



# FARMERS

*What's important*



REVIEW PERIOD: 2002

## Farmers Insurance Group PERFORMANCE AND DEVELOPMENT PLAN AND REVIEW

### I. Identification and Signatures

This form is intended to guide and document discussions. It is not an end in itself. The discussion is what's important. Both parties should take time to prepare properly and talk candidly. We owe this to *our people*. All shaded sections are to be completed at the end of the review period.

If you are filling in this form on line, the boxed-in areas will automatically expand to accommodate your text.

Employee Name: <u>[REDACTED]</u>	Social Security No.: <u>[REDACTED]</u>
Employment Date: <u>07-28-98</u>	Date Assigned Position: <u>02-01-01</u>
Function: <u>Claims</u>	Department: <u>Seattle Claims Service Center</u>
Job Title: <u>Special Claims Representative</u>	Salary Grade: <u>33</u>

Performance Plan Agreement	
Employee Signature _____	Date _____
Manager Signature _____	Date _____
Next level Manager Signature _____	Date _____

Interim Reviews (Minimum of one per review period)		
Manager Initials _____	Employee Initials _____	Date _____
Manager Initials _____	Employee Initials _____	Date _____
Manager Initials _____	Employee Initials _____	Date _____

Final Performance Review Agreement	
Employee Signature _____	Date _____
Manager Signature _____	Date _____
Next level Manager Signature _____	Date _____

## II. Organizational Goals - 2002

**Instructions:**

Based on the company goals below, each organizational unit has established key goals for the review period. List your unit's goals in the space provided. These should be specific to the department and identify the main objectives for your work group. The Strategic Initiatives and your unit's goals are supplemental to the Overall Company Goals. Using the most applicable of these goals as a basis (you can pick from any of these groups), establish individual performance plans under Section III, Individual Performance Plan.

A. Overall Company Goals	
Goal Description	Measures
1. Exchange Profitability Surplus ratio goal	33%
Combined ratio goal	103%
2. Agency Development Appoint career agents	3 per district
Achieve a net gain	1 per district
3. Life and Assets Under Management Increase Life Issued and Paid Policies	Minimum of 17 per full time agent
Increase Assets Under Management	Increase by at least \$523 m.
4. Product Density Product density per household	Increase by 15%
5. Management Company Earnings Manage our growth by better managing and leveraging our expenses and business investments	Achieve earnings of \$ _____

B. Strategic Initiatives	
1. Distribution	5. Customer Experience/Retention
2. # 1 Specialty Company – Foremost	6. Trusted Advisor
3. Marketing Management	7. People
4. Experience driven by technology	

C. Unit Goals (Unit = work group to which the employee most directly contributes)	
Goal Description	Measures
1. Colossus Utilization	70%
2. Colossus Accuracy	85%
3. Comparative Negligence	18%
4. Subrogation (Collision Collection Ratio)	12.99%

III. Individual Performance Plan:

name

<p><b>Instructions:</b> At the beginning of the review period, determine the individual goals as they relate to the organizational goals on page 2. To complete this portion, refer to the <i>What's Important Now</i> personal planning form completed in conjunction with the Strategic Management Conference. In the left # column, indicate which Company Goal, Strategic Initiative or Unit Goal (from page 2) the individual goal supports, e.g. A1, B3, C2. Establish performance measures, both quantitative and qualitative, and target dates for completion.</p>				<p><b>Instructions:</b> At the end of the review period, describe the actual accomplishments and evaluate each goal using the following rating scale: Exceeds expectations Meets expectations Below expectations</p>
#	Key Individual Goals (list in priority order)	Measures/Action Plan	Target Dates	Actual Accomplishments (describe and rate)
A1	1. Colossus Usage	Achieve utilization on 70% of all injury claims, to be measured by Colossus reports and QA	12-02	You utilize Colossus on all appropriate files.  Rating: MEETS EXPECTATIONS
C2	2. Comparative Negligence	Identify and properly apply comparative negligence, with a goal of 18% of all BI files, as measured by QA and Colossus Reports	12-02	You applied comparative negligence on 10.3% of settlements, raw number of 3 units, based on numbers available through November. Rating: BELOW EXPECTATIONS
C3	3. Subrogation	Increase Collision Collection Ratio to 12.99%, contribution to be measured by case review and QA	12-02	Your closings properly reflect "sub" or "no sub". We have met our goal in collision collection ratio.  Rating: MEETS EXPECTATIONS
C4	4. Training	Attend Calibration and CR training sessions on topics applicable to your development	12-02	You attended all team calibrations and the in-office training available.  Rating: MEETS EXPECTATIONS
C1	5. LEO	Improve LEO through 85% Colossus accuracy, training in negotiations, and claims handling practices presented in case reviews, filed rides and calibration	12-02	Based on our method of measuring accuracy we learned that the goal was not realistic. My review of your claims indicates that you are paying claims appropriately.  Rating: MEETS EXPECTATIONS

