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**SUPERIOR COURT OF THE STATE OF CALIFORNIA  
FOR THE COUNTY OF LOS ANGELES**

	x	
	:	
<b>BENJAMIN FOGEL, on behalf of himself and the class,</b>	:	
	:	
<b>Plaintiff,</b>	:	<b>Case No. BC300142</b>
	:	
<b>v.</b>	:	
	:	
<b>FARMERS GROUP, INC.; FIRE UNDERWRITERS ASSOCIATION; TRUCK UNDERWRITERS ASSOCIATION; ZURICH FINANCIAL SERVICES; and Does 2 through 100, inclusive,</b>	:	
	:	
<b>Defendants.</b>	:	
	:	
	x	

**STIPULATION OF SETTLEMENT**

**PRÉCIS**

This Stipulation of Settlement is being entered into between and among Plaintiff Benjamin Fogel, on behalf of the Class as defined below, and Farmers Group, Inc., Fire Underwriters Association, and Truck Underwriters Association (collectively, the “Farmers Defendants”), and Zurich Financial Services Ltd (“ZFS”), and by Farmers Insurance Exchange, Truck Insurance Exchange, and Fire Insurance Exchange (collectively, the “Exchanges”).

The settlement arises in the context of a lawsuit raising issues arising from the management services that the Farmers Defendants have provided to the Exchanges and the attorney-in-fact services that the Farmers Defendants have provided to Plaintiff

and the Class. The settlement provides for a cash payment of \$455,000,000 to the Class. If any portion of the settlement money remains after all eligible Class Members have been paid through the class administration process, the residual amount will go to the Exchanges, which are owned by Class Members, and will not revert to the Farmers Defendants or ZFS. In addition to the settlement amount for the Class, Defendants will pay Plaintiff's Counsel's attorneys fees and expenses as well as all costs of administering the settlement and providing notice to potential Class Members.

#### **STIPULATION**

WHEREAS Farmers Group, Inc., Fire Underwriters Association, and Truck Underwriters Association (collectively, the "Farmers Defendants") and Zurich Financial Services Ltd ("ZFS") (collectively, "Defendants") have been named as defendants in a putative class action brought by Benjamin Fogel ("Plaintiff") alleging that Defendants breached their fiduciary duty to the putative class and violated § 17200 of California's Unfair Competition Law (the "UCL") (Bus. & Prof. Code § 17200); and

WHEREAS the putative class action is pending in the Superior Court of the State of California for the County of Los Angeles (the "Court") under the caption *Fogel v. Farmers Group, Inc., et al.*, Case No. BC300142 (the "Action"); and

WHEREAS Plaintiff and Defendants have agreed to a settlement of the Action, subject to the Court's approval pursuant to Rule 3.769 of the California Rules of Court; and

WHEREAS the proposed settlement would provide consideration to the putative class; and

WHEREAS, if any funds available to the putative class are not claimed, those excess funds will be distributed to the entities owned by members of the putative class: Farmers Insurance Exchange, Truck Insurance Exchange, and Fire Insurance Exchange (collectively, the “Exchanges”);

NOW, THEREFORE, IT IS HEREBY STIPULATED AND AGREED by and among the undersigned, including Plaintiff (individually and in his representative capacity), Defendants, and the Exchanges, by and through their duly authorized counsel, that the Action and the matters raised by it are hereby settled and compromised, that the Action will be dismissed on the merits and with prejudice, and that the Released Plaintiff’s Claims and Released Exchanges’ Claims will be released as to all Releasees based on the terms and conditions in this Settlement Agreement, subject to the Court’s approval and such approval’s becoming Final.

## **I. INTRODUCTION AND DEFINITIONS**

### **A. Procedural History**

1. On August 1, 2003, Plaintiff filed the Action in the Court against Farmers Group, Inc. and the Exchanges, asserting causes of action for breach of fiduciary duty, violation of the UCL, and fraud and deceit. The complaint purported to assert those claims on behalf of a putative class consisting of all current and former policyholders of the Exchanges “who were required to appoint [Farmers Group, Inc.] as their attorney-in-fact” from 1999 “through the present.”

2. Plaintiff filed a proposed First Amended Complaint on August 9, 2004 against only the Farmers Defendants, asserting claims for breach of fiduciary duty

and violation of the UCL on behalf of a putative class consisting of “all current and former policyholders in the Exchanges from 1999 through the present.” Plaintiff alleged that the Farmers Defendants had collected management or attorney-in-fact (“AIF”) fees for managing the Exchanges without obtaining from him and other class members “the signed power of attorney required by law.” Plaintiff also contended that the Farmers Defendants had breached their purported fiduciary duty to all Exchange subscribers by charging allegedly excessive management fees and earning allegedly excessive profits.

3. The Farmers Defendants moved for summary judgment against Plaintiff, and Plaintiff moved for summary adjudication against the Farmers Defendants.

4. The Court granted the Farmers Defendants’ motion for summary judgment on February 7, 2005, holding that Plaintiff’s claims were barred by *Walker v. Allstate Indemnity Co.*, 77 Cal. App. 4<sup>th</sup> 750 (2000), and the “filed-rate” doctrine, because Plaintiff was effectively “challenging premiums based on rates approved by the Insurance Commissioner for expenses that were disclosed to and approved by the Commissioner, i.e., the AIF fees.” *Fogel v. Farmers Group, Inc.*, No. BC300142, slip op. at 3 (Cal. Super. Ct. Feb. 7, 2005).

5. The Court also denied Plaintiff’s motion for summary adjudication, rejecting Plaintiff’s argument that Exchange subscribers who allegedly had not signed Subscription Agreements appointing a Farmers Defendant as their AIF were entitled to a refund of all management or AIF fees that had been deducted from those subscribers’ premium payments. *Id.* at 6-10.

6. On March 18, 2008, the California Court of Appeal, Second District, reversed and remanded the Superior Court's grant of summary judgment for the Farmers Defendants. The Court of Appeal ruled that neither the *Walker* decision nor the filed-rate doctrine precluded Plaintiff's claims. The Court of Appeal affirmed the Superior Court's denial of Plaintiff's motion for summary adjudication. *Fogel v. Farmers Group, Inc.*, 160 Cal. App. 4<sup>th</sup> 1403 (2008).

7. On February 20, 2009, Plaintiff filed a Second Amended Complaint (the "Complaint") against the Farmers Defendants and also against ZFS, the Farmers Defendants' corporate parent. The Complaint asserted claims for breach of fiduciary duty and for violation of the UCL against all Defendants.

**B. Settlement Discussions and Mediation**

1. After the Court of Appeal's ruling, the Settling Parties (*i.e.*, Plaintiff, the Farmers Defendants, and ZFS) began to consider settlement possibilities and entered into a series of mediations with a retired California Superior Court judge, the Honorable Daniel Weinstein (the "Mediator").

2. The mediation process extended from January 2010 through September 2010 and consisted of a number of face-to-face meetings among the Settling Parties' Counsel and the Mediator (including sessions attended by the Settling Parties' experts), as well as numerous substantive meetings and telephone calls by counsel for each Settling Party with the Mediator. These meetings and telephone calls involved detailed discussions and evaluations of the legal and factual issues presented in the case.

3. In addition, the Settling Parties submitted extensive mediation submissions, including information from experts, in connection with the meetings with the Mediator.

4. With the Mediator's assistance, the Settling Parties reached an agreement in principle to resolve the Action, subject to (among other things) the execution of a full settlement agreement and Court approval. The agreement in principle was publicly announced on October 7, 2010.

5. Based upon the Settling Parties' and the Exchanges' belief that the terms of this Settlement Agreement are fair, reasonable, and adequate, and based on the Exchanges' belief that the terms of this Settlement Agreement are fair, reasonable, and adequate to the more limited extent that they relate to the Exchanges, the Settling Parties' counsel and the Exchanges' counsel executed this Settlement Agreement, subject to the Court's approval.

6. Throughout the pendency of the Action and the settlement negotiations, the Settling Parties have been advised by various consultants and experts, including those with expertise in insurance, fiduciary duties, and economics, and by counsel competent in litigation involving those issues. The Exchanges also have been advised by competent counsel in connection with this Settlement Agreement.

### **C. Settlement Considerations**

1. Based upon Plaintiff's Counsel's investigation and evaluation of the facts and law relating to the Claims alleged in this Action, Plaintiff's Counsel's pre-filing investigations, the information already obtained from the Farmers Defendants,

investigations during the litigation, legal analysis conducted throughout the litigation, substantial law and motion practice (including the work done on appeal), extensive consultation with experts, and the sessions with the Mediator, Plaintiff and Plaintiff's Counsel have agreed to settle the Action on behalf of Plaintiff and the Class and to release the Releasees from the Released Plaintiff's Claims pursuant to the terms of this Settlement Agreement after considering, among other things, (i) the substantial benefits that this Settlement Agreement would provide to Class Members, (ii) the relative legal and factual strength of Plaintiff's claims and the attendant risks of litigation (especially in complex actions such as this one), (iii) Defendants' defenses, (iv) the difficulties and delays inherent in complex class-action litigation, (v) the desirability of consummating this Settlement Agreement promptly to provide effective relief to Class Members, and (vi) Plaintiff's and Plaintiff's Counsel's belief that the proposed Settlement is fair, reasonable, and adequate and in the best interests of the Class Members. The Exchanges also have agreed to the Settlement based on the consideration they will receive pursuant to the Settlement Agreement, including (i) the recovery of any remaining portion of the Settlement Amount after distribution to Authorized Claimants and (ii) the Releasers' release of Released Plaintiff's Claims.

2. Defendants expressly deny the wrongdoing alleged in this Action and do not concede any wrongdoing or liability in connection with any facts or Claims that have been or could have been alleged against them in the Action. However, Defendants nevertheless consider a settlement and dismissal of the Action to be desirable, because the proposed Settlement would, among other things, (i) bring to an end the

substantial expense, burdens, and uncertainties associated with continued litigation of the Claims made in this Action, (ii) finally put to rest those Claims and the underlying matters, (iii) enhance the Farmers Defendants' relations with their valued clients and the Exchanges, and (iv) confer substantial benefits upon Defendants, including, without limitation, the avoidance of further expense and the disruption of the management and operation of Defendants' businesses due to the pendency and defense of the Action.

