

SECOND AMENDED SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release (“Agreement”) is made and entered into this 18th day of December 2019, by and among (1) Plaintiffs, Roger Harris, Duane Brown, Brian Lindsey (“Plaintiffs”), individually, and on behalf of the Settlement Class, and (2) Farmers Insurance Exchange and Mid Century Insurance Company (collectively “Farmers” or “Defendants”), subject to preliminary and final approval as required by the California Rules of Court. As provided herein, Plaintiffs, Class Counsel and Farmers hereby stipulate and agree that, in consideration of the promises and covenants set forth in this Agreement and upon entry by the Court of a Final Order and Judgment and achievement of the Effective Date all claims of the Settlement Class against Farmers in the action titled *Harris, et al. v. Farmers Insurance Exchange, et al.*, Superior Court of California, County of Los Angeles, Case No. BC 57948 (“Action”), shall be settled and compromised upon the terms and conditions contained herein.

I. Recitals

1. On April 22, 2015, Plaintiffs filed a class action complaint in the Superior Court of California alleging five causes of action pertaining to Farmers’ alleged use of price optimization/elasticity of demand (a.k.a., a method of taking into account an individual’s or class’s willingness to pay a higher premium relative to other individuals or classes) as a rating factor in violation of California’s Unfair

Competition Law, Cal. Bus. & Prof. Code § 17200 et seq. (“UCL”), the California Insurance Code, and as unjust enrichment.

2. Plaintiffs filed a First Amended Complaint on October 29, 2015.

3. On November 30, 2015, Farmers filed a Demurrer to the First Amended Complaint (“Demurrer”). On December 30, 2015, Plaintiffs filed their Response in Opposition to Farmers’ Demurrer, and on January 8, 2016, Farmers filed its Reply in support of its Demurrer.

4. On January 25, 2016, the Court sustained in part and denied in part Farmers’ Demurrer. The Court overruled Farmers’ Demurrer to Plaintiffs’ causes of action under the UCL and for unjust enrichment. The Court sustained without leave to amend Farmers’ Demurrer as to Plaintiffs’ cause of action for violation of California Insurance Code Section 1861.10. The Court granted Farmers’ request for a stay of the case pending proceedings before the California Department of Insurance (the “Department”) pursuant to the primary jurisdiction doctrine.

5. For the next several months, the Department informally investigated whether Farmers was using price optimization or elasticity of demand as a rating factor. Then, both in response to the Superior Court’s order and also on his own motion, on April 14, 2017 the Commissioner announced that he would hold a hearing on “whether Farmers has violated California insurance law by using illegal price optimization” titled *In the Matter of the Rating Practices of Farmers Insurance*

Exchange and Mid-Century Insurance Company (CDI File No. NC-2017-00003).

6. The Commissioner invited Plaintiffs to participate in the Department Proceeding and stated that he would convey his findings to the Superior Court.

7. Both Plaintiffs and Consumer Watchdog (“CWD”) subsequently intervened in the Department Proceeding.

8. The Department Proceeding continued for over two years and included significant motion practice and discovery. The Parties also entered into a Joint Statement of Issues in which the Parties stipulated to the following facts:

- a. The Commissioner approved Farmers’ 2008 Class Plans and associated rate filings;
- b. Farmers did not directly use price optimization software in the development of the 2008 Class Plans or any rate filings based on those Class Plans;
- c. Farmers calculated rates and premiums in a manner consistent with the 2008 Class Plans as filed with the Commissioner;

9. During that time, Farmers also filed two separate Petitions for Writ of Administrative Mandamus – one in August of 2017 and another in November of 2018 – related to the conduct and scope of the Department Proceeding.

10. After several continuances as the Parties engaged in discovery and other disputes, the Department Proceeding was set for final evidentiary hearing on January 7, 2019.

11. In December of 2018, the Parties agreed to a mediation before the Hon.

Harry W. Low (Ret.) and requested that the evidentiary hearing in the Department Proceeding be continued. The Chief Administrative Law Judge presiding over the Department Proceeding, Judge Rosi, granted that request.

12. On February 19, 2019, the Parties participated in a full day mediation with Judge Low. The mediation did not result in a settlement on that date.

13. For the next several months, the Parties continued their discussions and negotiations both in writing and over the telephone, with the participation of Judge Low. Chief Administrative Law Judge Rosi continued the evidentiary hearing in the Department Proceeding pending such settlement talks.

14. On June 5, 2019, the Parties executed a Memorandum of Understanding wherein the Parties agreed to the material terms of the settlement, the finalization of which is contingent on (1) the execution of a full and binding Settlement Agreement; (2) the Commissioner of Insurance's dismissal of the Department Proceeding (CDI File No. NC -2017-00003) (without prejudice to reinstatement in the event the Settlement does not receive Final Approval and/or the Effective Date does not occur); (3) the entry by the Court of a Final Order and Judgment (i) affirming certification of the Settlement Class, (ii) finding the Settlement Agreement to be fair, adequate and reasonable, (iii) finding that the Notice to the Class of the Settlement Agreement is fair, adequate and reasonable, (iv) resolving any and all objections to the Settlement Agreement, (v) dismissing with prejudice the Settlement Class

Members' claims against the Released Persons with each party to bear its own costs;

(4) the expiration of the deadline for seeking appellate review of the Final Order and Judgment if no appeal is sought, or the day following the date all appellate courts with jurisdiction to review the Final Judgment and Order with no possibility of further appellate review.

15. On June 6, 2019, Plaintiffs and Farmers filed a Stipulated Request for a Stay of the Department Proceeding pending the Settlement of the Action.

16. On June 7, 2019, the Parties filed a Notice of Settlement with the Court advising the Court of the Memorandum of Understanding and requesting a stay of all proceedings until the filing of this Settlement Agreement and a Motion for Preliminary Approval.

17. The Parties now agree to settle the Action in its entirety, without any admission of liability, with respect to all Released Claims of the Releasing Parties (definitions below). The Parties intend this Agreement to bind Plaintiffs, Farmers, and all Settlement Class Members.

18. Plaintiffs' proposed Second Amended Complaint is attached hereto as Exhibit 1. Plaintiffs will file this proposed Second Amended Complaint with the Court as the operative complaint in the Action at the time that Plaintiffs file their Motion for Preliminary Approval.

19. On November 18, 2019, the Parties entered into an Amended Settlement Agreement.

20. On December 18, 2019, the Parties entered into a Second Amended Settlement Agreement.

NOW, THEREFORE, in light of the foregoing, for good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the Parties agree, subject to approval by the Court, as follows.

