protection Division
 Office of the Attorney General
 (512) 463-1264 / FAX (512) 463-1267

cc: David Mattax, Assistant Attorney General
 Gary Norton, Assistant Attorney General
 Ray Olah, Assistant Attorney General

4577

CAUSE NO. GN202870

IN THE MATTER OF:	§	IN THE DISTRICT COURT OF
	§	
	§	TRAVIS COUNTY, TEXAS
TEXAS FARMERS INSURANCE	§	
COMPANY	§	353 rd JUDICIAL DISTRICT

STIPULATION AND MOTION TO DISMISS

TO THE HONORABLE ADMINISTRATIVE LAW JUDGE:

Texas Farmers Insurance Company ("TFIC") and the Texas Attorney General through his Antitrust Section of the Consumer Protection Division stipulate as follows:

1. This Civil Investigative Demand Served upon Texas Farmers Insurance Company dated June 18, 2002, by the Texas Attorney General's Antitrust Section of the Consumer Protection Division has been withdrawn.

2. The Petition of the Texas Farmers Insurance Company to Set Aside, or in the Alternative to Modify Civil Investigative Demand may be dismissed with prejudice.

Wherefore, Texas Farmers Insurance Company and the Texas Attorney General move that the above-styled and numbered cause be dismissed with prejudice.

THE ATTORNEY GENERAL OF TEXAS

GREGG ABBOTT
Attorney General of Texas

JOSHUA GODBEY
Assistant Attorney General

TOMMY PRUD'HOMME
Chief, Consumer Protection Division

**Second Amended Settlement
Agreement And Stipulation**

EXHIBIT O

4577

GARY NORTON
State Bar No. 15105000
Assistant Attorneys General
Consumer Protection Division
P.O. Box 12548
Austin, Texas 78711-2548
512/475-3081
512/473-8301 FAX

JACKSON WALKER L.L.P.

Thomas T. Rogers
State Bar No. 17186700
100 Congress, Suite 1100
Austin, Texas 78701
512/236-2000
512/236-2002 – Fax

ATTORNEYS FOR TEXAS FARMERS
INSURANCE COMPANY

4577

CAUSE NO. GN202870

IN THE MATTER OF:

TEXAS FARMERS INSURANCE
COMPANY

§
§
§
§
§
§
§

IN THE DISTRICT COURT

OF TRAVIS COUNTY, TEXAS

_____ JUDICIAL DISTRICT

ORDER OF DISMISSAL

This matter having come on for hearing upon the Stipulation and Motion to Dismiss by the parties, the Court having reviewed the stipulation and finding that the Civil Investigative Demand served upon Texas Farmers Insurance Company dated _____, has been withdrawn, finds that the motion of the parties should be granted. It is therefore:

ORDERED that the above-styled and numbered cause be and is hereby DISMISSED with prejudice. Costs of court are taxed against the party incurring same.

Dated: _____

JUDGE PRESIDING

4577

APPROVED:

JACKSON WALKER L.L.P.
100 Congress. Suite 1100
Austin, Texas 78701
512/236-2000
512/236-2002 FAX

Thomas T. Rogers
State Bar No. 17186700

ATTORNEYS FOR TEXAS FARMERS INSURANCE COMPANY

THE ATTORNEY GENERAL OF TEXAS

GREGG ABBOTT
Attorney General of Texas

JOSHUA GODBEY
Assistant Attorney General

MARK TOBEY
Chief, Anti-Trust Section
Consumer Protection Division

GARY NORTON
State Bar No. 15105000
Assistant Attorneys General

4577

1301 McKinney, Suite 5100
Houston, Texas 77010-3095
Telephone: 713-651-5151
Telecopier: 713-651-5246

AND

M. Scott Incerto
State Bar No. 10388950
98 San Jacinto Blvd., Suite 1100
Austin, Texas 78701
Telephone: 512-474-5201
Telecopier: 512-536-4598
ATTORNEYS FOR FARMERS INSURANCE
EXCHANGE and FIRE INSURANCE
EXCHANGE