3. This Settlement Agreement, the offer of this Settlement Agreement, and compliance with this Settlement Agreement shall not constitute or be construed to be an admission by Defendants or the Releasees, or any of them individually, of any wrongdoing or liability.

4. This Settlement Agreement shall not be admissible in any judicial, administrative, or other proceeding or cause of action as an admission of liability or for any purpose other than to enforce the terms of this Settlement Agreement.

#### **D. Definitions**

As used in this Settlement Agreement, the following terms have the meanings set forth herein:

1. "Action" means the putative class action captioned *Fogel v. Farmers Group, Inc., et al.*, Case No. BC300142, pending in the Court.
2. "Affiliate" or "Affiliated" means such persons or entities as are defined in 17 C.F.R. Part 210.1-02(b).
3. "AIF" means attorney-in-fact.

4. “Approval Date” means the date on which the Court enters the Final Judgment.

5. “Arbitrator” means the person appointed by the Mediator to resolve any disputes arising from or relating to Proofs of Claim submitted by Class Members seeking monetary relief under the Settlement. The Arbitrator will handle and issue binding, nonappealable decisions on all disputes concerning Proofs of Claim. The Arbitrator will report to the Mediator on a quarterly basis, or at such other interval as the Mediator might request, to inform the Mediator about the work the Arbitrator has undertaken and the decisions he or she has made.

6. “Attorneys’ Fees and Expenses Award” means the amount awarded to Plaintiff’s Counsel to compensate them for their fees and expenses in connection with investigating, prosecuting, and/or settling the Action, as provided for in Section IX below.

7. “Authorized Claimant” means a Class Member (or the representative of such Class Member, including, without limitation, agents, administrators, executors, heirs, predecessors, successors, Affiliates, or assigns) who submits a timely, valid Proof of Claim.

8. “Claim” or “Claims” means any and all actions, causes of action, proceedings, adjustments, executions, offsets, contracts, judgments, obligations, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, variances, covenants, trespasses, damages, demands (whether written or oral), agreements, promises, liabilities, controversies, costs, expenses, attorneys’ fees, and losses whatsoever, whether in law, in admiralty, or in equity and whether based on any federal, state, or foreign

statutory or common-law right of action or otherwise, foreseen or unforeseen, matured or unmatured, known or unknown, accrued or not accrued, existing now or to be created in the future, including Unknown Claims, claims for breach of fiduciary duty, and claims alleging violations of the UCL or of any similar or analogous laws in other states or jurisdictions.

9. “Claims Administrator” means, subject to the Settling Parties’ and the Court’s approval, the third-party agent(s) or administrator(s) that the Court shall appoint in the Preliminary Approval Order to effectuate the Individual Notice and website aspects of the Notice Program, arrange for the publication of notice as prescribed in this Settlement Agreement, process Proofs of Claim, and assist in the distribution of the Settlement Amount in accordance with the terms of this Settlement Agreement.

10. “Class” or “Class Members” means, for purposes of this Settlement, all persons or entities who were subscribers to one or more of the Exchanges at any time during the Class Period, or were named insureds on any Exchange insurance or reinsurance policy issued or in effect at any time during the Class Period (each member of the Class hereinafter referred to as a “Class Member”). Excluded from the Class are:

a. any persons or entities who submit valid and timely requests for exclusion from the Class;

b. any persons or entities who, while represented by counsel, settled an actual or threatened lawsuit or other proceeding against the Releasees and released the Releasees from any Released Plaintiff’s Claim;

c. such persons or entities who are or were a Defendant or an officer or director of any Defendant;

d. any person or entity that is presently a party in a bankruptcy proceeding or has had his, her, or its claims in this Action extinguished through a discharge in bankruptcy; and

e. the Exchanges and their respective past or present parents, predecessors, successors, Affiliates, divisions, business units, and subsidiaries, and any entities in which any Exchange has, or the Exchanges collectively have, a Controlling Interest or that has a Controlling Interest in it or them.

11. “Class Period” means the period from January 1, 1999 through December 31, 2010.

12. “Complaint” means the Second Amended Complaint that Plaintiff filed in the Action on approximately February 20, 2009.

13. “Complete Bar Order” means the bar order whose text is set forth in Subsection XI.B below.

14. “Controlling Interest” means an interest in an entity where such interest is sufficient to allow the interest holder directly or indirectly to direct or cause the direction of the management and policies of the entity, whether through the ownership of voting shares, by contract, or otherwise; *provided that* any disputes as to whether any person or entity has a Controlling Interest in another person or entity shall, for the sole purpose of determining whether a Controlling Interest exists under this Settlement Agreement, be submitted to the Court for resolution, and the party asserting the existence

of a Controlling Interest shall bear the burden of proof as to whether such an interest exists or existed for purposes of this Settlement Agreement.

15. "Court" means the Superior Court of the State of California, County of Los Angeles.

16. "Defendants" means each and all of the Farmers Defendants and ZFS.

17. "Defendants' Counsel" means the Farmers Defendants' Counsel and ZFS's Counsel.

18. "Exchange" means each and every one of, and "Exchanges" means all of, Farmers Insurance Exchange, Fire Insurance Exchange, and Truck Insurance Exchange.

19. "Exchange Releasees" means each and all of (i) the Exchanges, (ii) its or their respective past or present parents, predecessors, successors, Affiliates, divisions, business units, and subsidiaries, and any entities in which any Exchange has, or the Exchanges collectively have, a Controlling Interest or that has a Controlling Interest in it or them, and (iii) the respective past and present directors, governors, executive-committee members, officers, employees, members, partners, principals, agents, attorneys (including their General Counsel and other in-house or outside attorneys), advisors, trustees, administrators, fiduciaries, consultants, service providers, representatives, successors in interest, assigns, beneficiaries, heirs, executors, accountants, accounting advisors, and auditors of any or all of the above persons or entities; *provided, however*, that the Exchange Releasees shall not include ZFS or its subsidiaries.

20. "Exchanges' Counsel" means Locke Lord Bissell & Liddell LLP.
21. "Execution Date" means the date by which this Settlement Agreement has been executed by or on behalf of all Settling Parties and the Exchanges.
22. "Fairness Hearing" means the hearing at or after which the Court will be asked to make a final decision, pursuant to Rule 3.769(e) of the California Rules of Court, as to whether this Settlement Agreement is fair, reasonable, and adequate to settle the Class Members' Claims against Defendants and, therefore, should be approved by the Court.
23. "Farmers Defendants" means Farmers Group, Inc., Farmers Group Inc., dba Farmers Underwriters Association, Fire Underwriters Association, and Truck Underwriters Association, and "Farmers Defendant" means any one of them.
24. "Farmers Defendant Releasees" means each and all of (i) the Farmers Defendants, (ii) its or their respective past or present parents, predecessors, successors, Affiliates, divisions, business units, and subsidiaries, and any entities in which any Farmers Defendant entity has a Controlling Interest or that has a Controlling Interest in it, and (iii) the respective past and present directors, governors, executive committee members, officers, employees, members, partners, principals, agents, attorneys (including their General Counsel and other in-house or outside attorneys), advisors, trustees, administrators, fiduciaries, consultants, service providers, representatives, successors in interest, assigns, beneficiaries, heirs, executors, accountants, accounting advisors, and auditors of any or all of the above persons or entities; *provided, however*, that Farmers Defendant Releasees shall not include the Exchanges or their subsidiaries.

25. “Farmers Defendants’ Counsel” means the law firm of Skadden, Arps, Slate, Meagher & Flom LLP.

26. “Final” means, when used in connection with any court order or judgment, that the relevant order or judgment will be final:

a. if no appeal is taken therefrom, on the date on which the time to appeal therefrom (including any potential extension of time) has expired; or

b. if any appeal is taken therefrom, on the date on which all appeals therefrom, including petitions for rehearing or reargument, petitions for rehearing en banc, and petitions for certiorari or any other form of review, have been finally disposed of, such that the time to appeal therefrom (including any potential extension of time) has expired, in a manner resulting in an affirmance of the order or judgment at issue.

27. “Final Judgment” means the judgment and order of dismissal entered by the Court as contemplated in Section XI of this Settlement Agreement, which judgment shall be substantially in the form set out as Exhibit F.

28. “Final Settlement Date” means the date on which the Final Judgment becomes Final.

29. “Individual Notice” means the notice described in Subsection III.A, as approved by the Court, that the Settling Parties’ Counsel and/or the Claims Administrator will disseminate to potential Class Members informing them of the proposed Settlement.

30. “Mediator” means the Honorable Daniel Weinstein, or, if he is not available, another mediator/arbitrator of similar stature who shall be selected through the Settling Parties’ mutual agreement.

31. “Notice and Administrative Expenses” means all expenses associated with the administration of the Settlement, including the fees and expenses associated with (i) printing and sending the Individual Notice to potential Class Members, (ii) publishing the Summary Notice, (iii) assisting Class Members with filing Proofs of Claim, (iv) processing Proofs of Claim, (v) setting up and maintaining the toll-free telephone number for potential Class Members to contact, and (vi) assisting in the distribution of the Settlement Amount; *provided, however*, that Notice and Administrative Expenses shall not include the amount of the Attorneys’ Fees and Expenses Award.

32. “Notice Program” means the program for informing potential Class Members about the proposed Settlement, including the Individual Notice, the Summary Notice, and the manner of delivering and publishing such notices.

33. “Plan of Allocation” means the terms and procedures for allocating the Settlement Amount among, and distributing it to, Authorized Claimants, or such other Plan of Allocation as the Court shall approve.

34. “Plaintiff” means Benjamin Fogel and any other named plaintiff who might be added to the Action before the Final Settlement Date.

35. “Plaintiff’s Counsel” means the law firms of Girardi & Keese; Engstrom, Lipscomb & Lack; Law Offices of Philip K. Maxwell; Law Offices of Joe K. Longley; The Gallagher Law Firm; The Mithoff Law Firm; and Crowley Norman, LLP.