II. Definitions

In addition to the terms defined at various points within this Agreement, the following Defined Terms apply throughout this Agreement:

21. “Action” means *Harris, et al. v. Farmers Insurance Exchange, et al.*, Superior Court of California, Case No. BC 57948.

22. “Class Counsel” means:

MEHRI & SKALET PLLC
Cyrus Mehri, Esq.
Jay Angoff, Esq.
1250 Connecticut Ave. NW
Suite 300
Washington, DC 20036

TYCKO & ZAVAREEI LLP
Hassan A. Zavareei, Esq.
Andrea Gold, Esq.
1828 L Street Northwest
Suite 1000
Washington, DC 20036

BERGER MONTAGUE, P.C.
Peter Kahana, Esq.
Jeff Osterwise, Esq.
1818 Market Street, Suite 3600
Philadelphia, PA 19103

23. “Class Period” means the period from August 18, 2015, through March 31, 2017.

24. “Class Representatives” mean Roger Harris, Duane Brown, and Brian Lindsey.

25. “Court” means the Superior Court of California, County of Los Angeles.

26. “Depository Bank” shall mean BB&T or its successor or another bank acceptable to the parties with the capacity to hold a qualified settlement fund.

27. “Department Proceeding” means the California Department of Insurance administrative investigatory non-compliance hearing, California Department of Insurance File No. NC-2017-00003.

28. “Effective Date” means the day following: (A) the entry by the Court of the Final Order and Judgment: (i) affirming certification of the Settlement Class; (ii) finding the Settlement Agreement to be fair, adequate and reasonable; (iii) finding that the Notice to the Class of the Settlement Agreement was fair, adequate and reasonable; (iv) resolving any and all objections to the fairness and reasonableness of the Settlement Agreement, if any; and (B) the expiration of the deadline for seeking appellate review of the Final Order and Judgment if no appeal is sought; or the day following the date all appellate courts with jurisdiction affirm the Final Judgment and Order with no possibility of further appellate review

existing; and (C) the Commissioner's dismissal of the Department Proceeding (without prejudice to reinstatement in the event the Settlement does not receive Final Approval and/or the Effective Date does not occur).

29. "Final Approval" means the date that the Court enters an order granting final approval to the Settlement and determines the amount of fees, costs, and expenses awarded to Class Counsel and the amount of any Service Awards to the Class Representatives.

30. "Final Approval Order" means the final order that the Court enters upon Final Approval that does not affect the financial terms or Releases provided for herein. All Parties will in good faith support and pursue preliminary and final class-wide approval of the material terms of this Agreement. In the event that the Court issues separate orders addressing the matters constituting Final Approval, then the Final Approval Order includes all such orders.

31. "Farmers" means Farmers Insurance Exchange and its affiliate, Mid Century Insurance Company.

32. "Net Settlement Amount" means the Settlement Amount, minus Court approved attorneys' fees, costs and expenses, any notice and administration expenses, and Court-approved Service Awards to Plaintiffs. The Net Settlement Amount will be allocated to Settlement Class Members such that each Settlement Class Member will receive an equal Settlement Class Member Payment from the

Net Settlement Amount, except that Settlement Class Members that jointly hold an ownership interest in any Policy or Policies shall receive a joint Settlement Class Member Payment.

33. “Non-Renewing Current Policy Holder” means a Settlement Class Member who continues to have his or her Policy as of the Effective Date and who declines to renew his or her Policy within six months after the Payment Date.

34. “Notice” means the notices that the Parties will ask the Court to approve in connection with the Motion for Preliminary Approval of the Settlement.

35. “Notice Program” means the methods ordered by the Court for giving the Notice and may consist of Email Notice, Long Form Notice, and Publication Notice (all defined herein below), which shall be substantially in the forms as the Exhibits attached hereto as Exhibits 2-4.

36. “Opt-Out Period” means the period that begins the day after the earliest date on which the Notice is first mailed, and that ends 120 days after Preliminary Approval. The deadline for the Opt-Out Period will be specified in the Notice.

37. “Parties” means Plaintiffs and Farmers.

38. “Past Policy Holder” means a Settlement Class Member who no longer holds his or her Policy as of the Effective Date.

39. “Payment Date” means that date occurring after the Effective Date on which the Court orders the payment of the Settlement Class Member Payments to begin.

40. “Plaintiffs” means Roger Harris, Duane Brown, and Brian Lindsey.

41. “Policy” means any private passenger auto insurance policy maintained by Farmers in the state of California.

42. “Policy Holder” means each person who has an ownership interest in a Policy or Policies during the Class Period.

43. “Preliminary Approval” means the date that the Court enters, without material change, an order preliminarily approving the Settlement.

44. “Publication Notice” means a mutually agreed notice of the Settlement published in California in the following publications in the publications identified in paragraph 72 to apprise Settlement Class Members of the Settlement.

45. The “Releases” means all of the releases contained in Paragraph 89 hereof.

46. “Released Claims” means all claims to be released as specified in Paragraph 89 hereof.

47. “Released Parties” means those persons released as specified in Paragraph 89 hereof.

48. “Releasing Parties” means Plaintiffs and all Settlement Class Members, and each of their respective heirs, assigns, beneficiaries and successors.

49. “Renewing Current Policy Holder” means a Settlement Class Member who continues to have his or her Policy as of the Effective Date and who renews his or her Policy within six months after the Payment Date.

50. “Service Award” means any Court-ordered payment to Plaintiffs for serving as Class Representatives that is in addition to any payment otherwise due Plaintiffs as Settlement Class Members.

51. “Settlement” means the settlement into which the Parties have entered to resolve the Action. The terms of the Settlement are as set forth in this Agreement.

52. “Settlement Administration Costs” means all costs of the Settlement Administrator regarding notice and settlement administration.

53. “Settlement Administrator” means Epiq Systems, Inc.

54. “Settlement Class” means all Policy Holders of Defendants Farmers Insurance Exchange (“FIE”) and Mid Century Insurance Company (“MCA”) who: (1) had 9 or more years of tenure/persistency as a FIE and/or MCA policyholder as of August 18, 2015 or who reached 9 or more years of tenure/persistency as a FIE and/or MCA policyholder on or before March 31, 2017, and (2) were FIE and/or MCA policyholders of Defendants at any time during the period extending from August 18, 2015 through March 31, 2017. Excluded from the Settlement Class are

(a) officers, directors, and employees of any member of the Farmers Insurance Group of Companies; (b) the judge overseeing the proposed settlement and the judge's immediate family and (c) all Policy Holders who make a timely election to be excluded.

