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IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
MUNICIPAL DEPARTMENT/ CITY LAW DISTRICT

FILED  
8/16/2021 4:10 PM  
IRIS Y. MARTINEZ  
CIRCUIT CLERK  
COOK COUNTY, IL  
2021L007947  
14452494

NAPAA, Inc., an association, et al, )  
)  
Plaintiff, )  
)  
-vs- )  
)  
ALLSTATE INSURANCE COMPANY, )  
)  
Defendant. )

No. 2021L007947

**EXHIBITS TO COMPLAINT**

NAPAA, INC., et al, Plaintiff,

By: Brent D. Holmes  
BRENT D. HOLMES  
HELLER, HOLMES & ASSOCIATES, P.C.  
1101 Broadway Avenue  
P. O. Box 889  
Mattoon, IL 61938  
Phone: 217-235-2700  
Fax: 217-235-0743  
brent@hhlawoff.com  
bopp 23017 8.16.21 exhibits/slr

8A

### ALLSTATE R3001C EXCLUSIVE AGENCY AGREEMENT

This Agreement is between ALLSTATE INSURANCE COMPANY and such affiliates and subsidiaries as are named in the Supplement for the R3001 Agreement (referred to in this Agreement as "the Company") and \_\_\_\_\_ (referred to in this Agreement as "Agency").

The Company and Agency agree as follows:

**I. AUTHORITY:**

- A. Effective \_\_\_\_\_, the Company appoints Agency as its agent to represent the Company in the Exclusive Agency Program. Agency is authorized on behalf of the Company, during the term of this Agreement, to receive and accept, subject to such restrictions on binding authority as may be established by the Company, applications for insurance covering such classes of risks located in the state(s) of \_\_\_\_\_ as the Company may from time to time authorize to be written. Agency is also authorized to sell products specified by the Company and through the companies specified in the Supplement for the R3001 Agreement (referred to in this Agreement as "Company Business"). The Company will own all business produced under the terms of this Agreement. Agency will not represent itself as having any authority other than that specifically granted to it by the Company. Agency will not enter any contract or incur any expense or obligation for the Company without prior written approval from the Company.
- B. This Agreement is the sole and entire agency agreement between the Company and Agency, and it supersedes and replaces any prior employment, agency, or other agreement between the Company and Agency and any of its officers, directors, shareholders, members, and employees. This Agreement also supersedes any prior oral statements and representations by the Company and any prior written statements and representations by the Company in letters, manuals, booklets, memoranda, or any other format.
- C. The Supplement for the R3001 Agreement ("Supplement") and the Exclusive Agency Independent Contractor Manual ("EA Manual"), and the Allstate Agency Standards ("Agency Standards") as they may be amended from time to time, are expressly incorporated in their entirety as part of this Agreement. The Company reserves the right to amend the Supplement, EA Manual, and Agency Standards at any time without prior notice to Agency, except that notice regarding changes to commission amounts will be given as indicated in Section XV.
- D. The relationship between the Company and Agency and its officers, directors, shareholders, members, employees, and other persons working in connection with this Agreement, will be that of an independent contractor for all purposes. Agency will not represent that it has authority to act on behalf of the Company or enter into any contract on behalf of the Company, except for contracts of insurance or other contracts as expressly authorized by this Agreement.
- E. Agency will not, either directly or indirectly, solicit, sell, or service insurance of any kind for any other company, agent, or broker, or refer a prospect to another company, agent, or broker, without the prior written approval of the Company. Agency may, however, write applications for insurance under an assigned risk, cooperative industry, or government established residual market plan or facility in accordance with the Company's rules and procedures.

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- F. The Company will determine in its sole discretion all matters relating to its business and the operation of the Company including, but not limited to, the following:
1. The determination of contract forms and provisions, premiums, fees, and charges for insurance and other Company Business;
  2. The acceptance or rejection of any application;
  3. The termination or modification of any contract or the refusal to renew any contract;
  4. The limitation, restriction, or discontinuance of the writing or selling of any policies, coverages, lines, or kinds of insurance or other Company Business;
  5. The obtaining of any licenses of the Company or the Company's withdrawal from any state, jurisdiction, or territory; and
  6. The type and quality of customer service received by Company policyholders.
- G. Agency represents and warrants that prior to the execution of this Agreement, Agency has provided to the Company the full names and addresses of its officers, directors and any persons who own any shares of or interest in Agency. Thereafter, Agency shall promptly furnish to the Company the full names and addresses of any new officers, directors, or owners.