36. “Preliminary Approval Date” means the date on which the Court enters the Preliminary Approval Order.

37. “Preliminary Approval Hearing” means the hearing at or after which the Court will preliminarily approve this Settlement Agreement and enter the Preliminary Approval Order.

38. “Preliminary Approval Order” means the order to be entered by the Court pursuant to Rule 3.769(d) of the California Rules of Court (i) preliminarily approving the proposed Settlement, (ii) provisionally certifying the Class for settlement purposes, (iii) preliminarily determining that providing notice to potential Class Members pursuant to the proposed Notice Program meets the requirements of Rules 3.769(d) and (f) of the California Rules of Court, the Constitutions of California and of the United States, and any other applicable law, and that such notice is the best practicable notice under the circumstances and constitutes due and sufficient notice to all persons entitled to such notice, (iv) appointing the Claims Administrator, and (v) scheduling the Fairness Hearing. The Preliminary Approval Order shall be substantially in the form set out in Exhibit E.

39. “Proof of Claim” means the claim form, as approved by the Court, that will be delivered to potential Class Members to use in submitting a claim for relief under the procedures set out in this Settlement Agreement. The Proof of Claim will be substantially in the form attached as Exhibit B.

40. “Release” means the release provisions in Section VIII of this Settlement Agreement.

41. “Released Defendants’ Claims” means each and every Claim or Unknown Claim that has been or could have been asserted in the Action by any Defendant or the successors and assigns of any Defendant against Plaintiff, any Class Member, or their attorneys and that arises out of or relates in any way to the institution, prosecution, or settlement of the Action, except for claims to enforce the Settlement.

42. “Released Exchanges’ Claims” means each and every Claim or Unknown Claim that the Exchange Releasees, or any of them, asserted, could have asserted, or could assert directly or derivatively against the Farmers Defendant Releasees and/or the ZFS Releasees relating to the disclosure, assessment, collection, or payment of AIF or management-services fees before the Final Settlement Date, including any profits earned on those fees.

43. “Released Plaintiff’s Claims” means each and every Claim or Unknown Claim that Plaintiff or any other Class Member:

a. asserted or could have asserted directly or derivatively against any of the Releasees in the Action (including all Claims alleged in the Complaint and its two predecessors) or

b. could have asserted or could assert directly or derivatively against any Releasee, whether arising under any federal, state, or foreign statutory or common-law rule, in any other court, tribunal, agency, or other forum, that arises out of or relates directly or indirectly to the subscription to or the Farmers Defendant Releasees’ role in the purchase or obtaining of insurance or reinsurance coverage from any Exchange, or any payment of any

AIF or management fee to any Farmers Defendant Releasee, before the Final Settlement Date, including, without limitation, any Claim or Unknown Claim that arises out of or relates to:

(1) any or all of the acts, failures to act, omissions, misrepresentations, facts, events, matters, transactions, statements, occurrences, or oral or written statements or representations of Releasees before the Final Settlement Date that have been, could have been, or could be directly or indirectly alleged, complained of, asserted, set forth, or otherwise referred to in the Action;

(2) the Farmers Defendant Releasees' role in the obtaining or renewal of insurance or reinsurance from any Exchange before the Final Settlement Date;

(3) any amount of payment of any insurance or reinsurance premiums by the Class Members to any Exchange before the Final Settlement Date;

(4) any AIF or management fee charged by or paid to any Farmers Defendant Releasee, or paid by any Exchange or subscriber to any Farmers Defendant Releasee, before the Final Settlement Date, or any other fee charged by or paid to any Farmers Defendant Releasee for management services provided before the Final Settlement Date;

(5) the management or AIF services that any Farmers Defendant Releasee provided to any Exchange or subscriber before the Final Settlement Date;

(6) any Subscription Agreement that was or allegedly should have been executed before the Final Settlement Date, including any Claim or Unknown Claim relating to any alleged failure to obtain an executed Subscription Agreement from any Class Member, any failure to retain or inability to locate a Subscription Agreement, or any statement or omission made in connection with any Subscription Agreement before the Final Settlement Date;

(7) any profits made by any Farmers Defendant Releasee or ZFS Releasee before the Final Settlement Date relating directly or indirectly, in whole or in part, to the AIF or management fee charged;

(8) the actions or inaction of any Exchange Releasee in connection with an Exchange's relationship with any Farmers Defendant Releasee before the Final Settlement Date, including any actions or inaction relating to AIF or management fees;

(9) any allocation of expenses relating to the operation of the Exchanges, or to the acquisition, maintenance, or administration of the subscribers, between or among the Farmers Defendants and the Exchanges before the Final Settlement Date;

(10) any monies or dividends that any Farmers Defendant Releasee transferred to any ZFS Releasee before the Final Settlement

Date relating directly or indirectly, in whole or in part, to the AIF or management fee or related to the services provided to the Exchanges;

(11) any regulatory filing (including any filing with any state insurance department), public statement, press release, disclosure, or representation before the Final Settlement Date relating to any Subscription Agreement or any insurance or reinsurance obtained or obtainable from any Exchange, or any AIF or management fee charged to or paid by any Exchange or subscriber before the Final Settlement Date; or

(12) any financial statement (or portion thereof), whether audited or unaudited, or any report or opinion relating to any financial statement (or portion thereof), or any internal or external memorandum, report, analysis, or opinion made or issued before the Final Settlement Date relating to any Subscription Agreement, any insurance or reinsurance obtained or obtainable from any Exchange, any AIF or management fee charged to or paid by any Exchange, or the Action or the settlement of the Action;

(13) *provided, however*, that the definition of Released Plaintiff's Claims shall *not* include:

(i) any claims for insurance coverage or other benefits due or alleged to be due under any insurance or reinsurance policy issued by any Exchange;

(ii) any claims to enforce the Settlement;

and

(iii) respecting the release of the Farmers Defendants and the Exchange Releasees only, any claims that were or are asserted against any of the Farmers Defendants and/or Exchange Releasees as of the Execution Date in *State of Texas v. Farmers Group, Inc.*, No. GV202501 (Travis Cty. Dist. Ct., 261<sup>st</sup> Judicial Dist.), *Paladino v. Farmers Insurance Exchange*, No. GN 20028 (Travis Cty. Dist. Ct., 261<sup>st</sup> Judicial Dist.), *In re Farmers Insurance Co., Inc. FCRA Litigation*, MDL No. 1564, No. CIV-03-158-F (W.D. Okla.), or *Davenport v. Illinois Farmers Insurance Co.*, No. 03-1180 (D. Minn.), or that otherwise relate to any Farmers Defendant's or Exchange Releasee's alleged misuse of credit information or credit history or alleged failure to disclose information relating to the use of credit information or credit history, *except* to the extent that any such claims or lawsuits concern or relate to any AIF or management fee charged to or paid by any Exchange or subscriber, including the amount or reasonableness of such fees and any profit earned from those fees.

44. "Releasee" means each and every one of, and "Releasees" means all of, the Exchange Releasees, the Farmers Defendant Releasees, and the ZFS Releasees.

45. "Releasor" means each and every one of, and "Releasors" means all of, (i) Plaintiff, (ii) all other Class Members, (iii) his, her, or their respective past or present parents, predecessors, successors, Affiliates, divisions, business units, subsidiaries, any entities in which any Releasor has a Controlling Interest or that has a Controlling Interest in him, her, or it, and any other person or entity claiming by or through any Class Member, and (iv) the respective past and present directors, governors, executive

committee members, officers, employees, members, partners, principals, agents, attorneys (including their General Counsel and other in-house or outside attorneys), advisors, trustees, administrators, fiduciaries, consultants, service providers, representatives, successors in interest, assigns, beneficiaries, heirs, executors, accountants, accounting advisors, and auditors of any or all of the above persons or entities.

46. “Settlement” means the settlement contemplated by this Settlement Agreement.

47. “Settlement Agreement” means this Stipulation of Settlement and all accompanying exhibits, including any subsequent amendments to this Stipulation and any exhibits to such amendments.

48. “Settlement Amount” means four hundred fifty five million dollars (\$455,000,000).

49. “Settling Parties” means Plaintiff (on behalf of himself and the Class Members), the Farmers Defendants, and ZFS.

50. “Settling Parties’ Counsel” means Plaintiff’s Counsel, Farmers Defendants’ Counsel, and ZFS’s Counsel.

51. “Subscription Agreement” means the agreement in effect between a subscriber and an Exchange, through which agreement the subscriber becomes a “member” of the Exchange and appoints a Farmers Defendant as his, her, or its AIF.

52. “Summary Notice” means the notice described in Subsection III.B.

53. “UCL” means the California’s Unfair Competition Law, Cal.

Bus. & Prof. Code §§ 17200 *et seq.*

54. “Unknown Claims” means any and all Released Plaintiff’s Claims and Released Exchanges’ Claims that Plaintiff, any other Class Member, or any Exchange (as applicable) does not know or suspect to exist in his, her, or its favor at the time of the release of the Releasees, and any Released Defendants’ Claims that Defendants do not know or suspect to exist in their favor, which, if known by Plaintiff, any Class Member, any Exchange, or any Defendant, might have affected his, her, or its decision(s) concerning the proposed Settlement. As to any and all Released Plaintiff’s Claims, Released Exchanges’ Claims, and Released Defendants’ Claims, the Settling Parties and the Exchanges stipulate and agree that, upon the Final Settlement Date, Plaintiff, Defendants, and the Exchanges shall expressly waive, and each other Class Member shall be deemed to have waived, and by operation of the Final Judgment shall have expressly waived, any and all provisions, rights, and benefits conferred by any law of any state or territory of the United States or of any other country, or any principle of federal or common law, that is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

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.

Plaintiff, Defendants, and the Exchanges acknowledge, and the other Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of “Unknown Claims” in the definition of Released Plaintiff’s Claims, Released Exchanges’ Claims, and

Released Defendants' Claims was separately bargained for and is a key element of the proposed Settlement.

55. "ZFS" means Zurich Financial Services Ltd.

56. "ZFS's Counsel" means Dewey & LeBoeuf LLP.

