

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

In Re: Farmers Insurance Exchange Claims
Representatives' Overtime Pay Litigation

MDL Docket No. 1439 (ALL CASES)

This Document Relates To: All Actions

**NOTICE OF CERTIFICATION OF CLASS
ACTION LAWSUIT FOR STATE
OVERTIME CLAIMS AGAINST
FARMERS INSURANCE EXCHANGE**

TO: ALL PERSONS CURRENTLY OR FORMERLY EMPLOYED AS PERSONAL LINES CLAIMS REPRESENTATIVES, INCLUDING CLAIMS REPRESENTATIVES, SENIOR CLAIMS REPRESENTATIVES, AND SPECIAL CLAIMS REPRESENTATIVES ("CLAIMS REPRESENTATIVES") BY FARMERS INSURANCE EXCHANGE ("FIE") IN THE STATES OF COLORADO, ILLINOIS, MICHIGAN, MINNESOTA, NEW MEXICO, OREGON, AND WASHINGTON:

This Court-approved Notice provides information about a class action lawsuit filed by current and former Farmers Insurance Exchange ("FIE") personal lines claims representatives seeking overtime compensation under the federal Fair Labor Standards Act ("FLSA" or "the federal overtime law"); the state overtime laws of Colorado, Illinois, Michigan, Minnesota, New Mexico, Oregon, and Washington ("the seven states"); and any corresponding pension benefits

under the federal Employee Retirement Income Security Act (“ERISA” or “the federal pension law”). This Notice will (1) give you information about the Court’s recent order which certified classes of FIE claims representatives in Colorado, Illinois, Michigan, Minnesota, New Mexico, Oregon, and Washington; (2) briefly describe the claims in the lawsuit, including the claims under federal overtime law and federal pension law; (3) explain how to participate or to decline to participate in this suit with respect to the state overtime claims, as you prefer; (4) provide information about the parties’ resolution of the ERISA claims; and (5) give you names and numbers to contact for additional information.

The lawsuit is currently pending in the United States District Court in the District of Oregon. A trial on liability issues is scheduled to take place before the Hon. Robert E. Jones in September 2003. Testimony from selected class members will be used to determine whether class members are exempt or not exempt from federal and state overtime requirements. If plaintiffs and the classes win the liability trial, further proceedings will determine the damages owed to plaintiffs and the classes. If class members from Colorado, Illinois, Michigan, Minnesota, New Mexico, Oregon or Washington, or plaintiffs who have already filed Consents to Join the federal FLSA action are awarded overtime pay, their pensions will be adjusted according to the terms of the pension plan and applicable law.

I. WHAT IS THE LAWSUIT ABOUT?

Plaintiffs include current and former personal lines claims representatives, senior claims representatives, and special claims representatives for FIE in Colorado, Illinois, Michigan, Minnesota, New Mexico, Oregon, and Washington. Plaintiffs allege that FIE unlawfully classified its claims representatives as “exempt” from overtime requirements under the laws of the seven states and the FLSA. Plaintiffs also allege that FIE, Farmers Group, Inc., the Plan Administrator of the Farmers Group Inc. Profit Sharing Savings Plan Trust and the Plan Administrator of the Farmers Group Inc. Employees’ Pension Plan violated ERISA by failing to maintain accurate records of hours worked and to credit all hours of service.

Defendants deny these claims. FIE contends that it has properly classified its personal lines claims representatives as exempt and that it does not owe overtime compensation to its claims representatives. Defendants further contend that they have maintained all records and credited all hours of service as required by ERISA.

II. WHAT ARE PLAINTIFFS' CLAIMS?

A. State Overtime Claims

Plaintiffs allege that FIE violated the state overtime laws of Colorado, Illinois, Minnesota, Michigan, New Mexico, Oregon, and Washington by unlawfully classifying personal lines claims representatives working for FIE in those states as exempt from overtime requirements, and refusing to pay them overtime compensation for hours worked over 40 (48 in Minnesota) per week. Pursuant to the Parties' stipulation on April 18, 2003, the Court certified classes to pursue these state overtime claims, as defined in Section III.