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a true and correct copy of the above and foregoing was served on the following counsel of record on this the ____ day of _____, 2013, via facsimile:

John Hohengarten
Sarah Scribner
Office of the Attorney General
P.O. Box 12548
209 West 14th Street
Austin, Texas 78711-2548

M. Scott Incerto

55977730 1

**Second Amended Settlement
Agreement and Stipulation**

EXHIBIT P

4577

State Bar No. 09812200
SARA SCRIBNER
Assistant Attorney General
State Bar No. 00797403
Financial Litigation Division
P.O. Box 12548
Austin, Texas 78711-2548
Tel: (512) 463-2018
Fax: (512) 477-2348

ATTORNEYS FOR JOSE MONTEMAYOR,
INDIVIDUALLY, THE TEXAS COMMISSIONER
OF INSURANCE, AND TEXAS DEPARTMENT OF INSURANCE

SUPPLEMENT TO THE SECOND AMENDED
SETTLEMENT AGREEMENT AND STIPULATION

This is a Supplement, entered into on the 4th of March, 2015, (“Supplement”) to the Second Amended Settlement Agreement and Stipulation (“Settlement Agreement”), which was entered into on 29th of August, 2013, by and among the State of Texas (“Texas”), the Office of the Attorney General (“OAG”), the Texas Department of Insurance (“TDI”), including the Texas Commissioner of Insurance (“Commissioner”) (collectively referred to as the “State”), and defendants Fire Underwriters Association, Farmers Group, Inc., individually and d/b/a Farmers Underwriters Association, Farmers Insurance Exchange, Fire Insurance Exchange, Texas Farmers Insurance Company, Mid-Century Insurance Company of Texas, Mid-Century Insurance Company, Farmers Texas County Mutual Insurance Company, Truck Insurance Exchange, and Truck Underwriters Association (collectively referred to as the “Farmers Parties”). Any reference to “Settlement Agreement” in the Settlement Agreement or any of the Exhibits to the Settlement Agreement, including the Order of Preliminary Approval, Notice of Proposed Class Settlement, and Final Judgment, is meant to include this Supplement.

The State and the Farmers Parties (collectively referred to as the “Parties”) reaffirm their obligations and commitments made in the Settlement Agreement subject to the enhancements, modifications, and conditions in this Supplement. The Parties further agree as follows:

I. DEFINITIONS

For this Supplement, all the terms have the same meanings as set forth in the Settlement Agreement, except that the definition of Released Claims is modified to add the following sentence at the end of the definition:

Notwithstanding the foregoing, the claim for declaratory relief only without any claim for damages, which has been certified as a class action, and as set forth in the Order of November 23, 2010, in the pending *Geter v. Farmers Group, Inc., et al.*, No. E-0167872 in the 172nd District Court of Jefferson County, Texas, is not released by this definition. All other class claims are released.

The following definition is added after the definition for “MOU”:

The “2014 MOU” is the Memorandum of Understanding executed by the Parties on December 17, 2014.

II. RECITALS

In Section II of the Settlement Agreement, entitled “Recitals,” the following is added at the end of the Recitals:

WHEREAS, at the hearing on April 29, 2014, the Court raised certain issues to be considered.

WHEREAS, the Parties reaffirm the Second Amended Settlement Agreement in its entirety, but have agreed to the enhancements, modifications, and conditions set forth in this Supplement.

III. CERTIFICATION OF SETTLEMENT CLASSES

As to Section III of the Settlement Agreement on "Certification of Settlement Classes," the Parties acknowledge and agree that the District Court has certified the Settlement Classes in its Order of Preliminary Approval (June 27, 2003), that was appealed to the Third Court of Appeals and the Texas Supreme Court, which affirmed the Order of Preliminary Approval, and the case was ultimately remanded to the District Court on March 9, 2010. Accordingly, the Parties have satisfied the requirement of seeking certification of the Settlement Classes for purposes of Paragraphs 1-4 of Section III of the Settlement Agreement, although the other conditions of Paragraph 2 still apply.