II. DUTIES AND CONDITIONS:

- A. Agency will act as an agent of the Company for the purpose of soliciting, selling, and servicing insurance and other Company Business in accordance with the provisions of this Agreement. As an agent of the Company, Agency will provide customer service, including the collection of payments, for any and all Company policyholders and will assist in claims administration in accordance with the Company's rules and procedures.
- B. Agency will meet certain business objectives established by the Company in the areas of profitability, growth, retention, customer satisfaction and customer service. Agency will build and maintain a profitable book of business, assist the Company in its efforts to achieve market penetration for all forms of insurance offered by the Company and other Company Business, and service the Company's customers in a manner consistent with the Company's goodwill, reputation, and overall business strategy.
- C. Agency will record, transmit, and process insurance and Company Business in the manner prescribed in the then current provisions of the Supplement.
- D. Agency agrees to comply with any and all applicable federal, state, or local laws, rules, regulations and ordinances affecting its operation and warrants that Agency, its officers, directors, shareholders, members, and employees will maintain any required agent licenses in the state or states in which Agency is appointed to represent the Company.
- E. This Agreement is being entered into with Agency in reliance upon and in consideration of the skills, qualifications, and representations of \_\_\_\_\_ (referred to in this Agreement as "Key Person"). Agency agrees that it will employ Key Person to provide services under this Agreement for its term.
- F. The Company recognizes that Agency may, in its sole discretion, arrange to have business conducted at its sales location in Key Person's absence by its other employees or other persons and that the time during which Key Person is physically present at Agency's sales location is entirely in Agency's sole discretion. Key Person must, however, remain actively involved in the conduct of business at Agency's sales location.

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- G. The Company shall at all times be entitled to conclusively rely upon the authority of Key Person (or in the event of the death or incapacity of Key Person, his executor or personal representative) to bind Agency and its officers, directors, shareholders and members, regardless of any directions received by the Company from any person or entity which conflict with directions received from Key Person, unless the Company is properly served with an order of a court of competent jurisdiction abrogating Key Person's authority and designating an alternate authorized representative to act on behalf of Agency under this Agreement.
  - H. Agency agrees that the Company will have the authority to use the name of Agency or Key Person and the Key Person's signature, or facsimile thereof, on policy documents and customer communication materials.
  - I. Agency agrees to maintain a professional business relationship with the Company, and, when requested, to meet with Company representatives at mutually convenient times to discuss various business topics. Agency also agrees that, because it is conducting business with the public under the Alistate name, Company representatives shall be permitted access to its sales location to review compliance with this Agreement during the business hours of that sales location.
  - J. Agency agrees that, as requested by the Company, it will demonstrate its knowledge of the Company products it is authorized to sell, as well as of federal, state, or local laws, rules, regulations and ordinances affecting its operation. If Agency is unable to demonstrate its knowledge of any product, the Company reserves the right to deny Agency the authority, or withdraw Agency's existing authority, to sell that product, until Agency demonstrates such knowledge.

III. AGENCY EMPLOYEES:

- A. Agency has no authority to employ persons on behalf of the Company, and no employee of Agency will be deemed to be an employee or agent of the Company, such employees at all times remaining Agency's employees. Agency has sole and exclusive control over its labor and employee relations policies, and its policies relating to wages, hours, and working conditions of its employees. Agency has the sole and exclusive right to hire, transfer, suspend, lay off, recall, promote, assign, discipline, and discharge its employees.
- B. Agency is solely responsible for all salaries and other compensation of all its employees and will make all necessary salary deductions and withholdings from its employees' salaries and other compensation. Agency is solely responsible for the payment of any and all contributions, taxes, and assessments, and all other requirements of the federal Social Security, federal and state unemployment compensation, and federal, state, and local withholding of income tax laws on all salary and other compensation of its employees.
- C. Agency will comply with all other contracts, federal, state or local laws, ordinances, rules, or regulations regarding its employees, including federal or state laws or regulations regarding minimum compensation, overtime, and equal opportunities for employment. This includes, but is not limited to, Agency's warranty and agreement to comply with the terms of the federal and state civil rights acts, Age Discrimination in Employment Act, Americans With Disabilities Act, Occupational Safety and Health Act, Immigration Reform and Control Act, and the Fair Labor Standards Act.
- D. Agency agrees and warrants that its employees, while working in connection with this Agreement, will comply with any and all applicable federal, state, or local laws, rules, regulations, and ordinances.

