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WRIGHT BEAMER

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December 18, 2014

***Via Electronic Transmission
and First Class Mail***

Christopher S. Maile, Esq.
Tharpe & Howell, LLP
15250 Ventura Boulevard, 9th Floor
Sherman Oaks, CA 91403

RE: Unauthorized District Manager Conduct

Dear Mr. Maile:

This letter is in follow up to my correspondence dated December 15, 2014. In that letter, I noted that although Farmers Group, Inc. ("FGI") has continually asserted that its District Managers ("DMs") are not authorized to terminate or threaten to terminate agents on the basis of their production numbers and performance results, DMs are continuing to terminate and threaten to terminate agents based on those very factors. Specifically, I highlighted the plight of Oklahoma-based Farmers agents who recently participated in Business/Succession Plan meetings with their DM, and who have each been threatened that they must significantly improve the performance of their agencies or face termination.

As recently as November 18, 2014, David Delatorre – who was designated by FGI as its Person Most Knowledgeable ("PMK") regarding the imposition of production minimums and performance standards – testified that DMs do not have authority to threaten agents with termination if they fail to achieve improvements in their business. (Dep. Tr., at 94:11-95:17; 98:11-20.) He further testified that FGI does not terminate agents for failing to meet production targets (*Id.*, at 67:16-69:11; 84:9-86:7). Notably, as it relates to letters issued by DMs to agents cautioning that "continuation of your agent appointment agreement depends on your ability to immediately achieve a significant improvement in your agency's business results," Mr. Delatorre specifically testified that DMs lack "the authority to make such a statement." (*Id.* at 95:15-16.)

Simply put, something is not lining up. If Mr. Delatorre's testimony was truthful, then the Oklahoma agents' recent experiences confirm that one or more DMs are taking unauthorized action against Farmers agents. Accordingly, in addition to outlining the specific actions taken by FGI to address the apparent misconduct on the part of its DMs (as requested in my prior correspondence), I am requesting that FGI affirmatively instruct its DMs that they are not to use Business/Succession Plan meetings to threaten or punish agents, and they are not to terminate agents

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based on their production numbers. Please confirm within fourteen (14) days that FGI has fully addressed the concerns set forth in this correspondence.

Thank you for your kind attention.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Dirk A. Beamer", with a long horizontal flourish extending to the right.

Dirk A. Beamer

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DAB/ds

cc. UFAA

Attn: Tom Schrader