B. Federal Fair Labor Standards Act

Plaintiffs assert that FIE violated the FLSA by failing to pay claims representatives overtime compensation for all hours worked over 40 per week. In September 2002, the Court ruled that the FLSA claims could proceed as a collective action and authorized that notice be sent to all FIE claims representatives allowing them to join the federal FLSA case if they did so by December 1, 2002. Approximately 1170 persons joined the FLSA claim by the deadline. Whether or not you filed a Consent To Join the FLSA claim does not affect your ability to proceed with the state law overtime claims in this action, as discussed below.

C. ERISA

Plaintiffs also assert that Defendants violated ERISA by failing to keep accurate records of all hours worked, and by failing to credit hours of service under the Pension Plan and Profit Sharing Savings Plan for all hours worked, including overtime. As discussed in detail in Section VI, by stipulation of the parties, the ERISA claims of the named plaintiffs have been dismissed with prejudice. However, Defendants have stipulated and agreed that if any class member prevails on either a state overtime claim (under the laws of Colorado, Illinois, Michigan,

Minnesota, New Mexico, Oregon, or Washington) or on the FLSA claim in this action and is awarded back pay, then the Defendants on the ERISA claims shall take all steps necessary to adjust any and all such employees' service credit and hours of service as if those employees had received those wages for additional hours in the applicable plan years.

III. ARE YOU A MEMBER OF THE STATE LAW CLASSES?

On May 19, 2003, the Court certified the following state law classes in this case:

Colorado Class

All personal lines claims representatives, including Claims Representatives, Senior Claims Representatives, and/or Special Claims Representatives (job codes CL52, CL03, CL65, CLA5, CLA6 and CLA7) employed by FIE in the state of Colorado at any time since August 29, 1998 whom FIE did not compensate for work performed in excess of 40 hours per week, or 12 hours per day.

Illinois Class

All personal lines claims representatives, including Claims Representatives, Senior Claims Representatives, and/or Special Claims Representatives (job codes CL52, CL03, CL65, CLA5, CLA6 and CLA7) employed by FIE in the state of Illinois at any time since December 18, 1999 whom FIE did not compensate for work performed in excess of 40 hours per week.

Michigan Class

All personal lines claims representatives, including Claims Representatives, Senior Claims Representatives, and/or Special Claims Representatives (job codes CL52, CL03, CL65, CLA5, CLA6 and CLA7) employed by FIE in the state of Michigan at any time since October 22, 1998 whom FIE did not compensate for work performed in excess of 40 hours per week.

Minnesota Class

All personal lines claims representatives, including Claims Representatives, Senior Claims Representatives, and/or Special Claims Representatives (job codes CL52, CL03, CL65, CLA5, CLA6 and CLA7) employed by FIE in the state of Minnesota at any time since

October 3, 1998 whom FIE did not compensate for work performed in excess of 48 hours per week.

New Mexico Class

All personal lines claims representatives, including Claims Representatives, Senior Claims Representatives, and/or Special Claims Representatives (job codes CL52, CL03, CL65, CLA5, CLA6 and CLA7) employed by FIE in the state of New Mexico at any time since September 17, 2000 whom FIE did not compensate for work performed in excess of 40 hours per week.

Oregon Class

All personal lines claims representatives, including Claims Representatives, Senior Claims Representatives, and/or Special Claims Representatives (job codes CL52, CL03, CL65, CLA5, CLA6 and CLA7) employed by FIE in the state of Oregon at any time since July 19, 1999 whom FIE did not compensate for work performed in excess of 40 hours per week.

Washington Class

All personal lines claims representatives, including Claims Representatives, Senior Claims Representatives, and/or Special Claims Representatives (job codes CL52, CL03, CL65, CLA5, CLA6 and CLA7) employed by FIE in the state of Washington at any time since August 3, 1998 whom FIE did not compensate for work performed in excess of 40 hours per week.