Further to Section III of the Settlement Agreement, Exhibit B (Notice of Proposed Class Settlement), Exhibit C (Summary Notice of Settlement) and Exhibit E (Claim Form) have been revised and the Exhibit B and Exhibit C, attached to this Supplement, are substituted in their place.

IV. SETTLEMENT FUND

In Section IV of the Settlement Agreement, entitled "Settlement Fund," the Parties agree to the following changes:

The following is substituted for Paragraph 8:

8. Attorneys' Fees and Investigative Costs. This Paragraph is no longer operative.

The following is substituted for Paragraph 9:

9. Estimated Value. Class members who renewed or received a new HO-A insurance policy from the Defendants after November 11, 2002 and before September 1, 2003, received a 6.8% "prospective" reduction in their premiums. The value of undistributed benefits to the eligible Rate and Discount Class Members under this Settlement is \$84.38 million. In addition, eligible Credit Usage Notice Class Members can apply to receive a payment of \$35.

The following is substituted for Paragraph 10:

10. Accounting Treatment for Settlement Fund Payments and Credits. All amounts paid or credited to policyholders for the Retrospective Rate Reduction and the Individualized Discount Adjustment components shall be treated and accounted for by the Farmers Parties as a return of written premiums. The Farmers Parties shall also prepare such amendments as necessary to their previously reported statistical plan filings to reflect a reduction in direct written

premiums for amounts paid for the above-referenced components. At the time the payment of the Retrospective Rate Reduction and Individual Discount Adjustment is made to the Settlement Class Members, Farmers Group, Inc. shall cause to be paid to the Farmers Exchanges a reimbursement of the attorney-in-fact fee related to those returned premiums, including the enhancement of return premium set out in Paragraph 11 below, in an amount to be determined by the Exchanges.

The following Paragraph is added as Paragraph 11:

11. The Farmers Parties will provide a total of \$10 million (TEN MILLION US DOLLARS AND NO/100) in additional consideration to eligible Rate and Discount Class Members. These additional funds will be distributed on a proportionate basis based on the aggregate of the amounts that the individual class member will be receiving for the rate and discount components.

IX. RELATED PROCEEDINGS

In Section IX in the Settlement Agreement entitled "Related Proceedings," the Parties agree to the following change:

The following is substituted for Paragraph 6:

6. **Management Fee.** This Paragraph is no longer operative.

The following is added as a new Paragraph 7:

7. **Geter.** The Farmers Parties agree that the settlement of this case will not be used to argue that the declaratory relief claim, which was certified as a class action and as set forth in the Order of November 23, 2010, in the pending *Geter v. Farmers Group, Inc.*, No. E-0167872, in the 172nd District Court of Jefferson County, Texas, is barred by the doctrines of res judicata, collateral estoppel, or release; provided that this exception to the scope of the release and effect of the final judgment in this case is limited solely to the previously certified class claim for declaratory relief in the *Geter* case.

X. OTHER PROVISIONS

In Section X of the Settlement Agreement, the Parties agree to the following changes:

The following is substituted for Paragraph 1:

1. **Cooperation.** The Parties and their undersigned counsel agree to undertake their best efforts and to cooperate with each other to effectuate the prompt consummation of the proposed settlement, including taking all steps and efforts contemplated by their written agreements, and any other reasonable steps and efforts that may become necessary by order of the Court or otherwise.

The following is substituted for Paragraph 2:

2. This Settlement Agreement, this Supplement, and the exhibits attached to both agreements constitute the entire agreement among the Parties. All other agreements and understandings between the Parties, including the MOU and the 2014 MOU, are superseded by the Settlement Agreement and this Supplement. To the extent there is any conflict between the Settlement Agreement and this Supplement, the Supplement will control.

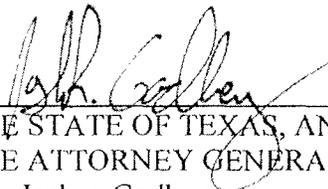
The following are added as Paragraphs 7-8:

7. The Parties will present the Settlement Agreement and this Supplement to the Court for preliminary approval at the earliest practical time after execution of this Supplement.