55. "Settlement Class Member" means each Policy Holder included in the Settlement Class who does not timely opt-out of the Settlement.

56. "Settlement Class Member Payment" means the equal distribution that will be made from the Net Settlement Amount to each Settlement Class Member (or jointly to Settlement Class Members who jointly hold an ownership interest in a Policy or Policies), as described in Paragraph 32.

57. "Settlement Amount" means the \$15,000,000 that Farmers is obligated to pay under the Settlement. The Settlement Amount is all inclusive and will be used to pay the Settlement Class Member Payments, any attorneys' fees, costs and Service Awards ordered by the Court, any Settlement Administration Costs including the costs of Settlement Administrator and the costs of all forms of Notice and the Notice Program, and any *cy pres* payment required under this Agreement. Any and all costs incurred by Farmers in the process of making Policy credits to Renewing Current Policy Holders shall be borne by Farmers separately and not out of the Settlement Amount.

58. “Settlement Website” means the website that the Settlement Administrator will use as a means for Settlement Class members to obtain notice of and information about the Settlement, through and including hyperlinked access to this Agreement, the Long Form Notice, the order preliminarily approving this Settlement, the Final Judgment, and such other documents as Class Counsel agree to post or that the Court orders posted on the website. The URL of the Settlement Website shall be www.FarmersPriceOptimizationSettlement.com, or such other URL as Class Counsel and Farmers agree upon in writing.

III. Certification of the Settlement Class

59. For Settlement purposes only, Plaintiffs and Farmers agree to ask the Court to certify the Settlement Class under California Code of Civil Procedure Section 382.

IV. Monetary Settlement

60. Subject to approval by the Court, the total monetary consideration to be provided by Farmers pursuant to the Settlement shall be \$15,000,000, inclusive of the amount paid to Settlement Class Members, any and all attorneys’ fees, costs and expenses awarded to Class Counsel, any Service Awards to the Class Representatives, all costs and expenses incurred by the Settlement Administrator and any *cy pres* payment.

61. Within 10 days of Preliminary Approval of the Settlement, Farmers shall deliver to the Settlement Administrator \$500,000 from the Settlement Amount to be deposited in a Qualified Settlement Fund account for this matter at the Depository Bank. This amount is estimated to be necessary to pay for the Notice Program and administration of the Settlement by the Settlement Administrator.

62. Within 10 days of the Effective Date Farmers shall deliver to the Settlement Administrator that portion of the Settlement Amount necessary to pay the Settlement Class Member Payments due to the Past Policy Holders and the attorneys' fees and costs payable to Class Counsel, which amount shall be deposited in the Qualified Settlement Fund account for this matter at the Depository Bank maintained by the Settlement Administrator. The Settlement Administrator shall deliver such Settlement Class Member Payments to the Past Policy Holders in accordance with the Court's Final Approval Order.

63. In order to reduce the costs of administration of the Settlement, Farmers shall retain that portion of the Settlement Amount that is allocated to Settlement Class Members who are Renewing Current Policy Holders, who will beginning on the Payment Date, at its own cost and expense, directly credit the Policies of those Renewing Current Policy Holder Settlement Class Members at the time of renewal of their Policies. At the conclusion of the renewal cycle, Farmers shall deliver to the Settlement Administrator that portion of the Settlement Amount

necessary to satisfy the Settlement Class Member Payments due to the Non-Renewing Current Policyholders, whose payments will be then be delivered by the Settlement Administrator by paper check. Farmers shall report to the Court as to the status of all Settlement Class Member Payments made to Renewing Current Policy Holders on a semi-annual basis following the Payment Date.

V. Prospective Injunctive Relief

64. Without admitting any liability or that it is required by law to do so, Farmers agrees to the practices outlined in the attached Exhibit 5.

VI. Settlement Approval

65. Class Counsel has moved the Court for an Order granting Preliminary Approval of this Settlement (“Preliminary Approval Order”). The motion for Preliminary Approval requests that the Court: (1) approve the terms of the Settlement as within the range of fair, adequate and reasonable; (2) provisionally certify the Settlement Class pursuant to California Code of Civil Procedure Section 382 for settlement purposes only; (3) appoint Class Counsel as counsel for the Settlement Class; (4) appoint Plaintiffs as Class Representatives of the Settlement Class (5) approve the Notice Program set forth herein and approve the form and content of the Notices of the Settlement; (6) approve the procedures set forth herein below for Settlement Class members to exclude themselves from the Settlement Class or to object to the Settlement; (7) stay the Action pending Final Approval of

the Settlement; and (8) schedule a Final Approval Hearing for a time and date mutually convenient for the Court, Class Counsel and counsel for Farmers, at which the Court will conduct an inquiry into the fairness of the Settlement, determine whether it was made in good faith, and determine whether to approve the Settlement and Class Counsel's application for attorneys' fees, costs and expenses and for Service Awards to the Class Representatives ("Final Approval Hearing").

VII. Settlement Administrator

66. The Settlement Administrator shall administer various aspects of the Settlement as described in the next paragraph hereafter and perform such other functions as are specified for the Settlement Administrator elsewhere in this Agreement, including, but not limited to, providing Notice to Settlement Class members and distributing the Settlement Amount as provided herein.

67. The duties of the Settlement Administrator, in addition to other responsibilities that are described in the preceding paragraph and elsewhere in this Agreement, are as follows:

a. Use the name and address information for Settlement Class members provided by Farmers in connection with the Notice process approved by the Court, for the purpose of mailing any Mailed Notice and sending any Email Notice, and later mailing distribution checks to Past Policy Holder Settlement Class Members and Non-Renewing Current Policy Holder Settlement Class Members, and to

Renewing Current Policy Holder Settlement Class Members where it is not feasible or reasonable for Farmers to make the payment by a credit to the their Policies;

- b. Arrange for the Publication Notice;
- c. Establish and maintain a Post Office box for requests for exclusion from the Settlement Class;
- d. Establish and maintain the Settlement Website;
- e. Establish and maintain an automated toll-free telephone line for Settlement Class members to call with Settlement-related inquiries, and answer the questions of Settlement Class members who call with or otherwise communicate such inquiries;
- f. Respond to any mailed Settlement Class member inquiries;
- g. Process all requests for exclusion from the Settlement Class;
- h. Provide weekly reports to Class Counsel and Farmers that summarizes the number of requests for exclusion received that week, the total number of exclusion requests received to date, and other pertinent information;
- i. In advance of the Final Approval Hearing, prepare an affidavit to submit to the Court confirming that the Notice Program was completed, describing how the Notice Program was completed, providing the names of each Settlement Class member who timely and properly requested exclusion from the Settlement

Class, and other information as may be necessary to allow the Parties to seek and obtain Final Approval;

j. Pay invoices, expenses and costs upon approval by Class Counsel and Farmers, as provided in this Agreement; and

k. Any other Settlement-administration-related function at the instruction of Class Counsel and Farmers, including, but not limited to, verifying that settlement funds have been distributed.