57. "ZFS Releasees" means each and all of (i) ZFS, (ii) its respective past or present parents, predecessors, successors, Affiliates, divisions, business units, and subsidiaries, and any entities in which ZFS has a Controlling Interest or that has a Controlling Interest in it, and (iii) the respective past and present directors, governors, executive committee members, officers, employees, members, partners, principals, agents, attorneys (including their General Counsel and other in-house or outside attorneys), advisors, trustees, administrators, fiduciaries, consultants, service providers, representatives, successors in interest, assigns, beneficiaries, heirs, executors, accountants, accounting advisors, and auditors of any or all of the above persons or entities; *provided however*, that ZFS Releasees shall not include the Exchanges or their subsidiaries.

#### **E. Capitalized Terms**

1. Any capitalized terms used in this Settlement Agreement, but not defined above, shall have the meaning ascribed to them in this Settlement Agreement.

### **II. TERMS AND CONDITIONS OF THE SETTLEMENT**

#### **A. Payment of the Settlement Amount**

1. Within ten (10) business days after the Final Settlement Date, and pursuant to the Plan of Allocation and the other provisions of this Settlement Agreement, Defendants will begin paying out the Settlement Amount to satisfy all claims submitted by

Authorized Claimants and approved by the Claims Administrator, except those claims about which a dispute has arisen. Defendants will pay disputed claims after the dispute has been resolved, whether by the Arbitrator or otherwise. Defendants will continue paying claims submitted by Authorized Claimants and approved by the Claims Administrator until all such claims have been satisfied in accordance with the Plan of Allocation.

2. If any portion of the Settlement Amount remains unpaid – whether by reason of unclaimed distributions or otherwise – after all Authorized Claimants have been paid pursuant to the Plan of Allocation, the remaining portion of the Settlement Amount will be distributed to the Exchanges pursuant to the Plan of Allocation.

3. Class Members shall look solely to the Settlement Amount for settlement and satisfaction of all Released Plaintiff's Claims, and only to the extent expressly provided by this Settlement Agreement, the Court-approved Plan of Allocation, or an order of the Court. Under no circumstances will any of the Settling Parties or any other Releasee be responsible for the payment of any fees, costs, expenses, or other funds associated with or arising out of the Settlement; *provided, however*, that Defendants also shall pay the Attorneys' Fees and Expenses Award and the Notice and Administrative Expenses to administer the Settlement as otherwise provided in this Settlement Agreement.

4. The Exchanges shall look solely to any residual portion of the Settlement Amount payable under Subsection II.A.2 and to the releases provided by this Settlement Agreement for settlement and satisfaction of all Released Exchanges' Claims.

Under no circumstances will any of the Settling Parties or any other Releasee be responsible to the Exchanges for the payment of any fees, costs, expenses, or other funds associated with or arising out of the Settlement.

5. No person or entity shall have any Claim against the Settling Parties, any other Releasee, the Settling Parties' Counsel, the Claims Administrator, the Arbitrator, the Mediator, or any of their agents relating to or arising out of any distributions or lack thereof made under any Court-approved Plan of Allocation, this Settlement Agreement, or orders of the Court.

**B. Plan of Allocation**

1. All cash distributions to Authorized Claimants shall be from the Settlement Amount pursuant to a Plan of Allocation developed by Plaintiff's Counsel, agreed upon by Defendants' Counsel, and approved by the Court. Any distributions to the Exchanges shall be made pursuant to Subsection II.A.2 above.

2. The Plan of Allocation shall be substantially in the form attached as Exhibit D.

3. Defendants', the other Releasees', and their respective counsel's role in developing the Plan of Allocation shall be limited to (i) participating in a determination that the Plan of Allocation is mutually agreeable to all Settling Parties and (ii) providing advice as to the Plan of Allocation's technical feasibility, based on available information. Defendants, the other Releasees, and their respective counsel are not responsible for determining the form, substance, method, or manner of allocation, administration, or distribution of the Settlement Amount, or any tax liability that a Class

Member or the Exchanges might incur as a result of this Settlement Agreement, or as a result of any action taken pursuant to this Settlement Agreement or relating to the administration or processing of claims (including, without limitation, determinations as to the validity of Proofs of Claim, the amounts of claims, or distribution of the Settlement Amount).

4. The Plan of Allocation is not a necessary term of this Settlement Agreement, and this Settlement Agreement is not conditioned on the approval of any particular form of Plan of Allocation. No order or proceedings relating to the Plan of Allocation shall operate to modify, terminate, or cancel this Settlement Agreement or affect the finality of the Final Judgment or any other orders entered by the Court giving effect or pursuant to this Settlement Agreement; *provided, however*, that any Plan of Allocation must provide for a “hybrid claims-made process” (as agreed with the Mediator) and a residual distribution to the Exchanges pursuant to Subsection II.A.2 above.

**C. Submission, Processing, and Payment of Claims**

1. To receive a cash distribution from the Settlement Amount pursuant to any approved Plan of Allocation, a Class Member must be an Authorized Claimant under the procedures set out in this Settlement Agreement or by order of the Court, and must complete and submit a Proof of Claim as directed in the Individual Notice or the Proof of Claim. The Proof of Claim must be received at the address specified in the Proof of Claim form by the date stated. The Exchanges shall not be eligible to file Proofs of Claim, but will receive any portion of the Settlement Amount to which they might be entitled pursuant to Subsection II.A.2 above.

2. The Proof of Claim must be made upon information and belief to the best of the claimant's knowledge and must contain such information as is identified in the Proof of Claim. The claimant must sign the Proof of Claim under penalty of perjury as to any additional information the claimant provided.

3. Only the first named insured on an insurance policy that falls within the Class definition may submit a Proof of Claim and be eligible for payment from the Settlement Amount, even if the policy has more than one named insured. No other named insured under such a policy may seek relief under the Settlement, but all named insureds on each such policy will nevertheless be bound by the terms of the Settlement and of the Final Judgment.

4. The validity of each submitted Proof of Claim will initially be determined by the Claims Administrator in accordance with the Plan of Allocation approved by the Court.

5. The Claims Administrator shall advise Defendants from time to time as it determines which Proofs of Claim should be paid pursuant to the Plan of Allocation, and in what amounts. Unless Defendants dispute those determinations, Defendants shall pay such claims from the Settlement Amount within thirty (30) days after receiving the Claims Administrator's determinations. If Defendants dispute the Claims Administrator's determinations, they shall discuss those determinations with Plaintiff's Counsel and, if the attorneys cannot resolve the disputes, shall then submit them to the Arbitrator.

6. The Claims Administrator shall promptly advise a Class Member in writing if it determines to reject his, her, or its claim. The Settling Parties, the other Releasees, the Settling Parties' Counsel, and their designees or agents shall not have any liability arising out of any such determination.

7. If any Class Member whose claim has been rejected in whole or in part desires to contest such rejection, the Class Member must, within thirty (30) days after the date of such rejection, submit to the Settling Parties' Counsel a notice and statement of reasons explaining the Class Member's grounds for contesting the rejection, along with any supporting documentation, and request a review by the Arbitrator. Within ten (10) days after the date of such rejection, any Class Member whose claim has been rejected in whole or in part may submit a written or electronic request to the Claims Administrator seeking the production of any documents that formed the basis of the rejection of that Class Member's claims. Within ten (10) business days after the Claims Administrator's receipt of such a request, the Claims Administrator shall provide the Class member with any such documents by mail or e-mail service at the Class Member's option. If the Class Member and the Settling Parties cannot resolve among themselves a dispute concerning a claim, Plaintiff's Counsel shall thereafter present the request for review to the Arbitrator.

8. The Arbitrator shall issue binding, nonappealable decisions on all disputed claims for settlement relief, whether submitted by a Class Member or by Defendants. The Arbitrator shall base his or her decisions on documentary or other objective evidence, not on unsupported allegations by any party to the dispute.

9. Defendants shall pay each disputed claim resolved by the Arbitrator within thirty (30) days after receiving the Arbitrator's resolution of each such dispute.

10. The administration of the Settlement Amount shall remain under the jurisdiction of the Court, although all disputed questions of law and fact concerning the validity of any Proof of Claim or the rejection or amount of any claim shall be submitted to the Arbitrator. All Class Members and Settling Parties expressly waive trial by jury (to the extent any such right might exist) and any right of appeal or review as to such determinations. Any Class Member or Defendant pursuing a dispute shall be responsible for his, her, or its own costs, including, without limitation, attorneys' fees, incurred in pursuing the dispute; *provided, however*, that Defendants shall pay the Arbitrator's fees and expenses.

11. Unless otherwise ordered by the Court, any Class Member who does not submit a valid and timely Proof of Claim shall be barred from receiving a distribution from the Settlement Amount, but shall nevertheless be bound by the Release and all proceedings, orders, and judgments in the Action even if he, she, or it has pending, or subsequently initiates, any litigation, arbitration, or other proceeding, or has any Claim, against any or all of the Releasees that is a Released Plaintiff's Claim.

**D. Additional Settlement Consideration**

1. By the Final Settlement Date, the Farmers Defendants will implement the following procedures:

a. Include the Subscription Agreement in all applications used for all new insurance policies;

b. Provide new policyholders with a “welcome pack” notice that includes information about the nature of the Exchanges, the role of the AIF, and the subscriber relationship;

c. Institute and maintain a process to provide all Exchange policyholders with a copy of the Subscription Agreement on a periodic basis;

d. Distribute to the Farmers Defendants’ agency force a “Subscription Agreement Procedure Bulletin” that outlines the procedures for obtaining signatures on Subscription Agreements; and

e. Provide training to the Farmers Defendants’ agency force to educate sales agents about the terms of the Subscription Agreement.

2. The Farmers Defendants shall maintain these procedures for at least five (5) years after the Final Settlement Date.

### **III. NOTICE TO THE CLASS**

#### **A. Individual Notice**

1. Subject to the requirements of the Preliminary Approval Order, and in accordance with all applicable laws, the Claims Administrator shall cause copies of the Individual Notice and the Proof of Claim, in substantially the forms set out in Exhibits A and B, to be sent to potential Class Members.