8. The parties agree and recognize that each of the foregoing provisions is subject to preliminary and final approval by the Travis County District Court.

This Supplement may be executed in counterparts, and a signature by facsimile or email shall have the same weight and effect as an original signature.

Once fully executed, this Supplement satisfies the requirement of Section X, Paragraph 3, of the Settlement Agreement that permits the Settlement Agreement to be amended or modified by a written instrument signed by or on behalf of the Parties or their successors in interest.



THE STATE OF TEXAS, AND THE OFFICE OF
THE ATTORNEY GENERAL

By: Joshua Godbey
Senior Attorney for Financial Litigation
Office of the Attorney General



DAVID MATTAX, COMMISSIONER
TEXAS DEPARTMENT OF INSURANCE

4577



FARMERS INSURANCE EXCHANGE, FIRE
INSURANCE EXCHANGE, TRUCK
INSURANCE EXCHANGE, TEXAS FARMERS
INSURANCE COMPANY, MID-CENTURY
INSURANCE COMPANY OF TEXAS, MID-
CENTURY INSURANCE COMPANY,
FARMERS TEXAS COUNTY MUTUAL
INSURANCE COMPANY



FARMERS GROUP, INC., INDIVIDUALLY,
AND D/B/A FARMERS UNDERWRITERS
ASSOCIATION, FIRE UNDERWRITERS
ASSOCIATION, AND TRUCK
UNDERWRITERS ASSOCIATION

Members, as plaintiffs, and Fire Underwriters Association, Farmers Group, Inc., Farmers Underwriters Association, Farmers Insurance Exchange, Fire Insurance Exchange, Texas Farmers Insurance Company, Mid-Century Insurance Company of Texas, Mid-Century Insurance Company, Farmers Texas County Mutual Insurance Company, Truck Insurance Exchange, and Truck Underwriters Association, as defendants (collectively, the “Farmers Parties”);

2. The Settlement Agreement is reasonable, fair, just, and adequate and satisfies Texas Rule of Civil Procedure 42 and Texas Insurance Code § 541.266(a);

3. The State has satisfied the Settlement Class Members’ rights to adequate representation;

4. The Court hereby acknowledges and confirms the State, through the Office of the Attorney General, to fulfill the role of the Settlement Classes’ Counsel. The Court acknowledges and confirms that the Attorney General’s office is authorized to bring this class action by the authority granted in sections 541.251 and 541.256-.257 of the Texas Insurance Code and Rule 42 of the Texas Rules of Civil Procedure. *Farmers Grp., Inc. v. Lubin*, 222 S.W.3d 417, 420, 427-28 (Tex. 2007) (“*Lubin I*”) (holding that “the standard class action requirements must be applied generally to the claims asserted by Attorney General, not the Attorney General himself,” and directing court of appeals to address intervenors’ remaining points of error on remand); *Lubin v. Farmers Grp., Inc.*, No. 03-03-00374-CV, 2009 WL 3682602, at *26-32 (Tex. App.—Austin Nov. 6, 2009, no pet.) (“*Lubin II*”) (overruling intervenors’ other objections to certification).

5. This Court additionally acknowledges and confirms that each of the requirements of sections 541.256 and 541.257 of the Texas Insurance Code and Rule 42(a) and (b) has been met. See *Lubin I*, 222 S.W.3d at 420, 427-28; *Lubin II*, 2009 WL 3682602, at *26-32; see also

Grigson v. State, No. 03-15-00436-CV, 2015 WL 5096898, at *1-2 (holding that the trial court's 2015 Order of Preliminary Approval "made no ruling certifying the class" but instead "acknowledg[ed] the class certification in 2003, the eventual appeal of the certification to the Texas Supreme Court, and the affirmance of the certification on remand").

6. The Court further finds that there has been no collusion between the State and the Farmers Parties ("Settling Parties") with respect to negotiating the Settlement Agreement and that the State has represented, and will continue to represent, the interests of the Settlement Class Members fairly and adequately and without a conflict of interests.