# CR Game Plan

Employee Name: \_\_\_\_\_  
 Level: \_\_\_\_\_  
 Supervisor: \_\_\_\_\_  
 Period of Plan: 1<sup>st</sup> Quarter 2002

**Section 1:** Should be completed as a joint effort of the Supervisor and Claims Representative.

**Identify the Employee's**

**Areas of Strength:**

- Strong time management skills
- Organized
- APD background is helpful in BI handling

**Performance Goals:** - Focus on 3-5 goals that will have an immediate financial impact on your department.

These goals must be consistent with the BCO's departmental goals and should be specific and quantifiable. These goals should be the basis for rating specific sections of the PPR.

**Loss Cost Management:**

Problem	Cause	Current Result	Expected Result	Completion Date
<ul style="list-style-type: none"> <li>• Surplus ratio deteriorating</li> <li>• Combined ratio at an unacceptable level</li> <li>• Subrogation collections insufficient</li> </ul>	<ul style="list-style-type: none"> <li>• Inconsistency in evaluation</li> <li>• Inexperience in Colossus use</li> <li>• Lack of attention to SUB</li> </ul>	•	<ul style="list-style-type: none"> <li>• 70% of all units settled to go through Colossus</li> <li>• 10% Comp neg application</li> <li>• 85% Colossus accuracy</li> <li>• LEO (%TBA) improvement</li> <li>• Sub dollar goals (TBA) - \$ 6,118,627</li> <li>• Collision collection ratio 12.25%</li> </ul>	• 03-31-02

**Customer Service:**

Problem	Cause	Current Result	Expected Result	Completion Date
(Expected results)	•	•	•	•

**Employee Development:**

Problem	Cause	Current Result	Expected Result	Completion Date
<ul style="list-style-type: none"> <li>• Inconsistency in evaluation</li> <li>• Lack of knowledge in CRN use</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of experience</li> <li>• Reduced exposure to peer training</li> </ul>	•	<ul style="list-style-type: none"> <li>• 70% of liability staff to participate</li> </ul>	• 03-31-02

**FARMERS**

# Memo

*Date:* September 17, 2001

*To:* All Employees

*Department:* All Departments

*From:* Michael L. Kent  
Vice President – Human Resource Services

*Department:* Human Resource Services

*Subject:* QUEST FOR GOLD – JULY 2001 RESULTS

On the back of this page are the Quest For Gold qualifying offices through July 2001. As you know, earlier this year we announced several changes to our Quest For Gold program. For 2001, employees whose locations achieve their Quest For Gold goals will receive 1.25% of their eligible salaries (\$100,000 maximum).

Management Company employees are being measured on Combined Ratio. Personal Lines Exchange employees are being measured on Loss Adjustment Expense Ratio, Subrogation and Salvage, and Commercial Lines Exchange employees are being measured on Combined LAE Ratio and Subrogation.

Our continued emphasis on Exchange profitability is critical. We must all apply ourselves toward achieving financially healthy Exchanges. As everyone knows, the Exchanges' consolidated combined ratio deteriorated by 6% during 2000. This year has shown further deterioration. Everyone has a stake in the performance of the Exchanges. It is up to each of us to do our part and contribute to turning around our adverse loss trends.

One of Farmers Core Values is that everyone participates, and we need the active participation of everyone in turning our financial situation around. What are you doing to help solve our combined ratio problem?



**SEE THE KEYS TO PROFITABILITY ON THE BACK OF THIS PAGE**

There are two primary ways to help in improving the performance of the Exchanges:

First, you can help control expenses.

- ☞ Perform your job responsibilities in the most efficient manner possible.
- ☞ Eliminate redo work.
- ☞ Dedicate financial resources only to those projects that will have the most impact on our financial performance.
- ☞ Manage supply orders, employee overtime and outside clerical support.
- ☞ Settle every claim fairly, pay everything we owe as quickly as possible, and pay nothing more or nothing less.

The second is to influence or directly impact revenues.

- ☞ Be passionate about providing the highest quality of service to our customers and agency force to make Customer Satisfaction #1.
- ☞ Suggest Farmers insurance and financial services to family and friends to triple the number of customers, double the density of customer relationships and increase customer "stickiness."
- ☞ Be compellingly easy for our customers and agents to do business with.

Farmers is a great company! We are a growth company, with 73 years of tremendous success. We will overcome our current challenges just as we have done many times before. Keep focused on customer service, trust in our excellence to do all the right things for all the right reasons. We know what needs to be done. Now is the time for everyone to participate as a team and get the loss ratio issue resolved!

### Qualifying Offices Through July 2001

#### STATE OFFICES

Idaho S.O.  
 Montana/Wyoming S.O.  
 Nevada S.O.  
 New Mexico S.O.  
 Oregon S.O.  
 Washington S.O.