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IV. **COMPANY PROPERTY, CONFIDENTIALITY:**

- A. The Company will furnish Agency such signs, forms, manuals, records, and other materials and supplies as the Company deems advisable to assist Agency. All such property and information furnished by the Company will remain the property of the Company. In addition, the Company will offer, at Agency's expense, such additional materials and supplies as the Company feels may be helpful to Agency.
- B. Agency agrees that it will not at any time or in any manner, directly or indirectly, disclose to any third party or permit any third party to access any confidential information or any information containing trade secrets concerning any matters affecting or relating to the pursuits of the Company, except upon direct written authority of the Company. Furthermore, upon termination of this Agreement, Agency agrees to treat as confidential and not to disclose, either directly or indirectly, to any third party any confidential information or trade secrets of the Company.
- C. Agency agrees that it will not disclose or grant access to any confidential information or trade secrets to any of its employees or other persons providing services for it in connection with this Agreement, unless such employee or other person has signed a copy of the Confidentiality and Non-Competition Agreement, attached as Appendix A if Key Person and Appendix B if other than Key Person. Appendix B is a sample copy of the electronic version of the document that must be transmitted to the Company.
- D. Confidential information includes, but is not limited to: business plans of the Company; information regarding the names, addresses, and ages of policyholders of the Company; types of policies; amounts of insurance; premium amounts; the description and location of insured property; the expiration or renewal dates of policies; policyholder listings and any policyholder information subject to any privacy law; claim information; certain information and material identified by the Company as confidential or information considered a trade secret as provided herein or by law; and any information concerning any matters affecting or relating to the pursuits of the Company that is not otherwise lawfully available to the public. All such confidential information is wholly owned by the Company. Such confidential information may be used by Agency only for the purposes of carrying out the provisions of this Agreement.
- E. Any confidential information or trade secrets recorded on paper, electronic data file, or any other medium, whether provided by the Company or by Agency, is the exclusive property of the Company, as is any such medium and any copy of such medium.
- F. Agency recognizes that a breach of the foregoing provisions will cause irreparable damage to the Company's business and that such damage is difficult or impossible to measure. Agency agrees that in the event of such breach, the Company, in addition to such other rights and remedies it may have, will be immediately entitled to an order granting injunctive relief from any court of competent jurisdiction against any act which would violate any such provision, without the necessity of posting a bond, and Agency waives any defense to an application for such order, except that the violation did not occur. Agency agrees that the Company will be entitled to an award of reasonable attorneys' fees in the event that it is successful in an application for injunctive relief or in an action based upon breach of the foregoing provisions.

V. **SALES LOCATION:**

- A. Agency may select its sales location, within a geographical area specified by the Company, subject to Company approval. Initially, Agency has selected the location at \_\_\_\_\_ and such sales location has been approved by the Company. Agency agrees that it will not establish any additional sales location without the prior written approval of the Company. Agency acknowledges that it has no exclusive territorial rights in connection with its sales location.

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- B. Agency agrees to keep its sales location open for business as appropriate in the market to provide a proper level of customer service. As a minimum, Agency agrees to operate its sales location consistently with the Agency Standards.
  - C. Agency is authorized to sell insurance offered by the Company and Company Business only in the state containing its sales location and other states in which Agency has been authorized to act as a Company agent.

**VI. ADVERTISING:**

- A. The Company will advertise its products and provide promotional material in accordance with its advertising policies. Agency may also advertise in its sole discretion, subject to the requirements in paragraph B. below.
- B. Agency will submit all signs and advertising copy, including, but not limited to, sales brochures, display advertisements in telephone directories, newspaper advertisements, radio and television commercials, electronic media displays, all sales promotional plans and devices, and all other materials to the Company for approval, if they use or contain any reference to any service mark or trade name of the Company. Agency will not use any such advertising material or sales promotional plan or device without obtaining prior written approval from the Company. The Company has the right to disapprove any or all of the aforesaid advertising forms and other materials insofar as they, in the exclusive judgment of the Company, do not conform to Company policy regarding use of Company service marks or trade names; may subject the Company to liability or loss of goodwill; may damage the reputation of the Company or Company customer relations; may fail to adhere to the requirements of any federal, state, or local governmental rules, regulations, or laws; may fail to conform to community or Company standards of good taste and honest dealing; or may be detrimental to the business interests of the Company.