7. The Notice provided pursuant to the Court's Order of Preliminary Approval signed the day of July 6, 2015, provided the best notice practicable to all persons within the definition of the Settlement Classes under the circumstances, and fully complies with sections 541.261 and 541.267(b) of the Texas Insurance Code, TEX. R. CIV. P. 42(c)(2), and the Texas and United States Constitutions;

The Court ORDERS as follows:

1. The Settlement Agreement, including the definitions contained therein and the exhibits thereto, is approved and shall be consummated in accordance with the terms and provisions thereof, and the Court orders the Settling Parties to comply with the Settlement Agreement. The terms "Released Parties," "Released Claims," "Settlement Classes," "Settlement Class Members," and all other terms in this Final Judgment are defined in accord with the terms in the Settlement Agreement.

2. This Final Judgment is binding on all parties to the Settlement Agreement and on all Settlement Class Members. Settlement Class Members, as defined in the Settlement

Agreement, include all of the following who did not timely request exclusion from the Settlement Classes:

(a) All of the Exchanges' Texas homeowners insurance policyholders (a) whose homeowners insurance policy inception (including renewals) from December 28, 2001, through and including December 27, 2002, or (b) who received a notice at any time after November 14, 2001, that their HO-B policy would not be renewed (the "Rate Class");

(b) All of the Exchanges' Texas homeowners insurance policyholders who according to Farmers' records were eligible to receive discounts for FPRA, age of home, or territory from November 16, 2000, through and including December 10, 2002 (the "Discount Class"); and

(c) All Texas homeowners or automobile insurance policyholders of the Exchanges or the Automobile Insurance Providers who according to Farmers' records were provided or should have been provided a Credit Usage Notice from October 1, 1999, through February 28, 2003 (the "Credit Usage Class").

3. In accordance with and pursuant to the terms of the Settlement Agreement, the Released Parties shall make available to eligible Settlement Class Members the Retrospective Rate Reduction, the Individualized Discount Adjustment, and the Credit Usage Notice Fund.

4. Entry of this Final Judgment approves the Settlement Agreement and settles all Released Claims. As of the Effective Date of the Settlement Agreement, the State and Settlement Class Members shall be forever barred from bringing or prosecuting any action or proceeding that involves or asserts any of the Released Claims, as defined in the Settlement Agreement, against the Released Parties, and shall be deemed to have released and forever discharged the Released Parties from all Released Claims.

5. As of the Effective Date of the Settlement Agreement, the State and Settlement Class Members shall be conclusively deemed to have acknowledged the release of all Released Claims, including but not limited to claims, rights, demands, causes of action, liabilities or suits that are not known or suspected to exist as of November 30, 2002.

6. The Settlement Funds and Revised Credit Usage Notices provided in the Settlement Agreement are the only consideration, fees, and expenses the Farmers Parties shall be obligated to give the State and Settlement Class Members in connection with the Settlement Agreement.

All Released Claims, as defined in the approved Settlement Agreement, are dismissed in their entirety, with prejudice. The Court further ORDERS as follows:

1. The Court reserves and retains exclusive and continuing jurisdiction over this Action, the State, the Settlement Class Members, and the Released Parties, to the fullest extent allowed by Texas law, for the purposes of supervising the enforcement, construction, and interpretation of:

- (a) the Settlement Agreement,
- (b) the Court's Second Amended Protective Order signed the 28th day of May, 2015, and
- (c) this Final Judgment.

2. The Court's Second Amended Protective Order entered on May 28, 2015, shall continue in effect by its terms;

3. This Final Judgment and the Settlement Agreement, and all papers related thereto, are not, and shall not be construed to be, an admission by any Settling Party of any liability or wrongdoing whatsoever; and

4. This Final Judgment incorporates all other orders and resolves all claims in this case made by all parties. All other relief not expressly granted herein to the State or the Settlement Class Members, or to the Farmers Parties as counter-plaintiffs, is hereby DENIED.

4577

SIGNED February 5, 2016.



JUDGE PRESIDING

Final Judgment
GV-02-2501