2. The Individual Notice shall be sent in accordance with the Notice Program to be developed by the Claims Administrator and the Settling Parties and approved by the Court; *provided that* the Individual Notice will be sent by first-class mail

to all potential Class Members who can be identified through reasonable efforts from the Farmers Defendants' and the Exchanges' records.

3. Defendants shall pay the costs involved in disseminating the Individual Notice to the potential Class Members.

4. The Individual Notice and the Proof of Claim shall be sent only to the first named insured on each policy that falls within the Class definition, even if a policy has more than one named insured.

**B. Summary Notice**

1. Subject to the requirements of the Preliminary Approval Order, and in accordance with all applicable laws, the Claims Administrator shall cause the Summary Notice to be published.

2. The Summary Notice shall be in substantially the form set out in Exhibit C.

3. The Summary Notice shall be published in accordance with the Notice Program to be developed by the Claims Administrator and the Settling Parties, and approved by the Court. The Summary Notice will be published twice in (i) the newspaper with the largest circulation in each of Alabama, Arizona, Arkansas, California, Colorado, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, Wisconsin, and Wyoming and (ii) the national editions of *The Wall Street Journal*, *USA Today*, *The New York Times*, and *Parade*. In California and Texas, the Summary Notice shall be published in the

newspaper with the largest circulation in at least two major metropolitan areas (*e.g.*, Los Angeles and San Francisco; Dallas and Houston).

4. The Summary Notice shall be published within seven days after all Individual Notices have been mailed (not including any subsequent remailings).

5. Defendants shall pay the costs involved in publishing the Summary Notice.

#### **IV. APPOINTMENT OF CLAIMS ADMINISTRATOR**

A. The Settling Parties shall request bidding from third-party class-action claims administrators for the position of Claims Administrator in this case. Upon receipt of those bids, the Settling Parties shall together jointly select and propose to the Court the third-party class-action administrator to serve as the Claims Administrator in this case. If the Settling Parties cannot agree on a Claims Administrator, the Settling Parties will ask the Mediator to select a proposed Claims Administrator for ultimate approval by the Court.

B. As provided in the Preliminary Approval Order, the Claims Administrator shall be appointed to implement the Settlement and the Notice Program contemplated by this Settlement Agreement. The Settling Parties shall cooperate in the administration of the Settlement to the extent reasonably necessary to effectuate the terms of the Settlement Agreement (but not including any acts that the Claims Administrator is required to undertake pursuant to this Settlement Agreement).

C. The Claims Administrator shall perform various tasks as directed by the Settling Parties' Counsel, including, without limitation: (i) distributing the Individual

Notice to potential Class Members; (ii) arranging for publication of the Summary Notice; (iii) posting the Individual Notice on the Claims Administrator's website; (iv) providing a mechanism for Class Members to submit their Proofs of Claim through the Claims Administrator's website; (v) answering written inquiries from potential Class Members and/or forwarding such inquiries to Plaintiff's Counsel; (vi) providing additional copies of the Individual Notice upon request; (vii) receiving and maintaining on behalf of the Court any requests for exclusion from the Settlement received from potential Class Members; (viii) receiving and processing Proofs of Claim from Class Members; (ix) assisting in the distribution of the Settlement Amount to Authorized Claimants; and (x) otherwise administering and implementing the Settlement.

D. The Claims Administrator also shall establish and staff with representatives knowledgeable about this Settlement Agreement and the Plan of Allocation a toll-free telephone number for responding to inquiries from potential Class Members about the Settlement and any other issues relating to the Action.

E. Defendants shall pay the Claims Administrators' fees and expenses for all work done in connection with the Settlement.

## **V. RIGHT TO COMMUNICATE WITH CLASS MEMBERS**

A. Plaintiff and Plaintiff's Counsel acknowledge and agree that the Releasees have the right to communicate orally and in writing with the Exchanges' subscribers and to respond to inquiries from potential Class Members, including, without limitation:

1. Communications regarding the subject matter of this Settlement Agreement between potential Class Members and representatives of the Releasees whose

responsibilities include subscriber, policyholder, and customer relations, to the extent such communications are initiated by potential Class Members, and in such circumstances the Releasees shall use their best efforts to direct such potential Class Members to the Claims Administrator, the Claims Administrator's website, or Plaintiff's Counsel;

2. Communications as may be necessary to implement the terms of this Settlement Agreement; and

3. Communications as may be made in the conduct of the Releasees' ordinary business.

B. Subject to Subsections XIV.C and XIV.E below, the Settling Parties, the Exchanges, and their counsel agree (i) to cooperate in good faith to ensure that any comments about or descriptions of the Settlement are balanced, fair, and accurate and (ii) to refrain from asserting that the Action was brought or defended in bad faith. Other than through the Individual Notice and the Summary Notice, or as permitted by Sections IV, V.A, and XIV.C, Settling Parties' Counsel and the Exchanges' Counsel agree that none of them will comment publicly on the merits of the Claims asserted in the Action, except to the extent any such comments are made in public filings with the Court.

## **VI. REQUESTS FOR EXCLUSION**

A. Any potential Class Member who wishes to be excluded from the Class must submit by first-class mail or otherwise deliver a written request for exclusion to the Claims Administrator, care of the address provided in the Individual Notice, such that the exclusion request is received no later than twenty (20) days before the Fairness Hearing,

or as the Court might otherwise direct. The period for requesting exclusion shall be 60 days from the date on which the Summary Notice was first published.

B. A potential Class Member's request for exclusion must include the following information: (i) name, (ii) address, (iii) telephone number, (iv) e-mail address, if available, and (v) identification of each insurance or reinsurance policy that was issued to him, her, or it by any Exchange and was obtained or in force during the Class Period.

C. Only one exclusion request will be permitted for each insurance policy covered by the Class definition, regardless of the number of named insureds on each such policy. Only the first named insured may file an exclusion request. All other named insureds on each policy with multiple named insureds will be bound by the first named insured's decision whether or not to request exclusion.

D. The Settling Parties and/or the Claims Administrator shall provide to the Court, at or before the Fairness Hearing, a list of the persons and entities who have validly and timely requested exclusion from the Class.

E. Unless otherwise ordered by the Court, any potential Class Member who does not submit a timely, valid, written request for exclusion as provided by this Section VI shall nevertheless be bound by the Release and by all proceedings, orders, and judgments in the Action, even if he, she, or it has pending or subsequently initiates litigation, arbitration, or any other proceeding, or has any other Claim, against any or all of the Releasees relating to any of the Released Plaintiff's Claims.

## VII. OBJECTIONS TO SETTLEMENT

A. Any Class Member who wishes to object to the fairness, reasonableness, or adequacy of this Settlement Agreement, to any term(s) of this Settlement Agreement, to the Plan of Allocation, or to the proposed Attorneys' Fees and Expenses Award must both serve on the Settling Parties' Counsel and file with the Court a statement of his, her, or its objection(s); *provided, however*, that a potential Class Member who requests exclusion from the Class shall not be entitled to submit an objection.

B. Any such objection must be received by the Settling Parties' Counsel and the Court by no later than twenty (20) days before the Fairness Hearing, or as the Court might otherwise direct.

C. The Class Member's statement of objection must state the specific reason(s), if any, for each objection, including any legal support the Class Member wishes to bring to the Court's attention and any evidence the Class Member wishes to introduce in support of such objection. Any objection also must include the following information about the Class Member: (i) name, (ii) address, (iii) telephone number, (iv) e-mail address, if available, and (v) identification of each insurance or reinsurance policy that was issued to him, her, or it by any Exchange and was obtained or in force during the Class Period.

D. Any Class Member may file an objection on his, her, or its own, or through an attorney hired at his, her, or its own expense. If a Class Member hires an attorney to represent him, her, or it in connection with filing an objection, the attorney must both serve on the Settling Parties' Counsel and file with the Court a notice of

appearance. Any such notice of appearance must be received by the Settling Parties' Counsel and the Court by no later than twenty (20) days before the Fairness Hearing, or as the Court otherwise might direct.

E. Plaintiff's Counsel shall inform Defendants' Counsel promptly of any request by Class Members or their attorneys for access to the discovery materials in the Action and shall identify for Defendants' Counsel any such Class Member (as well as his, her, or its attorney (if any)) who requests access to the discovery materials and the date on which such access is requested.

F. Any Class Member who files and serves a written objection pursuant to this Section VII – and, unless the Court otherwise orders, only such Class Members – may appear at the Fairness Hearing, either in person or through counsel hired at the Class Member's expense, to object to the fairness, reasonableness, or adequacy of this Settlement Agreement, to any term(s) of this Settlement Agreement, to the Plan of Allocation, or to the proposed Attorneys' Fees and Expenses Award. Class Members or their attorneys intending to make an appearance at the Fairness Hearing must both serve on the Settling Parties' Counsel and file with the Court a notice of intention to appear. Any such notice must be received by the Settling Parties' Counsel and the Court by no later than twenty (20) days before the Fairness Hearing, or as the Court otherwise might direct.

G. Any Class Member who fails to comply with any of the provisions of this Section VII shall waive and forfeit any and all rights he, she, or it might otherwise have had to appear separately at the Fairness Hearing and/or to object to this Settlement

Agreement, the Plan of Allocation, or the proposed Attorneys' Fees and Expenses Award and shall be bound by all the terms of this Settlement Agreement and by all proceedings, orders, and judgments in the Action.