The claims of these state classes do not include any claims for unpaid overtime arising out of any periods of employment (1) in any position other than as personal lines claims representative (job codes CL52, CL03, CL65, CLA5, CLA6 and CLA7); (2) during which the claims representative's primary job assignment and duties were acting as a supervisor (temporary, acting or otherwise); (3) during which the claims representative was assigned primary duties other than the adjustment, handling, or processing of claims; (4) within the State of California, and/or (5) that were the subject of *Bell v. Farmers Insurance Exchange*, Case No. 774013-0, in Alameda County Superior Court.

IV. WHAT ARE PLAINTIFFS ASKING FOR?

Plaintiffs seek a court order requiring FIE to: (1) pay its claims representatives overtime compensation for hours worked over 40 (48 in Minnesota) in past weeks under the laws of the seven states mentioned above; (2) pay its claims representatives overtime compensation for weekly hours worked over 40 (48 in Minnesota) in the future; (3) award claims representatives additional amounts due them under the laws of the seven states; (4) keep accurate records of overtime hours worked; and (5) credit claims representatives with hours or service for all hours worked, including overtime hours, in both the pension and savings plans.

Defendants deny that plaintiffs are entitled to any relief. However, Defendants admit that if plaintiffs prevail on their claims under the FLSA or state overtime laws, plaintiffs will also be entitled to pension relief under ERISA.

V. WHAT, IF ANYTHING, DO YOU HAVE TO DO?

If you worked as a personal lines claims representative for FIE during the time periods referred to in Section III, above, in Colorado, Illinois, Michigan, Minnesota, New Mexico, Oregon, or Washington, you may have a state overtime claim. **If you want to be part of the class in this case asserting a state overtime claim for the state in which you have worked, you do not need to do anything at this time.**

If you do **NOT** want to be part of the class asserting state overtime claims in this case, you must request exclusion from the class in writing, and mail your written request for exclusion to P.O. Box 4349, Portland, Oregon, 97208-4349, postmarked by June 20, 2003. A request for exclusion form is attached to this Notice.

If you do not request exclusion from the state overtime class and if there is a favorable result in this case, either by settlement or judgment, and you qualify, you may be entitled to a share of any money paid by FIE on those claims. If you do not request exclusion from the state overtime class, you will be bound by any settlement or judgment regarding the state overtime claims, whether favorable or not.

If you choose to remain in the state overtime class in this case and be represented by Class Counsel, you will not be charged attorneys' fees or expenses directly. Fees and expenses will be charged on a contingent basis, which means that Class Counsel will only receive fees and expenses if plaintiffs and the state overtime classes win the respective state overtime claims. In that event, Class Counsel will apply to the Court for a reasonable award of attorneys' fees and expenses from FIE or from the monies obtained for the benefit of the Classes.

If you request exclusion from the state wage and hour claims in this case, you will not be bound by any judgment regarding the state overtime claims, whether favorable or not. You are free to consult a lawyer regarding whether or not to file your own lawsuit.

VI. THE PROPOSED SETTLEMENT OF THE ERISA CLAIMS

The parties have agreed that the named plaintiffs will settle their individual ERISA (federal pension) claims as follows:

1. The individual ERISA claims of the named plaintiffs will be dismissed from the lawsuit with prejudice.
2. The defendants other than FIE will be dismissed from the lawsuit with prejudice.
3. Defendants have stipulated and agreed that if any Class member prevails on either a state overtime claim (under the laws of Colorado, Illinois, Michigan, Minnesota, New Mexico, Oregon, or Washington) or on the FLSA claim in this action and is awarded back pay, then the Defendants on the ERISA claims (including FIE, Farmers Group, Inc., the Plan Administrator of the Profit Sharing Savings Plan Trust, and the Plan Administrator of the Farmers Group, Inc. Employees' Pension Plan), shall take all steps necessary to adjust any and all such employees' service credit and hours of service as if those employees had received those wages for additional hours in the applicable plan years. That agreement does not apply to claims representatives who are not members of one of the seven state overtime classes and who did not opt into the FLSA claim.