VIII. Notice to Settlement Class members

68. As soon as practicable after Preliminary Approval of the Settlement, the Settlement Administrator shall implement the Notice Program provided herein, using the forms of Notice approved by the Court in the Preliminary Approval Order. The Notice shall include, among other information: a description of the material terms of the Settlement including the injunctive relief; a date by which Settlement Class members may exclude themselves from or “opt-out” of the Settlement Class; a date by which Settlement Class members may object to the Settlement; the date upon which the Final Approval Hearing is scheduled to occur; and the address of the Settlement Website at which Settlement Class members may access this Agreement and other related documents and information. Class Counsel and Farmers shall insert the correct dates and deadlines in the Notice before the Notice Program

commences, based upon those dates and deadlines set by the Court in the Preliminary Approval Order. Notices and publications provided under or as part of the Notice Program shall not bear or include the Farmers logo or trademarks or the return address of Farmers, or otherwise be styled to appear to originate from Farmers.

69. The Notice also shall include a procedure for Settlement Class members to opt-out of the Settlement Class. A Settlement Class member may opt-out of the Settlement Class at any time during the Opt-Out Period, provided the opt-out notice is postmarked no later than the last day of the Opt-Out Period. Any Settlement Class member who does not timely and validly request to opt-out shall be bound by the terms of this Agreement. Requests for exclusion from the Settlement must be delivered to the Settlement Administrator via mail.

70. The Notice also shall include a procedure for Settlement Class members to object to the Settlement and/or to Class Counsel's application for attorneys' fees, costs and expenses and/or Service Awards to the Class Representatives. A Settlement Class member may submit an objection, via mail, to the Settlement Administrator at any time during the Opt-Out Period, provided the objection is postmarked no later than the last day of the Opt-Out Period.

71. A written objection must also set forth:
- a. the name of the Action;
 - b. the objector's full name, address and telephone number;

- c. an explanation of the basis upon which the objector claims to be a Settlement Class member;
- d. all grounds for the objection;
- e. the identity of all counsel who represent the objector;
- f. a statement confirming whether the objector intends to personally appear and/or testify at the Final Approval Hearing; and
- g. the objector's signature.

Class Counsel and/or Farmers may conduct limited discovery on any objector consistent with the California Code of Civil Procedure.

72. Notice may be provided to Settlement Class members in up to three different ways: Email notice to Settlement Class members for whom Farmers has email addresses ("Email Notice") and who have agreed to accept their Policy statements and/or information by email; Long Form Notice with details regarding the Settlement ("Long Form Notice") via regular mail and/or on the Settlement Website; and a mutually agreed Publication Notice published in California in the following publications to apprise Settlement Class members of the Settlement: the Los Angeles Times, East Bay Times/Mercury News, Sacramento Bee, San Diego Union-Tribune, San Francisco Chronicle, Redding Record Searchlight, Las Vegas Review-Journal, Facebook (California IP addresses only) and Google Display Network (California IP addresses only). Email Notice and Long Form Notice shall

collectively be referred to as “Mailed Notice.” Not all Settlement Class members will receive all forms of Notice, as detailed herein. The cost of all forms of Notice and the Notice Program shall be paid out of the Settlement Amount. A Spanish version of the Long Form Notice shall be provided to Settlement Class Members who request it. The Email Notice, Long Form Notice, and Publication Notice shall inform Settlement Class members, in Spanish, of the availability of the Spanish version of the Long Form Notice.

73. Farmers, with the assistance of the Settlement Administrator as appropriate, shall create a list of Settlement Class members and their electronic mail and/or postal addresses based on readily available information already within its possession. Farmers will bear the expense of extracting the necessary data to make this list of Settlement Class members. Farmers has provided the list of Settlement Class members and their electronic mail and/or postal addresses to the Settlement Administrator.

74. The Settlement Administrator may run the physical addresses of all Settlement Class members receiving Mailed Notice through the National Change of Address Database and shall mail to all such Settlement Class members the Long Form Notice, as ordered by the Court. The Settlement Administrator shall also send out Email Notice to all Settlement Class members receiving Notice by that method.

The initial mailed Long Form Notice and Email Notice shall be referred to as “Initial Mailed Notice.”

75. The Settlement Administrator shall perform reasonable address traces for all Initial Mailed Notices that are returned as undeliverable. By way of example, a “reasonable” tracing procedure would be to run addresses of returned Long-Form Notices through the Lexis/Nexis database that can be utilized for such purpose. No later than 60 days after preliminary approval, the Settlement Administrator shall complete the re-mailing of Long-Form Notices to those Settlement Class members whose new addresses were identified as of that time through address traces (“Notice Re-mailing Process”). The Settlement Administrator shall send Long Form Notices to all Settlement Class members’ whose emails were returned as undeliverable and complete such Notice pursuant to the deadlines described herein as they relate to the Notice Re-mailing Process.

76. The Notice Program (which is composed of both the Initial Mailed Notice and the Notice Re-mailing Process) shall be completed no later than 60 days after entry of a Preliminary Approval Order. The Settlement Administrator agrees to cap the Settlement Administration Costs at \$842,881. .

77. Within the provisions set forth in this Section VIII, further specific details of the Notice Program shall be subject to the agreement of Class Counsel and Farmers.