**VII. SERVICE MARK AND TRADE NAME PROTECTION:**

- A. Agency agrees to cooperate fully in the quality control program conducted by the Company relating to the use of its service marks and trade names and the nature and quality of services rendered and goods distributed under its service marks and trade names. The Company will have the right to specify, delineate, or limit the services or goods in connection with which Agency may use any of its service marks or trade names. In the event that the nature or the quality of the services or goods in connection with which Agency uses any of the service marks or trade names of the Company is not acceptable to the Company, then the Company will have the right to require Agency to institute appropriate procedures to correct any deficiencies noted by the Company.
- B. Agency agrees, at the request and expense of the Company, to assist the Company in protecting and enforcing the rights of the Company in and to any and all of its service marks and trade names which Agency may then be using.
- C. Agency will not in any manner encumber, alienate, license, or transfer to any other entity any right whatsoever concerning the service marks or trade names the Company authorizes the Agency to use in the performance of this Agreement, except as permitted in Section XVI.

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D. Agency recognizes that a breach of the foregoing provisions will cause irreparable damage to the Company's business and that such damage is difficult or impossible to measure. Agency agrees that in the event of such breach, the Company, in addition to such other rights and remedies it may have, will be immediately entitled to an order granting injunctive relief from any court of competent jurisdiction against any act which would violate any such provision, without the necessity of posting a bond, and Agency waives any defense to an application for such order, except that the violation did not occur. Agency agrees that the Company will be entitled to an award of reasonable attorneys' fees in the event that it is successful in an application for injunctive relief or in an action based upon breach of the foregoing provisions.

VIII. EXPENSES:

Agency will be responsible for the payment of all expenses that it incurs in the performance of this Agreement including, but not limited to: expenses for its sales location, supplies not furnished by the Company, compensation of its employees or other assisting persons whom it engages, telephone, postage, and advertising expenses incurred at its direction, and all other charges and expenses.

IX. TELEPHONE:

All telephone numbers used in connection with business conducted pursuant to this Agreement are the property of the Company.

X. INDEMNIFICATION:

- A. The Company will defend and indemnify Agency against liability, including the cost of defense and settlements, imposed on Agency by law for damages sustained by policyholders and caused by acts or omissions of the Company, provided that Agency has not caused or contributed to cause such liability by its acts or omissions. Agency agrees, as a condition to such indemnification, to notify the Company promptly of any claim or suit against it and to allow the Company to make such investigation, settlement, or defense as the Company deems prudent. The Company reserves the right to select counsel to represent Agency in connection with any such claim or suit. Agency also agrees to cooperate fully with the Company in any such investigation, settlement, or defense.
- B. Agency will indemnify the Company against liability, including the cost of defense and settlements, imposed on the Company by law for damages sustained by any person and caused by the acts or omission of Agency, its officers, directors, shareholders, members, employees, including Key Person or other persons working in connection with this Agreement, provided that the Company has not caused or contributed to cause such liability by its acts or omissions. The Company agrees, as a condition to such indemnification, to notify Agency promptly of any such claim or suit against the Company. The Company reserves the right to select counsel to represent it in connection with any such claim or suit and to make such investigation or settlement as the Company deems prudent.

XI. INSURANCE:

- A. Agency agrees that it will, at its sole expense, obtain and maintain during the term of this Agreement policies of insurance as described in the EA Manual, as may be amended from time to time. Such policies must be obtained from companies satisfactory to the Company and must be adequate to protect against all expenses, claims, actions, liabilities, and losses related to the subjects covered by the required policies.
- B. Where specified, each policy must name the Company as an additional insured and must contain a severability of interest/cross liability endorsement. Each policy must also expressly provide that it will not be subject to material change or cancellation without at least thirty (30) days prior written notice to the Company.

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C. Agency must furnish the Company with proof of insurance upon request by the Company. If, in the Company's opinion, such policies do not afford adequate protection for the Company, the Company will so advise Agency and if Agency does not furnish evidence of acceptable coverage within fifteen (15) days after being requested to do so by the Company, the Company will have the right to obtain additional insurance at Agency's expense and deduct the cost of such insurance plus a processing fee from monies owed Agency by the Company.

**XII. FINANCIAL INFORMATION:**

Agency shall maintain all books and records relating to the business under this Agreement including, but not limited to, all checkbooks, check registers, deposit receipts, and general ledgers for a period of not less than five years after the close of the fiscal year to which they relate. All of the foregoing records shall be open and available for inspection or audit at any time during Agency business hours without notice by the Company or its designated auditors and Agency shall have the duty to cooperate fully with the party(ies) making such inspection or audit.

