

**COURT APPROVES
HISTORIC SETTLEMENT IN
CALIFORNIA AGENTS' CLASS ACTION LAWSUIT**
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In 2017, a group of Farmers insurance agents in California filed a class action lawsuit in Los Angeles County (*Parry et al. v. Farmers Insurance Exchange, et al.*). The Plaintiffs alleged several violations of California's Labor Code, as well as violations of the state's Business and Professions Code. Specifically, the complaint filed by the Plaintiffs alleges:

1. That Farmers wrongfully failed to reimburse agents for certain mandatory business expenditures.
2. That Farmers' conduct amounted to violations of California's Unfair Competition Law; and
3. That Farmers wrongfully misclassified its agents as Independent Contractors even though they were de facto employees under California law.

On November 16, 2022, the court granted final approval to the proposed settlement between the Plaintiff class and the Farmers Defendants. Here are some key points and limitations of the recent settlement:

1. The Settlement is Limited to California Agents.

Any current or former Farmers agent in California who was under contract at any point between November 10, 2013 and March 8, 2022 will be included in, and affected by, the settlement ... unless he or she actively opts out of the class. New California agents will not be directly affected by, or included in, the settlement.

Agents outside of California will not be directly affected. It is possible that Farmers will voluntarily modify its contract or its practices elsewhere to be more consistent with the results in California or that litigation in other states will lead to similar results. However, this class action was premised on employment law statutes that are unique to California; thus, it is not a given that similar litigation will be successful elsewhere.

Local management will be unaware of whether an agent participates, and Farmers cannot retaliate in any way for participation.

2. Financial Benefits.

All class members will share in the first \$40,000,000 "pot" of funds made available. Out of this pot, legal fees and expenses will be paid. The balance will be automatically distributed to class members based on the number of years during the class window (November 2013 to March 2022) a person was an agent. By way of estimate only, a four-year agent would receive \$3,000 (before attorney fees and costs) and an eight-year agent would receive \$6,200 (again, before attorney fees and costs). The actual dollar amounts will vary depending on how many agents "opt out" of the class.

In addition to the first pot, there will be a second pot of up to \$35,000,000. To share in these dollars, class members were required to submit a claim form substantiating eligible "Smart Office" expenses paid by the agent. The claim could include as many eligible expenses as possible, but any given agent's share of the second pot will be capped at \$10,000.

3. Contractual Benefits and Changes.

The terms of the Agents Appointment Agreement (AAA), which is the contract between Farmers and its agents, will be automatically changed in certain respects for class members. Changes include the following:

- 90-day termination without cause will be eliminated
- 6-month termination without cause will be added
- immediate termination for cause is unchanged
- the existing required 90-day notice of voluntary quit by agents is replaced with a shorter 60-day notice requirement
- certain requirements for bonus eligibility will be eliminated
- customer service standards for class members will be eliminated
- an anonymous complaint procedure for agents will be introduced.

By participating, class members waive and release any future ability to sue over the misclassification issue or the expenditure issue. Farmers agents will remain independent contractors, not employees, under California law.

Conclusion.

This is an important, concrete victory for class members and their attorneys. That said, I do not see this settlement changing the long-term trajectory whereby Farmers and other captive carriers continue to shrink the agency force and squeeze agency revenue.