## **VIII. RELEASE AND WAIVER, AND ORDER OF DISMISSAL**

### **A. Release and Waiver**

1. Pursuant to the Final Judgment, without further action by anyone, and whether or not a Proof of Claim has been executed and/or delivered by or on behalf of any such Class Member, and subject to Subsection VIII.A.6 below, on and after the Final Settlement Date, Plaintiff and all other Class Members, on behalf of themselves and their other Releasers, shall be deemed to have, and by operation of law and of the Final Judgment shall have, fully, finally, and forever released, relinquished, settled, and discharged:

- a. all Released Plaintiff's Claims against each and every one of the Releasees;
- b. all Claims, damages, and liabilities as to each and every one of the Releasees to the extent that any such Claims, damages, or liability relate in any way to any or all acts, omissions, nondisclosures, facts, matters, transactions, occurrences, or oral or written statements or representations in connection with, or directly or indirectly relating to, the prosecution, defense, or settlement of the Action or to this Settlement Agreement, the provision of notice in connection with the Settlement, or the resolution of any Proofs of Claim filed in connection with the Settlement;

c. all Claims against any of the Releasees for attorneys' fees, costs, or disbursements incurred by Plaintiff's Counsel or any other counsel representing Plaintiff or any Class Member in connection with or related in any manner to the Action, the settlement of the Action, or the administration of the Action and/or its settlement, except to the extent otherwise specified in this Settlement Agreement; and

d. all Claims against any other Releasor (including any co-insured under an insurance policy that falls within the Class definition) relating to the payment of any money pursuant to the Settlement.

2. Pursuant to the Final Judgment, on and after the Final Settlement Date, without further action by anyone, and whether or not a Proof of Claim has been executed and/or delivered by or on behalf of any such Class Member, Plaintiff and all other Class Members – on behalf of themselves and their other Releasors, for good and sufficient consideration, and by operation of law and of the Final Judgment – shall:

a. be deemed to have duly and knowingly signed a Subscription Agreement for each Exchange from which they obtained an insurance or reinsurance policy on or before the Final Settlement Date and to have understood and accepted as reasonable the terms of each such Subscription Agreement governing AIF or management-services fees, and

b. be bound by the terms of any such Subscription Agreement as to all insurance or reinsurance policies that were issued or might be

issued in the future by each such Exchange during the term of such Subscription Agreement;

*Provided, however,* that nothing in this Subsection VIII.A.2 preceding this proviso shall apply to any persons or entities who become new subscribers after the Final Settlement Date, including any Class Members who, after the Final Settlement Date, become members of an Exchange other than the Exchange(s) that qualified them as Class Members; and

*Provided further* that the Farmers Defendants will send the following statement to all Exchange policyholders who are offered a renewal of an Exchange policy: “The attorney-in-fact (“AIF”) or management fee for your renewed policy will never exceed 20% of the policy’s premiums (or 25% for Fire Insurance Exchange) and will be paid out of the premiums. You may wish to consider this information in deciding whether to accept or decline this offer to renew your policy.”

3. Pursuant to the Final Judgment, without further action by anyone, and subject to Subsection VIII.A.6 below, on and after the Final Settlement Date, the Exchanges, on behalf of themselves and the other Exchange Releasees, shall be deemed to have, and by operation of law and of the Final Judgment shall have, fully, finally, and forever released, relinquished, settled, and discharged:

- a. all Released Exchanges’ Claims against each and every one of the Farmers Defendant Releasees and ZFS Releasees;
- b. all Claims, damages, and liability as to any or all of Plaintiff, the Settling Parties’ Counsel, the Arbitrator, the Mediator, and each and

every one of the Farmers Defendant Releasees and ZFS Releasees to the extent that any such Claims, damages, or liability relate in any way to any or all acts, omissions, nondisclosures, facts, matters, transactions, occurrences, or oral or written statements or representations in connection with, or directly or indirectly relating to, the prosecution, defense, or settlement of the Action or to this Settlement Agreement, the provision of notice in connection with the Settlement, or the resolution of any claims filed in connection with the Settlement; and

c. all Claims against any of the Farmers Defendant Releasees or ZFS Releasees for attorneys' fees, costs, or disbursements incurred by the Exchanges' Counsel or any other counsel representing the Exchanges in connection with or related in any manner to the Action, the settlement of the Action, or the administration of the Action and/or its settlement.

4. Pursuant to the Final Judgment, without further action by anyone, and subject to Subsection VIII.A.6 below, on and after the Final Settlement Date, Defendants' Counsel and all Releasees, for good and sufficient consideration, the receipt and adequacy of which are hereby acknowledged, shall be deemed to have, and by operation of law and of the Final Judgment shall have, fully, finally, and forever released, relinquished, settled, and discharged Plaintiff's Counsel and all Releasees from any and all Released Defendants' Claims.

5. Pursuant to the Final Judgment, without further action by anyone, and subject to Subsection VIII.A.6 below, on and after the Final Settlement Date, Plaintiff's Counsel, on behalf of themselves, their heirs, executors, administrators,

predecessors, successors, Affiliates, assigns, and any person or entity claiming by or through any of them, for good and sufficient consideration, the receipt and adequacy of which are hereby acknowledged, shall be deemed to have, and by operation of law and of the Final Judgment shall have, fully, finally, and forever released, relinquished, settled, and discharged Defendants' Counsel and all Releasees from any and all Claims, whether known Claims or Unknown Claims, that relate in any way to any and all acts directly or indirectly relating to the prosecution, defense, or settlement of the Action or to this Settlement Agreement, except to the extent otherwise specified in this Settlement Agreement.

6. Notwithstanding any other provision of this Subsection VIII.A, nothing in the Final Judgment shall bar any action or Claim by the Settling Parties, the Exchanges, the Settling Parties' Counsel, or the Exchanges' Counsel to enforce the terms of this Settlement Agreement or the Final Judgment.

7. The releases and waivers in this Section VIII were separately bargained for and are essential elements of this Settlement Agreement.

**B. Final Judgment and Order of Dismissal**

1. The Settling Parties will seek and obtain from the Court a Final Judgment as further described in Section XI below.

**IX. ATTORNEYS' FEES AND EXPENSES**

A. Subject to the Court's approval, Defendants will pay the amount of ninety million dollars (\$90,000,000) in attorneys' fees and expenses to Plaintiff's Counsel – or

such lesser amount as the Court or any appellate court might order – separately from the Settlement Amount.

B. Plaintiff's Counsel may apply for an award of Attorneys' Fees and Expenses in an amount not exceeding \$90,000,000 in connection with the Fairness Hearing.

C. Subject to Subsection IX.D, below, Defendants will pay the Attorneys' Fees and Expenses Award to Plaintiff's Counsel within ten (10) business days after both the Final Judgment and the Court's order setting out the Attorneys' Fees and Expenses Award have become Final.

D. As a condition of receiving the Attorneys' Fees and Expenses Award, Plaintiff's Counsel, on behalf of themselves and each of their partners, members, and/or shareholders, agree that the law firms and their partners, members, and/or shareholders are subject to the jurisdiction of the Court for the purpose of enforcing this Settlement Agreement's provisions concerning attorneys' fees. Without limitation, Plaintiff's Counsel and each of their partners, members, and/or shareholders agree that the Court may, upon Defendants' application, on notice to Plaintiff's Counsel, summarily issue orders, including, but not limited to, judgments and attachment orders, and may make appropriate findings of or sanctions for contempt, against them or any of them (if applicable), should any of Plaintiff's Counsel fail timely to repay any attorneys' fees and expenses if required to do so.

E. No Releasee shall be liable or obligated to pay any fees, expenses, costs, or disbursements to, or incur any expense on behalf of, any person or entity (including,

without limitation, Plaintiff and Plaintiff's Counsel), directly or indirectly, in connection with the Action or the Settlement, except as expressly provided for in this Settlement Agreement.

**X. PRELIMINARY APPROVAL HEARING AND PRELIMINARY APPROVAL ORDER**

A. Promptly after this Stipulation has been fully executed, the Settling Parties' Counsel shall jointly apply to the Court for entry of a Preliminary Approval Order, substantially in the form attached as Exhibit E.

B. Solely for purposes of this Settlement, Plaintiff and Defendants stipulate to the certification of the Class pursuant to Rule 3.769 of the California Rules of Court and appointment of Plaintiff as the representative of the Class. If the Settlement is not approved by the Court or is not consummated for any other reason, Defendants reserve the right to oppose certification of the Class, or any other class, and to oppose certification or appointment of Plaintiff as representative of the Class, or any other class, in the Action.

**XI. FINAL APPROVAL, AND FINAL JUDGMENT AND ORDER OF DISMISSAL**

A. If the Court approves the Settlement, the Settling Parties' Counsel shall jointly ask the Court to enter a Final Judgment (including a Complete Bar Order) substantially in the form attached as Exhibit F.

B. Plaintiff and the other Class Members will use their best efforts, in settling any Claim with any other person or entity, to obtain from such person or entity a release of any and all Claims based upon, arising out of, or relating to the Action or any of the

Released Plaintiff's Claims that such person or entity might have against any of the Releasees.

C. If any term of the Complete Bar Order entered by the Court is held to be unenforceable after the date of entry, such provision shall be substituted with such other provision as may be necessary to afford all of the Releasees the fullest protection permitted by law from any Claim that is based upon, arises out of, or relates to any Released Plaintiff's Claim or Released Exchanges' Claim.

D. Notwithstanding the Complete Bar Order or anything else in the Settlement Agreement, nothing shall release, interfere with, limit, or bar the assertion by any Releasee of any Claim for insurance coverage under any insurance, reinsurance, or indemnity policy that provides coverage for any conduct at issue in the Action.

## **XII. MODIFICATION OR TERMINATION OF THIS SETTLEMENT AGREEMENT**

A. The terms and provisions of this Settlement Agreement may not be altered or modified except pursuant to Subsection XIV.I; *provided, however*, that, after entry of the Final Judgment, Plaintiff's Counsel, on behalf of Plaintiff and the Class, Defendants' Counsel, on behalf of Defendants, and the Exchanges' Counsel, on behalf of the Exchanges, may by written agreement effect any amendments, modifications, or expansions of this Settlement Agreement and its implementing documents (including all exhibits to this Settlement Agreement) without notice to or approval by the Court if such changes are not materially inconsistent with the Court's Final Judgment and do not

materially limit the rights of Class Members or the Exchanges under this Settlement Agreement.