**XIII. POLICIES IN AGENCY'S ACCOUNT:**

Policies which are credited to Agency's account are described in the Supplement. While this Agreement is in effect, the Company will leave in Agency's account all policies credited to such account so long as the policyholder resides within a state in which Agency is authorized to act as a Company agent, except that the Company may remove any policy from Agency's account at the request of a policyholder.

**XIV. MONEY COLLECTED BY AGENCY:**

All payments collected or received by Agency in the performance of this Agreement are the property of the Company, will be treated as trust funds, and will be promptly transmitted to the Company without deduction for any purpose in the manner specified by the Company. Agency must maintain accurate records and current remittance reports which may be inspected by the Company at any time without notice and which shall be submitted to the Company in accordance with its rules and procedures.

**XV. COMPENSATION:**

- A. The sole compensation to which Agency will be entitled for services rendered pursuant to this Agreement will be the commissions set forth in the Supplement, as may be amended from time to time. All commissions will be paid solely to the Agency, except as described in Section XIX, below. The Company will pay Agency its commissions at the time and in the manner set forth in the Supplement. However, due to the inherent uncertainty of business conditions, the Company reserves the right to increase or decrease any commission amounts and to change the commission rules. If the Company changes commission amounts, it will provide Agency with written notice of the changes at least ninety (90) days prior to the date on which they are to become effective.
- B. The Company may provide Agency with such bonuses, awards, prizes, and other remuneration based on performance, if any, as it may prescribe in its sole discretion.
- C. If any application for insurance is rejected, or any policy is surrendered or canceled, in whole or in part, for any reason, before the expiration of the policy period, or if any premium is reduced or any overpayment made to Agency, or if any premium paid is not earned by the Company, the commissions paid to Agency on the amount returned or credited to the policyholder, or the amount overpaid to Agency, will constitute an indebtedness of the Agency to the Company and will be charged to Agency or recovered from Agency by reducing any future commissions, awards, or bonuses due Agency.



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**XVI. TRANSFER OF INTEREST:**

- A. Agency may not execute a transfer of its interest in this Agreement without the prior written approval of the Company. A transfer of interest in this Agreement is described in the Supplement and EA Manual and includes, but is not limited to, any sale, merger, or assignment, in whole or in part, directly, indirectly, or contingently, of this Agreement or any rights or obligations under it. Neither Agency, nor any shareholder or member of Agency, shall transfer any shares or interest in Agency, including, but not limited to, any sale, assignment, conveyance, or the granting of any lien, security interest, pledge, or mortgage thereof, without the prior written approval of the Company. Agency has the obligation to notify the Company of a proposed transfer and to request Company approval.
- B. Agency has an economic interest, as defined in this Agreement and the Incorporated Supplement and EA Manual, in its Allstate customer accounts developed under this Agreement. Subject to the terms and conditions set forth in this Agreement and the Incorporated Supplement and EA Manual, Agency may transfer its entire economic interest in the business written under this Agreement upon termination of this Agreement by selling the economic interest in the business to an approved buyer. The Company retains the right in its exclusive judgment to approve or disapprove such a transfer. Any failure to disclose and obtain the prior written approval of the Company for any transfer of Agency's interest in this Agreement or any share or interest in Agency shall constitute a breach of this Agreement and cause for termination of this Agreement.
- C. Approval of a proposed transfer of Agency's entire interest in this Agreement will be conditioned upon the termination of this Agreement and the execution of a then current agency agreement by the proposed transferee.
- D. Policies in Agency's account (Section XIII. above) will be transferred to an approved transferee.

**XVII. TERMINATION OF AGREEMENT:**

- A. This Agreement will be terminated automatically:
1. On the effective date of any transfer of Agency's entire interest in this Agreement, whether approved or not, as described in Section XVI. above;
  2. Upon the death or permanent incapacity of Key Person;
  3. On the date Key Person ceases to be employed by Agency;
  4. Upon the loss of any required agent license of Agency or Key Person;
  5. Upon the dissolution of Agency; or
  6. Upon the surrender of, or the election not to renew, the Company's license to sell insurance in all lines in the state in which Agency's sales location is located or the discontinuation of the sale of insurance in the state.
- B. This Agreement may be terminated:
1. At any time by mutual agreement of the parties in writing;

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2. By either party, with or without cause, upon providing ninety (90) days prior written notice to the other, or such greater number of days as is required by law. Once written notice of termination has been given by either party, Agency will, immediately upon request of the Company, cease to act or to represent itself in any way as an agent or representative of the Company, but it will receive compensation pursuant to Section XV. from the Company for the period up to and including the specified termination date; or
  3. Alternatively, by the Company, with cause, immediately upon providing written notice to Agency. Cause may include, but is not limited to, breach of this Agreement, fraud, forgery, misrepresentation or conviction of a crime. The list of examples of cause just stated shall not be construed to exclude any other possible ground as cause for termination.