IX. Final Approval Order and Judgment

78. Plaintiffs' Motion for Preliminary Approval of the Settlement will include a request to the Court for a scheduled date on which the Final Approval Hearing will occur. Plaintiffs shall file their Motion for Final Approval of the Settlement, and application for attorneys' fees, costs and expenses and for Service Awards for the Class Representatives no later than 105 days after preliminary approval. At the Final Approval Hearing, the Court will hear argument on Plaintiffs' Motion for Final Approval of the Settlement, and on Class Counsel's application for attorneys' fees, costs, and expenses and for the Service Awards for the Class Representatives. One week prior to the Final Approval Hearing, Plaintiffs may file supplemental briefing in support of final approval of the Settlement. In the Court's discretion, the Court also will hear argument at the Final Approval Hearing from any Settlement Class members (or their counsel) who object to the Settlement or to Class Counsel's application for attorneys' fees, costs, expenses or the Service Awards application, provided the objectors submitted timely objections that meet all of the requirements listed in the Agreement.

At or following the Final Approval Hearing, the Court will determine whether to enter the Final Approval Order granting Final Approval of the Settlement and entering final judgment thereon and whether to approve Class Counsel's request for attorneys' fees, costs, expenses and Service Awards.

Such proposed Final Approval Order shall, among other things:

- a. Determine that the Settlement is fair, adequate and reasonable;
- b. Finally certify the Settlement Class for settlement purposes only;
- c. Determine that the Notice provided satisfies Due Process requirements;
- d. Provide for the future entry of judgment dismissing the Action with prejudice;
- e. Release Farmers and the Released Parties from the Released Claims;
and
- f. Reserve the Court's continuing and exclusive jurisdiction over the Parties to this Agreement, including Farmers, all Settlement Class Members, and all objectors, to administer, supervise, construe and enforce this Agreement in accordance with its terms.

X. Distributions From The Settlement Amount

79. In exchange for the mutual promises and covenants in this Agreement, including, without limitation, the Releases and occurrence of the Effective Date, Farmers shall be responsible for paying the Settlement Amount, from which Settlement Class Member Payments shall be paid to the Settlement Class Members.

80. Unless a Renewing Current Policy Holder has contacted the Settlement Administrator to request a paper check instead of a Policy credit, Farmers shall credit

the Policies of all Renewing Current Policy Holders their Settlement Class Member Payments at the time of their next Policy renewal.

81. Settlement Class Member Payments to Renewing Current Policy Holders shall be made first by crediting a Policy for those Policy Holders at the time of their next Policy renewal, or by mailing a standard size check if it is not feasible or reasonable to make the payment by a credit. Farmers shall notify Renewing Current Policy Holders of any such credit on the Policy statement on which the credit is reflected and provide a brief explanation that the credit has been made as a payment in connection with the Settlement. The form and substance of this notification shall be mutually agreed upon by the Parties and shall be substantially similar to the language of Exhibit 6. Farmers will bear all costs and expenses associated with implementing the Policy credits and notification discussed in this paragraph.

82. If the next Policy renewal date for a Policy Holder does not occur within six (6) months of the Payment Date, the Policy Holder shall receive his or her Settlement Class Member Payment via check from the Settlement Administrator. Within 10 days after the Payment Date, Farmers shall provide the Settlement Administrator with a list of the Settlement Class members who do not have a Policy renewal date within six (6) months of the Effective Date. Settlement Class Member Payments to such Settlement Class Members shall be made by mailing a standard

size check. The Settlement Administrator shall be responsible for mailing such checks.

83. After Farmers has processed all Settlement Class Member Payments to Renewing Current Policy Holders with a Policy renewal date occurring within six (6) months of the Payment Date, Farmers shall notify the Settlement Administrator of that portion of the Settlement Amount necessary to fund the Settlement Class Member Payments to Non-Renewing Current Policy Holders by check.

84. Settlement Class Member Payments to Non-Renewing Current Policy Holders shall be made by mailing a standard size check. The Settlement Administrator shall be responsible for mailing such checks.

85. Within 10 days after Effective Date, Farmers shall provide the Settlement Administrator with a list of Past Policy Holder Settlement Class Members in order to send checks to Past Policy Holders for their Settlement Class Member Payments.

86. Settlement Class Member Payments to Past Policy Holders shall be made by mailing a standard size check. The Settlement Administrator shall be responsible for mailing such checks.

87. The amount of the Net Settlement Amount attributable to uncashed or returned checks sent by the Settlement Administrator shall be held by the Settlement Administrator one year from the date that the first distribution check is mailed by

the Settlement Administrator. During this time the Settlement Administrator shall make a reasonable effort to locate intended recipients of settlement funds whose checks were returned (such as by running addresses of returned checks through the Lexis/Nexis database that can be utilized for such purpose) to effectuate delivery of such checks. The Settlement Administrator shall make only one such additional attempt to identify updated addresses and re-mail or re-issue a distribution check to those for whom an updated address was obtained.

a. Disposition of Residual Funds

88. Within 2 years after the date the Settlement Administrator mails the first Settlement Class Member Payment, any remaining amounts such as resulting from uncashed checks (“Residual Funds”) in the Qualified Settlement Fund shall be distributed pursuant to California Code of Civil Procedure 384(b). Specifically, the parties agree that, consistent with the requirements of Section 384, the Court may open any judgment to direct payment of any amounts remaining in the Qualified Settlement Fund, plus interest, to the Center for Auto Safety, <http://www.autosafety.org>, or other court approved cy pres recipient. While most known for strengthening highway safety standards to save lives, for decades the Center for Auto Safety has provided tools to educate consumers in California and across the country on different types of auto insurance coverage and discount strategies to save consumers on costs of insurance premiums. Neither the Parties or

counsel for the Parties have any interest or involvement in the governance or the work of Center for Auto Safety. Class Counsel shall seek the Court's approval of distribution to the *cy pres* recipient. If the Court does not approve the *cy pres* recipient, Class Counsel with input from Farmers will propose another *cy pres* recipient for the Court's approval.

b. Release

89. As of the Effective Date, Plaintiffs and each Settlement Class Member, each on behalf of itself and on behalf of its respective heirs, assigns, beneficiaries and successors ("Releasing Parties"), shall automatically be deemed to have fully and irrevocably released and forever discharged Farmers and each of its present and former parents, subsidiaries, divisions, affiliates, predecessors, successors and assigns, and the present and former directors, officers, employees, agents, insurers, members, attorneys, advisors, consultants, representatives, partners, joint venturers, independent contractors, wholesalers, resellers, distributors, retailers, predecessors, successors and assigns of each of them ("Released Parties"), of and from any claims that were or could have been alleged based on the facts pleaded in the First Amended Complaint dated October 29, 2015 and/or any subsequent amended complaint filed in conjunction with the Court's approval of the Settlement ("Released Claims").

c. Payment of Attorneys' Fees, Costs, and Service Awards

90. Class Counsel will ask the Court to approve Service Awards to the Plaintiffs in the amount of \$5,000 each to be paid out of the Settlement Amount. The Service Awards will be capped at \$5,000 per Class Representative. The Service Awards are to be paid by the Settlement Administrator directly to the Class Representatives within 10 days of the Effective Date. The Service Awards shall be paid to the Class Representatives in addition to the Class Representatives' Settlement Class Member Payments. Farmers agrees not to oppose Class Counsel's request for the Service Awards. The Parties agree that the Court's failure to approve the Service Awards, in whole or in part, shall not prevent the Settlement Agreement from becoming Effective, nor shall it be grounds for termination.