#### SERVICE CENTERS

Northwest S.C.  
 Phoenix S.C.  
 Pocatello S.C.

#### COMMERCIAL SERVICE CENTERS

Los Angeles C.S.C.  
 Northwest C.S.C.  
 Northern California C.S.C.  
 Phoenix C.S.C.  
 Professional Liability

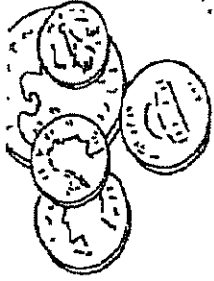
Please Note: All results are available on the Employee Dashboard. Check out your office's results.

## QUEST FOR GOLD EMPLOYEE HANDOUT

- Farmers is an American success story. Our logo is red, white and blue. And our company's personality is very American. Our company embodies the American values of hard work, honesty and innovation.
- So it is appropriate on this Quest for Gold day that we not only celebrate what America stands for but also what our company stands for. Ten million American families have put their trust in us to solve their worries and achieve their dreams.
- 2001 was a rough year in the insurance industry as a whole, not just at Farmers. Hurricane Allison in Texas dealt a severe blow. And we experienced increased water damage and mold claims in Texas and California. And don't forget the flooding we experienced in the Midwest. All of these hurt the Exchanges' profitability last year. But we also share some responsibility for our results. We didn't properly underwrite or rate the risks we wrote, with unacceptable results, especially in our homeowners' book of business. And we didn't keep a handle on our expenses. So, together, we all played a role in our results in 2001.
- We had some successes last year as well. The Management Company, Farmers Group Inc., met its operating income earnings goal. Our life company exceeded premium expectations in 2001, particularly in the area of structured settlements. We entered into successful alliances with Bank of America and Ulico Insurance Group to offer Farmers' products and services to bank customers and union members. Farmers Financial Solutions significantly increased sales of variable annuity and universal life products, as well as mutual fund products, and increased the number of licensed agents. Farmers also introduced its new "monuments" advertising campaign as well as its new HelpPoint program and the promise of empathetic, caring service any time of the day or night. And finally, in response to the events of last September 11<sup>th</sup>, Farmers' Spirit of America Fund raised more than \$100,000 for disaster relief. All these successes, however, we're overshadowed by our poor financial results.
- It is no secret that the goals for Cash Profit Sharing are very similar to the goals for Quest for Gold. It also isn't a secret that half of our Cash amount is "at risk" to underscore the link between Exchange profitability and employees' Cash Profit Sharing. The Exchanges are important to the entire Farmers organization. The Exchanges collect the premiums, assume the insurance risks, and pay out the claims. If the Exchanges are not consistently profitable, then the entire Farmers' franchise suffers. It is up to each employee to ensure that the Exchanges remain financially healthy.
- We must have every Farmers employee absolutely focused on the profitability of the Exchanges in 2002.
- Remember Farmers' Core Values: Worthy of Trust; A Passion to Win; Everyone Participates; Customer-focused; Treat Everyone with Respect; and Excellence in All We Do. These are American values, and they are Farmers as well. If Farmers employees

remember these values and try to practice them everyday, then there is no obstacle that our company cannot overcome.





# QUEST FOR GOLD

## First Quarter 1998 Results

### GOLD MEDAL QUALIFIERS

NO QUALIFIERS THIS QUARTER

### SILVER MEDAL QUALIFIERS

VANCOUVER - B.S.C. HOME OFFICE

### BRONZE MEDAL QUALIFIERS

ARIZONA - S.O.	TENNESSEE - S.O.
IOWA - S.O.	POCATELLO - R.O.
KANSAS - S.O.	COLORADO SPRINGS - R.O.
MICHIGAN - S.O.	KANSAS CITY - B.S.C.
MISSOURI - S.O.	TEXAS - C.S.C.
NEVADA - S.O.	

### MEDAL CONTENDERS

ALABAMA - S.O.	OHIO - S.O.	WISCONSIN - S.O.	COLUMBUS - B.S.C.	N. AURORA - C.S.C.
ARKANSAS - S.O.	OKLAHOMA - S.O.	LOS ANGELES - R.O.	PHOENIX - B.S.C.	CO SPRINGS - C.S.C.
ILLINOIS - S.O.	OREGON - S.O.	NORTHERN CA - R.O.	PORTLAND - B.S.C.	PHOENIX - C.S.C.
INDIANA - S.O.	TEXAS - S.O.	SOUTHERN CA - R.O.	WESTERN W/C - C.S.C.	PROF. LIABILITY - C.S.C.
MINNESOTA - S.O.	VIRGINIA - S.O.	AURORA - B.S.C.	CA(P&C ONLY) - C.S.C.	LIFE COMPANY
NEW MEXICO - S.O.	WASHINGTON - S.O.	AUSTIN - B.S.C.	NORTHWEST - C.S.C.	