B. Subject to Sections XIII and XIV below, this Settlement Agreement will terminate at the sole option and discretion of Defendants' Counsel (on behalf of Defendants), Plaintiff's Counsel (on behalf of Plaintiff), and/or the Exchanges' Counsel (on behalf of the Exchanges) if (i) the Court, or any appellate court(s), rejects, modifies, or denies approval of any portion of this Settlement Agreement or the proposed Settlement that the terminating Settling Party or Exchange reasonably and in good faith determines is material, including, without limitation, the terms of relief, the findings of the Court, the provisions relating to notice, the definition of the Class, the Complete Bar, the terms of the Release, and/or the provisions of the Settlement Agreement or the Plan of Allocation requiring payment of any residual Settlement Amount to the Exchanges, or (ii) the Court, or any appellate court(s), does not enter or completely affirm, or alters or expands, any portion of the Preliminary Approval Order or the Final Judgment that the terminating Settling Party or Exchange reasonably and in good faith believes is material; *provided, however*, that an Exchange may not terminate the Settlement Agreement unless a court ruling affects a right granted to that Exchange pursuant to this Settlement Agreement. The terminating Settling Party or Exchange must exercise the option to withdraw from and terminate this Settlement Agreement, as provided in this Section XII, no later than thirty (30) days after receiving actual notice of the event prompting the termination.

C. Notwithstanding the preceding Subsection XII.B, neither Plaintiff nor Plaintiff's Counsel nor an Exchange may terminate this Settlement Agreement on the basis of the amount of the Attorneys' Fees and Expenses Award ordered by the Court, or as modified by any appellate court(s).

### **XIII. DEFENDANTS' TERMINATION RIGHTS**

A. Without limiting any other rights under this Settlement Agreement, by no later than two (2) days before the Fairness Hearing, Defendants may unilaterally withdraw from and terminate this Settlement Agreement if requests for exclusion are received from potential Class Members (i) who constitute five (5) percent or more of the Class or (ii) the value of whose Claims constitutes five (5) percent or more of the Settlement Amount. Defendants may withdraw from or terminate the Settlement Agreement under either of these circumstances.

B. Plaintiff's Counsel may attempt to cause retraction of any exclusion requests by potential Class Members. If Defendants have exercised their option to withdraw from and terminate the Settlement based on Subsection XIII.A, and if Plaintiff's Counsel succeed in causing the retraction (within the time period for such retractions specified in the next sentence) of sufficient requests for exclusion such that the remaining requests for exclusion do not exceed either of the amounts in Subsection XIII.A, Defendants' notice of withdrawal from the Settlement automatically shall be deemed a nullity. To retract a prior request for exclusion, a potential Class Member must provide to Defendants' Counsel, at least five business days before the Fairness Hearing, or any adjournment thereof, a written notice signed by the potential

Class Member stating his, her, or its desire to retract the request for exclusion from the Class.

#### **XIV. GENERAL MATTERS AND RESERVATIONS**

A. If an option to withdraw from and terminate this Settlement Agreement arises under this Settlement Agreement, (i) neither Plaintiff nor Defendants nor the Exchanges will be required for any reason or under any circumstance to exercise that option, and (ii) if Plaintiff, Defendants, or the Exchanges exercise the option to withdraw from or terminate the Settlement, they shall exercise that option in good faith.

B. If this Settlement Agreement does not become Final or is otherwise terminated pursuant to the terms hereof, then:

1. This Settlement Agreement shall be null and void and shall have no force or effect, and no party to this Settlement Agreement shall be bound by any of its terms, except for the terms set out in this Section XIV;

2. This Settlement Agreement, all of its provisions, and all negotiations, statements, and proceedings relating to it shall be without prejudice to the rights of the Settling Parties, any other Class Members, and the Exchanges, all of whom shall be restored to their respective positions existing immediately before the execution of this Settlement Agreement, except as to the payment of such administrative expenses as have been actually expended or incurred, as described in Sections II and IV above;

3. Releasees expressly and affirmatively reserve all defenses, arguments, and motions as to all Claims that have been or might later be asserted in the

Action, including (without limitation) any argument that the Action may not be litigated as a class action;

4. Releasors expressly and affirmatively reserve all motions as to, and arguments in support of, all Claims that have been or might later be asserted in the Action, including (without limitation) any argument concerning class certification;

5. Neither this Settlement Agreement, nor the fact of its having been made, shall be admissible or entered into evidence for any purpose whatsoever; and

6. Except as specifically provided herein, nothing in this Settlement Agreement shall create any obligation on the part of any Settling Party or Exchange to pay any other Settling Party's or Exchange's fees or expenses.

C. Except as provided in this Section XIV, or as may otherwise be required by law, the Settling Parties, the Exchanges, and their respective counsel agree (i) to keep the contents of this Settlement Agreement and all related negotiations confidential until the Execution Date and (ii) with respect to any press release concerning the Settlement Agreement, to attempt in good faith to coordinate the timing of such press release, which coordination shall include, for each Settling Party or Exchange issuing such release, affording the other Settling Party or Exchange the opportunity to review and comment on such release in advance thereof; *provided, however*, that:

1. This Section XIV shall not prevent earlier disclosure of such information by the Settling Parties, the Exchanges, or their counsel to any person or entity (such as clients, experts, courts, the Mediator, any prospective Claims Administrator, the Claims Administrator, regulatory entities, and/or administrators) to

whom the Settling Parties or the Exchanges agree that disclosure must be made to effectuate the terms and conditions of this Settlement Agreement;

2. Defendants and the Exchanges shall be entitled to make, without prior notification to or review or approval by Plaintiff's Counsel, any and all disclosures regarding this Settlement Agreement that they believe might be required or appropriate to their insurance carriers, the Swiss Stock Exchange, the New York Stock Exchange, the Internal Revenue Service, the Swiss Financial Market Supervisory Authority FINMA, the Insurance Departments of any state, the Securities and Exchange Commission, the Department of the Treasury, the Department of Homeland Security, and/or any other regulatory body (including, without limitation, any Committee of the United States Congress), and Releasees' former or current independent auditors, accountants, attorneys, financial institutions, or lenders, when disclosure to any such individuals or entities is required in the normal course of the Releasees' business; *provided, however*, that any and all such disclosures or statements shall be balanced, fair, and accurate, and Defendants and the Exchanges shall refrain from asserting that any Claim asserted in the Action was brought in bad faith;

3. The Settling Parties' Counsel and the Exchanges' Counsel shall be able to speak with media representatives regarding this Settlement Agreement before the Execution Date, but only to the extent consistent with this Settlement Agreement, and only if they obtain an agreement from such media representatives not to publish any information regarding this Settlement Agreement until on or after the Execution Date; and

4. Nothing in this Subsection XIV.C shall apply to the Settling Parties' statements about the agreement in principle announced on October 7, 2010.

D. All of the exhibits attached to this Settlement Agreement are incorporated by reference as though fully set forth herein.

E. The parties to this Settlement Agreement intend that the Settlement Agreement shall be a final and complete resolution of all disputes that were, could have been, or could be asserted by the Class Members or the Exchanges against the Releasees concerning Released Plaintiff's Claims or Released Exchanges' Claims, as applicable. Accordingly, Plaintiff, Defendants, and the Exchanges agree not to assert in any forum that any conduct of Plaintiff, Defendants, and/or the Exchanges in connection with this Action, the settlement of this Action, or any of the Released Plaintiff's Claims or Released Exchanges' Claims was in bad faith. No Settling Party or Exchange shall assert any Claim that any other Settling Party or Exchange violated any court or procedural rule or otherwise acted improperly in connection with the prosecution, defense, or settlement of the Action.

F. The Settling Parties agree that the amount paid, the other consideration granted, and the other terms of the Settlement Agreement were negotiated at arm's length in good faith by the Settling Parties and reflect an agreement that was reached voluntarily, after consultation with experienced legal counsel.

G. Plaintiff's Counsel, Defendants' Counsel, and the Exchanges' Counsel signing this Settlement Agreement each represent that he or she is authorized to enter into this Settlement Agreement on behalf of his or her clients.

H. Plaintiff, through a duly authorized representative, represents that he (i) has agreed to serve as a representative of the Class proposed to be certified herein, (ii) has consulted with Plaintiff's Counsel about the Action, this Settlement Agreement, and the obligations of a representative of the Class, (iii) understands and agrees with the terms of the Settlement and this Settlement Agreement, and (iv) will remain in and not request exclusion from the Class and will serve as a representative of the Class until the terms of this Settlement Agreement are effectuated, this Settlement Agreement is terminated in accordance with its terms, or the Court at any time determines that he cannot represent the Class.

I. This Settlement Agreement sets forth the entire agreement among the Settling Parties and the Exchanges as to its subject matter and may not be altered or modified except by a written instrument executed by the Settling Parties' Counsel and the Exchanges' Counsel. Plaintiff, Defendants, and the Exchanges expressly acknowledge that there are no agreements, arrangements, or understandings between or among them concerning the subject matter of this Settlement Agreement other than those expressed or referred to in this Settlement Agreement. In entering into this Settlement Agreement, no Settling Party or Exchange has relied upon any representation or warranty not set forth expressly herein.

J. This Settlement Agreement shall be governed by and interpreted according to the laws of the State of California, excluding its conflict-of-laws provisions.

K. All disputes concerning the terms of this Settlement Agreement, the Plan of Allocation, and the administration of the Settlement shall be submitted to the

Mediator, first through expedited mediation (telephonic or in-person), and then, if necessary, through binding, non-appealable arbitration; *provided, however*, that the Arbitrator – under the Mediator’s supervision – shall decide all disputes concerning submitted Proofs of Claim. If the Mediator is not available, and if the Settling Parties cannot agree on a replacement, any unresolved disputes will be submitted to the Court. Defendants shall be responsible for paying the Mediator’s fees and expenses.

L. Except as provided in Subsection XIV.K, any action arising under or to enforce this Settlement Agreement shall be commenced and maintained only in the Court, which shall retain continuing jurisdiction over all matters relating to the Settlement.