91. Class Counsel agree to cap their request for attorneys' fees at 33% of the gross Settlement Amount (\$4,950,000). Class Counsel agree to cap their request for costs and expenses at \$275,000. Farmers agrees not to oppose Class Counsel's request for attorneys' fees of up to 33% of the Settlement Amount (\$4,950,000), and not to oppose Class Counsel's request for reimbursement of reasonable costs and expenses of up to \$275,000. Any award of attorneys' fees, costs, and expenses to Class Counsel shall be payable solely out of the Settlement Amount. The Parties agree that the Court's failure to approve, in whole or in part, any award for attorneys' fees shall not prevent the Settlement Agreement from becoming Effective, nor shall it be grounds for termination.

92. Within 14 days of the Effective Date, the Settlement Administrator shall pay Class Counsel all Court-approved attorneys' fees, costs, and expenses.

93. The Parties negotiated and reached agreement regarding attorneys' fees and costs, and the Service Awards, only after reaching agreement on all other material terms of this Settlement.

d. Termination of Settlement

94. This Settlement may be terminated by either Class Counsel or Farmers by serving on counsel for the opposing Party and filing with the Court a written notice of termination within 15 days (or such longer time as may be agreed in writing between Class Counsel and Farmers) after any of the following occurrences:

- a. Class Counsel and Farmers agree to termination;
- b. the Court rejects, materially modifies, materially amends or changes, or declines to finally approve the Settlement;
- c. an appellate court vacates or reverses the Final Approval Order, and the Settlement is not reinstated and finally approved without material change by the Court on remand within 360 days after such reversal;
- d. the Effective Date does not occur;
- e. the Department Proceeding is not dismissed by the Insurance Commissioner of the California Department of Insurance following the Court's issuance of the Preliminary Approval Order and prior to the Court's issuance of the

Final Approval Order (in which case notice of termination may be served and filed at any time prior to issuance of the Final Approval Order); provided however, that such dismissal is without prejudice to reinstatement if the Settlement does not otherwise become effective; or

f. any other ground for termination provided for elsewhere in this Agreement.

95. Farmers also shall have the right to terminate the Settlement by serving on Class Counsel and filing with the Court a notice of termination within 14 days after its receipt from the Settlement Administrator of any report indicating that the number of Settlement Class members who timely request exclusion from the Settlement Class equals or exceeds 5%.

e. Effect of a Termination

96. In the event of a termination, this Agreement shall be considered null and void; all of Plaintiffs', Class Counsel's, and Farmers' obligations under the Settlement shall cease to be of any force and effect; and the Parties shall return to the status *quo ante* in the Action as if the Parties had not entered into this Agreement. In addition, in the event of such a termination, all of the Parties' respective pre-Settlement rights, claims and defenses will be retained and preserved. Any Party may move to reinstate the Department Proceeding. Any and all costs and/or

expenses associated with the Notice and administration of the Settlement prior to its termination shall be borne by Farmers.

97. The Settlement shall become effective on the Effective Date unless earlier terminated in accordance with the provisions hereof.

98. In the event the Settlement is terminated in accordance with the provisions of this Agreement, any discussions, offers, or negotiations associated with this Settlement shall not be discoverable or offered into evidence or used in the Action or any other action or proceeding for any purpose. In such event, all Parties to the Action shall stand in the same position as if this Agreement had not been negotiated, made or filed with the Court.

99. In the event the Settlement is terminated in accordance with the provisions of this Agreement, or if the Settlement does not receive Final Approval, or if the Effective Date does not occur, Plaintiffs may seek to re-institute the Department Proceeding.

100. In the event the Settlement does not receive Final Approval, or a Final Approval Order is reversed on appeal, or the Effective Date is not otherwise achieved then this Settlement Agreement shall be of no force or effect, the Parties shall be returned to their status in the litigation as if the Settlement was never executed, and, in such event, the Parties agree that this Settlement Agreement, and any and all negotiations, documents and discussions associated with it, shall be

without prejudice to the rights of any party, and shall not be deemed or construed to be an admission or evidence of any violation of any statute, law or regulation or of any liability or wrongdoing by Defendants or of the truth of any of the claims or allegations made by Plaintiffs in the Action.

101. All Parties expressly reserve all of their rights if the Settlement does not become final, including but not limited to Farmers' right to oppose class certification and Plaintiffs' right to seek re-institution of the Department Proceeding.

102. If the Settlement does not receive final and non-appealable Court approval, Farmers shall not be obligated to make any payments or provide any other monetary or non-monetary relief to Plaintiffs or the Settlement Class Members, any attorneys' fees, costs, or expenses to Class Counsel, and/or any Service Awards to Plaintiffs.

f. No Admission of Liability

103. Farmers continues to dispute its liability for the claims alleged in the Action, and maintains that its private passenger auto insurance policy pricing practices and representations concerning those practices complied, at all times, with applicable laws and regulations. Farmers does not admit any liability or wrongdoing of any kind, by this Agreement or otherwise. Farmers has agreed to enter into this Agreement to avoid the further expense, inconvenience, and distraction of

burdensome and protracted litigation, and to be completely free of any further claims that were asserted or could possibly have been asserted in the Action.

104. Class Counsel believe that the claims asserted in the Action have merit, and they have examined and considered the benefits to be obtained under the proposed Settlement set forth in this Agreement, the risks associated with the continued prosecution of this complex, costly and time-consuming litigation, and the likelihood of success on the merits of the Action. Class Counsel fully investigated the facts and law relevant to the merits of the claims, conducted significant formal discovery including extensive written discovery and depositions over a period of approximately 2 years, and conducted independent investigation of the challenged practices. Class Counsel concluded that the proposed Settlement set forth in this Agreement is fair, adequate, reasonable, and in the best interests of the Settlement Class members.