R.O. = Regional Office

B.S.C. = Business Support Center

S.O. = State Office

C.S.C. = Commercial Service Center



# FARMERS

Martin D. Feinstein  
Chairman of the Board, President  
and Chief Executive Officer  
Farmers Group, Inc.

June 22, 2001

Dear Employee:

A few weeks ago, we announced several changes to our compensation programs to underscore the importance of generating solid underwriting results. By now, you should have had an opportunity to meet with members of your management team to discuss these changes, and how they fit into the overall profitability strategy of our organization. As a follow-up to those meetings, here are additional details regarding the Quest For Gold and Cash Profit Sharing programs.

**Quest For Gold** - As you know, each employee is eligible in 2001 to receive a Quest For Gold payout of up to 1.25% of his or her eligible earnings (capped at \$100,000). Additionally, we've reduced the number of goals used to determine eligibility for a payout. Employees who work for Farmers Group, Inc. (the management company) will be measured on achievement of a Combined Ratio Goal. Management company employees at Service Centers, Commercial Centers and State Offices will have their own local Combined Ratio Goal. All other employees will be measured on the overall Company Combined Ratio Goals of 108.05%. This includes all management company employees at Home Office, F.A.C.T., Financial Solutions, Farmers Life, Value Added, our two HelpPoint Centers and EasyPay.

Personal Lines Exchange employees (including Claims Litigation, Claims Legal Services and SAE) will be measured on achievement of three company-wide goals. They are: Loss Adjustment Expense Ratio, Subrogation and Salvage. Commercial Claims employees will be measured on achievement of two company-wide goals. They are Combined Loss Adjustment Expense Ratio and Subrogation.

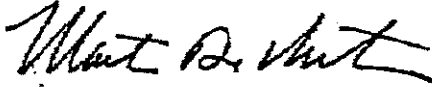
**Cash Profit Sharing** - All management company employees will have 50% of their Cash Profit Sharing benefit tied to the achievement of one company-wide combined ratio goal of 108.05%. Exchange employees will have 50% of their Cash Profit Sharing benefit tied to the categories mentioned above. The remaining 50% of Cash Profit Sharing for both groups is not changing and will be based on the old formula.

Attached are breakdowns of the new goals by location for both programs. Communication of monthly results in your location will continue to be handled by your local management team. You will be hearing more from your management team about this new format shortly.

As we continue our quest to reach our goals, I want to re-emphasize the importance of your personal efforts. Each of us has a stake in the future of our great organization. It's up to all of us to stay focused on what we can do to help ensure that the Farmers insurance exchanges remain strong. We have had a lot of communication with our agents on this issue as well, and I can tell you they are on board and also working to make a difference.

These are challenging times, but I know we have the team to meet these challenges. I'm counting on all of you.

Gung Ho Friend!



Martin D. Feinstein, CPCU, CLU, GCA  
Chairman of the Board, President and  
Chief Executive Officer

Attachment



David E Harding

11/30/2001 05:20 PM

To: Tim A Barrett/OKCDC/Farmers/USA/Zurich@ZURICH  
cc: Stephen A Wilbur/OKCDC/Farmers/USA/Zurich@ZURICH, Rhett A  
Banfield/OKCDC/Farmers/USA/Zurich, Tim A  
Barrett/OKCDC/Farmers/USA/Zurich@ZURICH, Michael W  
Beeman/OKCDC/Farmers/USA/Zurich@ZURICH, Steve M  
Wayant/OKCDC/Farmers/USA/Zurich@ZURICH, Greg A  
Vaughan/OKCDC/Farmers/USA/Zurich@ZURICH, Scott  
Stuart/OKCDC/Farmers/USA/Zurich, Tim  
Griffin/OKCDC/Farmers/USA/Zurich@ZURICH, David W  
Ellis/OKCDC/Farmers/USA/Zurich@ZURICH, Candace D  
Douglas/OKCDC/Farmers/USA/Zurich@ZURICH,  
steve\_ensley@farmersinsurance.com

Subject: Darren Thompson Settlements

I just reviewed six of Darren's BI settlements. Except for an obvious policy limits case, he settled all Colossus units under the low range. All were soft tissue.

It can be done.

As you know we have been creeping up in settlements in the lower range of Colossus. We shouldn't be. Cases from 0 to \$2500 should be settled consistently in the lower range or below. They are not worth much and a jury will teach them a lesson.

Our CRs much resist the temptation of paying more just to move this type file. Teach them to say "sorry, no more." with a toothy grin and mean it. It can be done as Darren consistently does.

Tim, put a copy of this in his Human Resources file. If he keeps this up during 2002 we will pay him accordingly.

David Harding