4. Plaintiffs and Defendants both waive any right to claim attorneys fees or costs incurred to date in regard to the ERISA claims.

VII. OTHER PENDING STATE COURT CASES

Several other cases are pending in different state courts that also make state law overtime claims against FIE in the states of Colorado, Michigan, Minnesota, New Mexico and Washington. Those cases are brought by different attorneys, not by Class Counsel here.

Those other state court actions do not assert claims under FLSA or under ERISA. Classes have been certified in cases brought by other lawyers in state courts in Colorado, Minnesota, Washington and New Mexico. The deadline for opting-out of the Washington and Minnesota classes has already passed. If you opted into the FLSA claim in this case, you were automatically excluded from the state law classes certified in Washington or Minnesota. If you are a member of one of those classes, you may also remain a member of the state law Classes certified by this Court in this case. You do not need to take any action to remain a member of the state law classes certified by this Court in this case. However, it is possible that a judgment or settlement in either this case or one of the state court cases would bind you and prevent you from obtaining further relief in another court.

There are no other pending state court actions in Illinois or Oregon. This case is the only pending class action asserting claims against FIE under those states' wage and hour laws.

VIII. NAMES, ADDRESSES, AND TELEPHONE NUMBERS OF CLASS COUNSEL

The law firms serving as Class Counsel are, among others:

Steven G. Zieff, CSB No. 84222
Kenneth J. Sugarman, CSB No. 195059
RUDY, EXELROD & ZIEFF, LLP
351 California Street, Suite 700
San Francisco, California 94104
Telephone: (415) 434-9800
Facsimile: (415) 434-0513
E-Mail: sgz@reztlaw.com
Plaintiffs' Lead Counsel

N. Robert Stoll, OSB No. 69165
Timothy S. DeJong, OSB No. 94066
Jennifer A. Sammon, OSB No. 02447
STOLL STOLL BERNE LOKTING &
SCHLACHTER P.C.
209 S.W. Oak Street, Fifth Floor
Portland, Oregon 97204
Telephone: (503) 227-1600
Facsimile: (503) 227-6840
E-Mail: rstoll@ssbls.com
Plaintiffs' Liaison Counsel

James M. Finberg, CSB No. 114850
Eve H. Cervantez, CSB No. 164709
LIEFF, CABRASER, HEIMANN &
BERNSTEIN, LLP
Embarcadero Center West
275 Battery Street, 30th Floor
San Francisco, California 94111-3339
Telephone: (415) 956-1000
Facsimile: (415) 956-1008
E-Mail: jfinberg@lchb.com

Jeffrey Lewis, CSB No. 665587
Todd Jackson, CSB No. 202598
LEWIS & FEINBERG, PC
436 – 14th Street, Suite 1505
Oakland, California 94612-2703
Telephone: (510) 839-6824
Facsimile: (510) 839-7839
E-Mail: jlewis@lewisfeinberg.com

If you contact Class Counsel, you will not have to pay them for their time. If plaintiffs and the state overtime classes prevail, Class Counsel will apply to the Court for a reasonable award of attorneys' fees and expenses. You also have the right to consult with another attorney of your choosing, at your own expense. For further information about this lawsuit, please contact Class Counsel toll free at 1-866-225-2548.

IX. NO NEED TO WORRY ABOUT RETALIATION

FIE may not retaliate against any person who participates in or assists in the prosecution of this lawsuit. Federal law prohibits FIE from discharging you or in any manner discriminating against you because you have exercised your rights in this lawsuit.

X. THE ROLE OF THIS COURT

This Notice and its contents have been authorized by the United States District Court for the District of Oregon. The Court has taken no position in this case regarding the merits of plaintiffs' claims or FIE's defenses. The order by the Court certifying a class action does not mean that any money or other relief will be obtained for class members. The merits are contested and have not been decided.

Do not contact Judge Jones or other Court personnel. The Court must remain impartial and cannot make any comment on your rights other than as set forth in this Notice.

Dated: May 19, 2003

Hon. Robert E. Jones
United States District Judge