105. The Parties understand and acknowledge that this Agreement constitutes a compromise and settlement of disputed claims. No action taken by the Parties either previously or in connection with the negotiations or proceedings connected with this Agreement shall be deemed or construed to be an admission of the truth or falsity of any claims or defenses heretofore made, or an acknowledgment or admission by any party of any fault, liability or wrongdoing of any kind whatsoever.

106. Neither the Settlement, nor any act performed or document executed pursuant to or in furtherance of the Settlement: (a) is or may be deemed to be, or may be used as, an admission of, or evidence of, the validity of any claim made by the Plaintiffs or Settlement Class members, or of any wrongdoing or liability of the Released Parties; or (b) is or may be deemed to be, or may be used as, an admission of, or evidence of, any fault or omission of any of the Released Parties, in the Action or in any proceeding in any court, administrative agency or other tribunal.

107. In addition to any other defenses Farmers may have at law, in equity, or otherwise, to the extent permitted by law, this Agreement may be pleaded as a full and complete defense to, and may be used as the basis for an injunction against, any action, suit or other proceeding that may be instituted, prosecuted or attempted in breach of this Agreement or the Releases contained herein.

XIX. Miscellaneous Provisions

108. With the exception of the claims brought on behalf of the Settlement Class and resolved pursuant to the terms of the Settlement, Class Counsel have no intention to represent any person or entity covered as a Settlement Class member in any complaint filed in this Action to re-litigate the claims covered by any of the complaints in this Action.

109. Gender and Plurals. As used in this Agreement, the masculine, feminine or neuter gender, and the singular or plural number, shall each be deemed to include the others whenever the context so indicates.

110. Binding Effect. This Agreement shall be binding upon, and inure to the benefit of, the successors and assigns of the Releasing Parties and the Released Parties.

111. Cooperation of Parties. The Parties to this Agreement agree to cooperate in good faith to prepare and execute all documents, to seek Court approval, uphold Court approval, and do all things reasonably necessary to complete and effectuate the Settlement described in this Agreement.

112. Obligation To Meet And Confer. Before filing any motion in the Court raising a dispute arising out of or related to this Agreement, the Parties shall consult with each other and certify to the Court that they have consulted.

113. Integration. This Agreement constitutes a single, integrated written contract expressing the entire agreement of the Parties relative to the subject matter hereof. No covenants, agreements, representations, or warranties of any kind whatsoever have been made by any Party hereto, except as provided for herein.

114. No Conflict Intended. Any inconsistency between the headings used in this Agreement and the text of the paragraphs of this Agreement shall be resolved in favor of the text.

115. Governing Law. Except as otherwise provided herein, the Agreement shall be construed in accordance with, and be governed by, the laws of the State of California, without regard to the principles thereof regarding choice of law.

116. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument, even though all Parties do not sign the same counterparts. Original signatures are not required. Any signature submitted by facsimile or through email of an Adobe PDF shall be deemed an original.

117. Jurisdiction. The Court shall retain jurisdiction over the implementation, enforcement, and performance of this Agreement, and shall have exclusive jurisdiction over any suit, action, proceeding or dispute arising out of or relating to this Agreement that cannot be resolved by negotiation and agreement by counsel for the Parties. The Court shall retain jurisdiction with respect to the administration, consummation and enforcement of the Agreement and shall retain jurisdiction for the purpose of enforcing all terms of the Agreement. The Court shall also retain jurisdiction over all questions and/or disputes related to the Notice program and the Settlement Administrator. As part of their agreement to render services in connection with this Settlement, the Settlement Administrator shall consent to the jurisdiction of the Court for this purpose.

118. Notices. All notices to Class Counsel provided for herein, shall be sent

by email with a hard copy sent by overnight mail to:

MEHRI & SKALET PLLC
Jay Angoff, Esq.
1250 Connecticut Avenue NW
Suite 300
Washington, DC 20036
Class Counsel

TYCKO & ZAVAREEI, LLP
Andrea Gold, Esq.
1828 L Street NW
Suite 1000
Washington, DC 20036
Class Counsel

BERGER MONTAGUE, P.C.
Jeff Osterwise, Esq.
1818 Market Street
Suite 3600
Philadelphia, PA 19103
Class Counsel

HINSHAW & CULBERTSON LLP
James C. Castle
633 West 5th Street
47th Floor
Los Angeles, CA 90071-2043
Counsel for Farmers

The notice recipients and addresses designated above may be changed by written notice. Upon the request of any of the Parties, the Parties agree to promptly provide each other with copies of objections, requests for exclusion, or other filings received as a result of the Notice program.

119. Modification and Amendment. This Agreement may not be amended

or modified, except by a written instrument signed by Class Counsel and counsel for Farmers and, if the Settlement has been approved preliminarily by the Court, approved by the Court.

120. No Waiver. The waiver by any Party of any breach of this Agreement by another Party shall not be deemed or construed as a waiver of any other breach, whether prior, subsequent, or contemporaneous, of this Agreement.

121. Authority. Class Counsel (for the Plaintiffs and the Settlement Class Members), and counsel for Farmers (for Farmers), represent and warrant that the persons signing this Agreement have full power and authority to bind the person, partnership, corporation or entity included within the definitions of Plaintiffs and Farmers, for whom they are signing, to all terms of this Agreement. Any person executing this Agreement in a representative capacity represents and warrants that he or she is fully authorized to do so and to bind the Party on whose behalf he or she signs this Agreement to all of the terms and provisions of this Agreement.

122. Agreement Mutually Prepared. Neither Farmers nor Plaintiffs, nor any of them, shall be considered to be the drafter of this Agreement or any of its provisions for the purpose of any statute, case law, or rule of interpretation or construction that would or might cause any provision to be construed against the drafter of this Agreement.

123. Independent Investigation and Decision to Settle. The Parties

understand and acknowledge that they: (a) have performed an independent investigation of the allegations of fact and law made in connection with this Action (including but not limited to approximately 2 years of contested discovery in the Department Proceeding); and (b) that even if they may hereafter discover facts in addition to, or different from, those that they now know or believe to be true with respect to the subject matter of the Action as reflected in this Agreement, that will not affect or in any respect limit the binding nature of this Agreement. It is the Parties' intention to resolve their disputes in connection with this Action pursuant to the terms of this Agreement now and thus, in furtherance of their intentions, the Agreement shall remain in full force and effect notwithstanding the discovery of any additional facts or law, or changes in law, and this Agreement shall not be subject to rescission or modification by reason of any changes or differences in facts or law, subsequently occurring or otherwise.

