

Distribution Excellence

iLead

- High Growth Potential Strategy
- Agency Builder
- Value Insurance Package

Targeting New Customer Segments

- Emerging Markets

STRIDE

- Making growth real – Through Geographic Expansion

iLead
Industry Leading Exclusive Agency Distribution

Driving increased productivity and premium growth through tied (exclusive) agents

Sustainable Premium Growth

Series of integrated initiatives encompassing all aspects of tied agency management

Farmers Exclusive Agent distribution creates superior customer reach

While the Direct Market is slowing, 91% of all insurance consumers in the U.S.A. would consider the Farmers Exclusive Agent Value Proposition

2006 Year-end results:

- Large distribution network in core 29 states
- 14,223 community based agents
- 4,339 reserve agents in training
- 3,008 licensed staff and producers
- Growing distribution footprint and productivity
- Green distribution 19.1 % 2003-2006
- New Agent productivity up 153% since 2002
- Growth and profitability in all lines
- Doubled success rate

High Growth Potential Strategy
Meeting Distribution Demands in High Growth and Underdeveloped Markets

Distribution

- Creating Explosive AD Growth
- Establishing a New Culture of Performance
- Creating Healthy, Viable Districts
- Maximizing Existing Agent Productivity

Product

- Create Competitive Price Points
- Improve Risk Selection & Segmentation
- Long term profitable growth / Leverage Claims

Branding

- Increase Farmers Brand Visibility
- Improve Farmers Community Awareness
- Enhance the Farmers Image
- Leverage Corporate Advertising

Product Strategy Evaluated	AD/EP	2006	2005	% Change
AD/EP	1,000	1,000	1,000	0%
AD/EP	1,000	1,000	1,000	0%
AD/EP	1,000	1,000	1,000	0%
AD/EP	1,000	1,000	1,000	0%
AD/EP	1,000	1,000	1,000	0%
AD/EP	1,000	1,000	1,000	0%
AD/EP	1,000	1,000	1,000	0%
AD/EP	1,000	1,000	1,000	0%
AD/EP	1,000	1,000	1,000	0%
AD/EP	1,000	1,000	1,000	0%

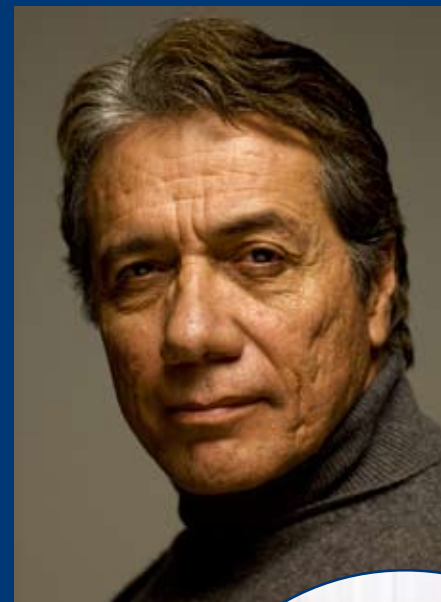
Agency Builder

Conditioning our agency force to prepare them for the iLead initiatives along with assisting agents in becoming Bigger, Faster and Stronger.

- 1) Enhancing the Partnership**
 - Over 300 agent and DM interviews
 - Embed the voice of the agent in all we do
- 2) Town Hall Meetings**
 - Over 12,000 Agents Attended
 - 95% enrolled in Lifetime Learning
- 3) Lifetime Learning**
 - Over 12,000 Agents enrolled
 - Case studies launched in March, 2007
- 4) Add-One Campaign**
 - 1,646 Licensed Staff Added
 - 1,934 Total Staff Added
- 5) Developing Staff to be Profit Centers vs. Cost Centers**
 - High Impact Staff Training Workshops
 - Specialized Staff Development

VIP Value Insurance Package

- Easy to use Multi-line quoting
- Selling the "Farmers Way"
- Merges sales with technology
- Enhances customer experience

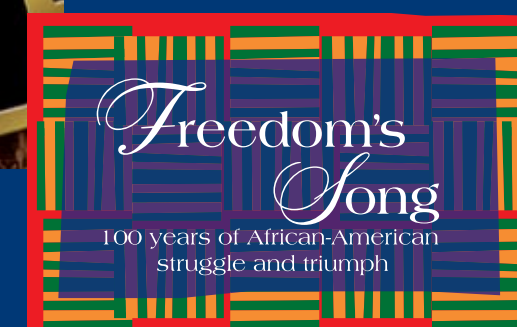
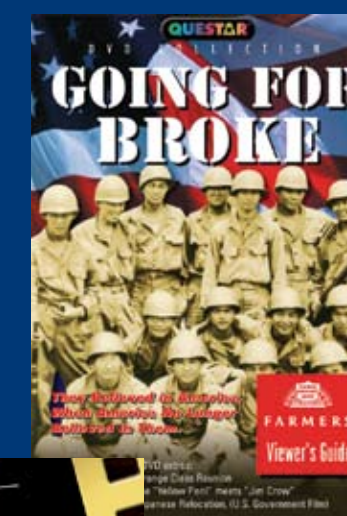


Target New Customer Segments— Emerging Markets

- A \$2 Trillion Opportunity - in the U.S., the buying power of Hispanics, Blacks, and Asians are growing at a phenomenal rate - 40% higher than the national average and exceeding the Gross Domestic Product of major countries such as the U.K., Russia, Canada and Mexico.
- Profitability for emerging markets segments is consistent with general market. Starting with the Hispanic market, our goal is to grow gross written premium from \$65 million this year to more than \$1 billion by 2011.
- Distribution - Our goal is to double our bilingual agency force in five years. Hispanic emerging markets agents are out-producing non-emerging markets agents by over 40%.
- Advertising - Featuring award-winning actor, philanthropist, and community leader Edward James Olmos in our advertising campaign to drive Hispanic calls and sales to our agents. And we've seen a 240% increase in calls from potential Hispanic customers and surveys reveal intent to purchase is up by 170%.



- Community Marketing and Partnerships - Through our newly launched direct mail programs, we expect to grow an additional \$10 million in gross written premium by year-end.
- We've established strategic alliances with high school sports associations. This effort highlights the Farmers brand and allows our agents to participate on a local level.
- Educator Programs - Through the use of our award-winning diversity programs such as The Bronze Screen, Freedom's Song, and Going for Broke, our agents can connect directly with educators, community organizations, and parents with high-quality teacher approved lesson plans.



Improving Independent Agent Distribution Effectiveness

Making Growth real – Through Geographic Expansion

STRIDE — An initiative management framework of four components to effectively grow the agency network.

- 1 Segmentation of the Agent Network – Targeting resources and tools.
- 2 Value Proposition – Focused differentiation.
- 3 Sales Force Effectiveness – World-class recruiting and training.
- 4 Agent Performance Management – Tracking results and relationships.

Early STRIDE deliverables have focused on the product, ease-of-business and sales force components of our value proposition. Additional major STRIDE initiatives will transform us to the market leader:

- DistinctChoice branded products
- Personal Lines Package
- Consumer Portal
- Advanced Specialty Product Rating

STRategic Independent Distribution Excellence is delivering measurable results and profitable growth.