M. Whenever this Settlement Agreement requires or contemplates that a Settling Party or Exchange shall or may give notice to the others, notice shall be provided by facsimile and/or next-day (excluding Saturday, Sunday, and legal holidays) express delivery service as follows and shall be deemed effective upon such facsimile transmission or delivery to the facsimile number or address, as the case may be, below:

1. If to ZFS, then to:

Ralph C. Ferrara  
Jonathan E. Richman  
Dewey & LeBoeuf LLP  
1101 New York Avenue, N.W.  
Suite 1100  
Washington, D.C. 20005  
Telephone: (202) 346-8000  
Facsimile: (202) 346-8102

2. If to the Farmers Defendants, then to:

Raoul Kennedy  
Skadden, Arps, Slate, Meagher, & Flom LLP  
Four Embarcadero Center  
Suite 3800  
San Francisco, California 94111-4144  
Telephone: (415) 984-6400  
Facsimile: (415) 984-2698

3. If to the Exchanges, then to:

Stephen A. Tuggy  
Jonathan Bank  
Locke Lord Bissell & Liddell LLP  
Suite 2600  
300 South Grand Avenue  
Los Angeles, California 90071  
Telephone: (213) 485-1500  
Facsimile: (213) 485-1200

4. If to Plaintiff, then to:

Thomas V. Girardi  
Graham B. LippSmith  
Girardi & Keese  
1126 Wilshire Boulevard  
Los Angeles, California 90017  
Telephone: (213) 977-0211  
Facsimile: (213) 481-1554

Walter J. Lack  
Daniel G. Whalen  
Engstrom, Lipscomb & Lack  
10100 Santa Monica Boulevard, 16<sup>th</sup> Floor  
Los Angeles, California 90067  
Telephone: (310) 552-3800  
Facsimile: (310) 552-9434

Philip K. Maxwell  
Law Offices of Philip K. Maxwell  
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Austin, Texas 78701  
Telephone: (512) 457-1111  
Facsimile: (512) 457-4111

Joe K. Longley  
Law Offices of Joe K. Longley  
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Austin, Texas 78701  
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Facsimile: (512) 477-4470

Michael Gallagher  
The Gallagher Law Firm  
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Houston, Texas 77098  
Telephone: (713) 222-8080  
Facsimile: (713) 222-0066

David Burrow  
The Mithoff Law Firm  
One Allen Center, Penthouse  
500 Dallas Street  
Houston, Texas 77002  
Telephone: (713) 654-1122  
Facsimile: (713) 739-8085

R. Martin Weber  
Crowley Norman, LLP  
Suite 1775  
Three Riverway  
Houston, Texas 77056  
Telephone: (713) 651-1771  
Facsimile: (713) 651-1775

N. All time periods set forth in this Settlement Agreement shall be computed in calendar days unless otherwise expressly provided. In computing any period of time prescribed or allowed by this Settlement Agreement or by order of court, the day of the

act, event, or default from which the designated period of time begins to run shall not be included. The last day of the period so computed shall be included, unless it is a Saturday, a Sunday, or a legal holiday, or, when the act to be done is the filing of a paper in Court, a day on which weather or other conditions have made the office of the Clerk of Court inaccessible, in which event the period shall run until the end of the next day that is not one of the aforementioned days. As used in this Subsection, "legal holiday" includes New Year's Day, the observance of the Birthday of Martin Luther King, Jr., Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, Christmas Day, and any other day appointed as a federal or California state holiday.

O. The Settling Parties and the Exchanges reserve the right, subject to the Court's approval, to make any reasonable extensions of time that might be necessary to carry out any of the provisions of this Settlement Agreement.

P. All Settling Parties and the Exchanges agree that this Settlement Agreement was drafted by counsel for the Settling Parties and the Exchanges at arm's length and that no parol or other evidence may be offered to explain, construe, contradict, or clarify its terms, the intent of the Settling Parties, the Exchanges, or their respective counsel, or the circumstances under which this Settlement Agreement was made or executed. Nor shall any presumption exist for or against any Settling Party or Exchange that drafted all or any portion of this Settlement Agreement.

Q. This Settlement Agreement, offer of this Settlement Agreement, and compliance with this Settlement Agreement shall not constitute or be construed as an

admission by any of the Releasees of any wrongdoing or liability. This Settlement Agreement is to be construed solely as a reflection of the Settling Parties' and the Exchanges' desire to facilitate a resolution of the Claims in the Complaint and of the Released Plaintiff's Claims and Released Exchanges' Claims. The Settling Parties and the Exchanges agree that no party was or is a "prevailing party" in this case. In no event shall this Settlement Agreement, any of its provisions, or any negotiations, statements, or court proceedings relating to its provisions in any way be construed as, offered as, received as, used as, or deemed to be evidence of any kind in the Action, any other action, or any judicial, administrative, regulatory, or other proceeding, except a proceeding to enforce this Settlement Agreement. Without limiting the foregoing, neither this Settlement Agreement nor any related negotiations, statements, or court proceedings shall be construed as, offered as, received as, used as, or deemed to be evidence or an admission or concession of any liability or wrongdoing whatsoever on the part of any person or entity, including, but not limited to, Defendants, or as a waiver by Defendants of any applicable defense.

R. No opinion or advice concerning the tax consequences of the proposed Settlement to individual Class Members is being given or will be given by the Settling Parties' Counsel or the Exchanges' Counsel; nor is any representation or warranty in this regard made by virtue of this Settlement Agreement. Class Members will be directed to consult their own tax advisors regarding the tax consequences of the proposed Settlement and any tax-reporting obligations they might have arising from it. Each Class Member's tax obligations and the determination of those obligations are the sole responsibility of

the Class Member, and it is understood that the tax consequences may vary depending on the particular circumstances of each Class Member.


S. The Settling Parties, the Exchanges, their successors and assigns, and their attorneys undertake to implement the terms of this Settlement Agreement in good faith and to use good faith in resolving any disputes that might arise in the implementation of the terms of this Settlement Agreement.

T. The Settling Parties, the Exchanges, their successors and assigns, and their attorneys agree to cooperate fully with one another in seeking Court approval of this Settlement Agreement and to use all reasonable efforts to effect the prompt consummation of this Settlement Agreement and the proposed Settlement.

U. This Settlement Agreement may be signed in counterparts, each of which shall constitute a duplicate original. Execution by facsimile or e-mail shall be fully and legally binding on a Settling Party and Exchange.

V. All Releasees and Releasers who are not Settling Parties are intended third-party beneficiaries who are entitled as of the Final Settlement Date to enforce the terms of the Release set forth in this Settlement Agreement.

Agreed to as of this 12<sup>th</sup> day of December, 2010.



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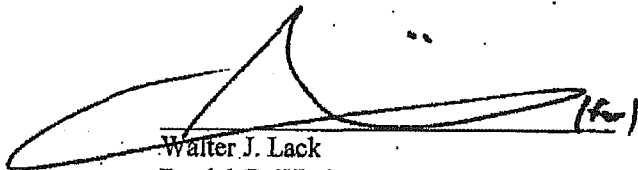
Thomas V. Girardi  
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ON BEHALF OF PLAINTIFF AND THE CLASS

---

Raoul Kennedy  
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Flom LLP  
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ON BEHALF OF FARMERS GROUP,  
INC., FIRE UNDERWRITERS  
ASSOCIATION, AND TRUCK  
UNDERWRITERS ASSOCIATION



---

Walter J. Lack  
Daniel G. Whalen  
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ON BEHALF OF ZURICH FINANCIAL  
SERVICES LTD

V. All Releasees and Releasors who are not Settling Parties are intended third-party beneficiaries who are entitled as of the Final Settlement Date to enforce the terms of the Release set forth in this Settlement Agreement.

Agreed to as of this 12<sup>th</sup> day of December, 2010.

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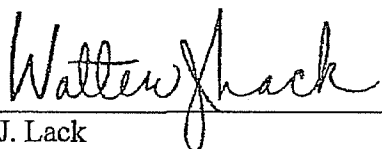
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12-12-2010

ON BEHALF OF PLAINTIFF AND THE CLASS

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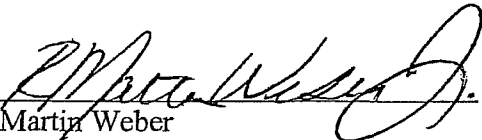
*(For)*  *(For)* 

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The Gallagher Law Firm  
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Houston, Texas 77002  
Telephone: (713) 654-1122  
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R. Martin Weber  
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Locke Lord Bissell & Liddell LLP  
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ON BEHALF OF FARMERS  
INSURANCE EXCHANGE, TRUCK  
INSURANCE EXCHANGE, AND FIRE  
INSURANCE EXCHANGE (THE  
"EXCHANGES"), AS AUTHORIZED BY  
THE EXECUTIVE COMMITTEE OF  
THE EXCHANGES, SUBJECT TO THE  
BOARD OF GOVERNORS'  
RATIFICATION

NYB 709026

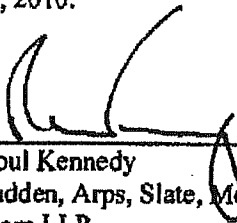
V. All Releasees and Releasors who are not Settling Parties are intended third-party beneficiaries who are entitled as of the Final Settlement Date to enforce the terms of the Release set forth in this Settlement Agreement.

Agreed to as of this 12<sup>th</sup> day of December, 2010.

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Thomas V. Girardi  
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ON BEHALF OF ZURICH FINANCIAL  
SERVICES LTD

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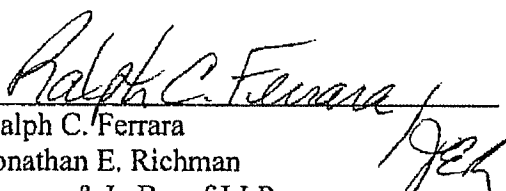
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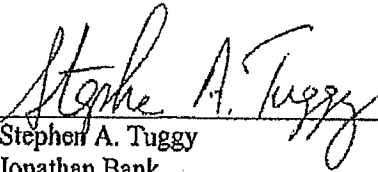
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ON BEHALF OF PLAINTIFF AND THE  
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ON BEHALF OF FARMERS  
INSURANCE EXCHANGE, TRUCK  
INSURANCE EXCHANGE, AND FIRE  
INSURANCE EXCHANGE (THE  
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THE EXECUTIVE COMMITTEE OF  
THE EXCHANGES, SUBJECT TO THE  
BOARD OF GOVERNORS'  
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