124. Receipt of Advice of Counsel. Each Party acknowledges, agrees, and specifically warrants that he, she or it has fully read this Agreement and the Release contained herein, received independent legal advice with respect to the advisability of entering into this Agreement and the Release and the legal effects of this Agreement and the Release, and fully understands the effect of this Agreement and the Release.

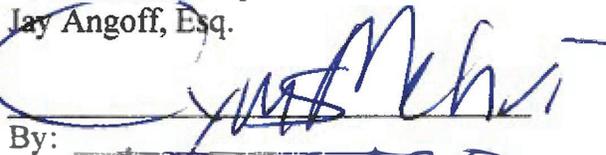
Counsel for Plaintiffs on Behalf Named Plaintiffs

Dated: _____

MEHRI & SKALET, PLLC

Cyrus Mehri, Esq.

Jay Angoff, Esq.



By: _____

12/19/19

Dated: _____

TYKO & ZAVAREEI LLP

Hassan A. Zavareei, Esq.

Andrea Gold, Esq.

By: _____

Dated: _____

BERGER MONTAGUE, P.C.

Peter Kahana, Esq.

Jeff Osterwise, Esq.

By: _____

Dated: _____

ROGER HARRIS

Dated: 12-17-2019

DUANE BROWN



Dated: _____

BRIAN LINDSEY

Counsel for Plaintiffs on Behalf Named Plaintiffs

Dated: _____ MEHRI & SKALET, PLLC
Cyrus Mehri, Esq.
Jay Angoff, Esq.

By: _____

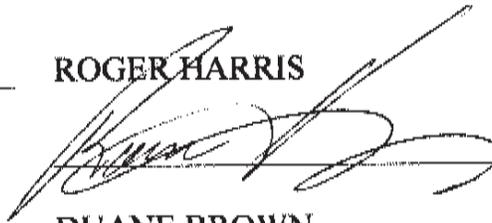
Dated: _____ TYKO & ZAVAREEI LLP
Hassan A. Zavareei, Esq.
Andrea Gold, Esq.

By: _____

Dated: _____ BERGER MONTAGUE, P.C.
Peter Kahana, Esq.
Jeff Osterwise, Esq.

By: _____

Dated: 12/18/19 _____ ROGER HARRIS



Dated: _____ DUANE BROWN

Dated: _____ BRIAN LINDSEY

Counsel for Plaintiffs on Behalf Named Plaintiffs

Dated: _____ MEHRI & SKALET, PLLC
Cyrus Mehri, Esq.
Jay Angoff, Esq.

By: _____

Dated: _____ TYKO & ZAVAREEI LLP
Hassan A. Zavareei, Esq.
Andrea Gold, Esq.

By: _____

Dated: _____ BERGER MONTAGUE, P.C.
Peter Kahana, Esq.
Jeff Osterwise, Esq.

By: _____

Dated: _____ ROGER HARRIS

Dated: _____ DUANE BROWN

Dated: 12/17/19 _____ BRIAN LINDSEY



Counsel for Plaintiffs on Behalf Named Plaintiffs

Dated: _____ MEHRI & SKALET, PLLC
Cyrus Mehri, Esq.
Jay Angoff, Esq.

By: _____

Dated: _____ TYKO & ZAVAREEI LLP
Hassan A. Zavareei, Esq.
Andrea Gold, Esq.

By: _____

Dated: _____ BERGER MONTAGUE, P.C.
Peter Kahana, Esq.
Jeff Osterwise, Esq.

By: _____

Dated: _____ ROGER HARRIS

Dated: 12-17-2019 _____ DUANE BROWN



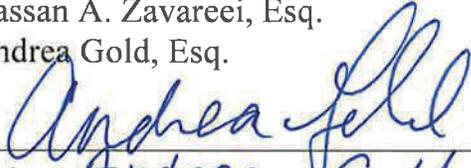
Dated: _____ BRIAN LINDSEY

Counsel for Plaintiffs on Behalf Named Plaintiffs

Dated: _____ MEHRI & SKALET, PLLC
Cyrus Mehri, Esq.
Jay Angoff, Esq.

By: _____

Dated: _____ TYKO & ZAVAREEI LLP
Hassan A. Zavareei, Esq.
Andrea Gold, Esq.


By: Andrea Gold, Esq.

Dated: 12/19/2019 BERGER MONTAGUE, P.C.
Peter Kahana, Esq.
Jeff Osterwise, Esq.


By: Jeff Osterwise

Dated: _____ ROGER HARRIS

Dated: _____ DUANE BROWN

Dated: _____ BRIAN LINDSEY

Counsel for Plaintiffs on Behalf Named Plaintiffs

Dated: _____

MEHRI & SKALET, PLLC
Cyrus Mehri, Esq.
Jay Angoff, Esq.

By: _____

Dated: _____

TYKO & ZAVAREEI LLP
Hassan A. Zavareei, Esq.
Andrea Gold, Esq.

By: _____

Dated: 12/19/2019 _____

BERGER MONTAGUE, P.C.
Peter Kahana, Esq.
Jeff Osterwise, Esq.



By: Jeff Osterwise _____

Dated: _____

ROGER HARRIS

Dated: _____

DUANE BROWN

Dated: _____

BRIAN LINDSEY

Dated: 12/20/2019

FARMERS INSURANCE EXCHANGE

Thomas S. Noh

Thomas Noh, Chief Financial Officer

MID CENTURY INSURANCE
COMPANY

Dated: 12/20/2019

Thomas S. Noh

Thomas Noh, Chief Financial Officer

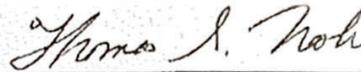
Counsel for Defendants

Dated: _____

HINSHAW & CULBERTSON LLP
James C. Castle, Esq.

Dated: 12/20/2019

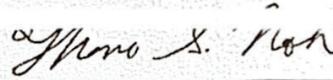
FARMERS INSURANCE EXCHANGE



Thomas Noh, Chief Financial Officer

MID CENTURY INSURANCE
COMPANY

Dated: 12/20/2019



Thomas Noh, Chief Financial Officer

Counsel for Defendants

Dated: 12/20/2019

HINSHAW & CULBERTSON LLP
James C. Castle, Esq.