**XVIII. OBLIGATIONS UPON TERMINATION OF AGREEMENT:**

Except as otherwise provided in a subsequent agreement between Agency and the Company, upon termination of this Agreement, Agency agrees that:

- A. Agency will not act or represent itself in any way as an agent or representative of the Company.
- B. Agency will immediately return all property belonging to the Company, or dispose of it in such manner as the Company specifies.
- C. Agency will immediately cease to use such telephone numbers referenced in Section IX. above and execute an Order of Transfer of Responsibility for such numbers in its or Key Person's name to the Company or to any party the Company designates, and Agency will immediately notify the telephone company of any such transfer. Agency will be responsible for all charges incurred up to the date of execution of the transfer.
- D. For a period of one year following termination, neither Agency, nor any of its officers, directors, shareholders, members, or employees, including Key Person or any other persons working in connection with this Agreement, will solicit the purchase of products or services in competition with those sold by the Company:
  1. With respect to any person, company, or organization to whom Agency or anyone acting on its behalf sold insurance or other products or services on behalf of the Company and who is a customer of the Company at the time of termination of the Agreement;
  2. With respect to any person, company, or organization who is a customer of the Company at the time of termination of this Agreement and whose identity was discovered as a result of Agency's status as a Company agent or as a result of Agency's access to confidential information of the Company; or
  3. From any office or business site located within one mile of the agency sales location maintained pursuant to Section V. of this Agreement at the time this Agreement is terminated.

In the event that such one year period or one mile distance exceeds the time or distance permitted by any applicable law, such period or distance will be automatically adjusted to the maximum period or distance permitted by such law. If any other provision in this paragraph D. conflicts with any existing law, it will be applied to the extent permitted by such law.

- E. Agency will immediately cease and desist from any and all use of Company service marks and trade names. Agency will immediately return to the Company all property in its possession or under its control bearing any Company service mark or trade name, or dispose of it in such manner as the Company specifies.

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F. Agency recognizes that a breach of any of the foregoing provisions will cause irreparable damage to the Company's business and that such damage will be difficult or impossible to measure. Agency agrees that in the event of any such breach, the Company, in addition to such other rights and remedies as it may have, will be immediately entitled to an order granting injunctive relief from any court of competent jurisdiction against any act which would violate any such provision, without the necessity of posting a bond, and Agency waives any defense to an application for such order, except that the violation did not occur. Agency agrees that the Company will be entitled to an award of reasonable attorneys' fees in the event that it is successful in an application for injunctive relief or in an action based upon breach of the foregoing provisions.

G. Agency recognizes and acknowledges that each of the foregoing provisions of this Section XVIII. is reasonable and necessary to protect and preserve the legitimate business interests of the Company, its present and potential business activities, and the economic benefits derived therefrom. Agency and Key person recognize and acknowledge that the foregoing provisions are not an undue restraint on Agency or Key Person.

**XIX. PAYMENT TO AGENCY UPON DISSOLUTION:**

If at any time following the Company's receipt of notice of Agency's dissolution, the Company shall be obligated under this Agreement to pay money to Agency, the Company is irrevocably authorized to pay such money to Key Person, or in the event of the death or incapacity of Key Person, his executor or personal representative, who shall be responsible to Agency's successors-in-interest for distribution of such payment to the persons or entities legally entitled thereto. Company shall have no liability whatsoever for any payments made pursuant to the foregoing authority regardless of whether Company has received any conflicting demand from any other person or entity, except for payments made by the Company in violation of an order of a court of competent jurisdiction properly served upon the Company which directs the Company not to make any such payment to Key Person and designates an alternate person or entity to which the Company is directed to make such payments.

**XX. NOTICE:**

All notices will be deemed to have been given if personally delivered, sent by facsimile transmission, or mailed as follows:

If to the Company:

Allstate Insurance Company

\_\_\_\_\_

Attention: \_\_\_\_\_

If to Agency:

\_\_\_\_\_  
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or to such other person or address as any party may furnish or designate to the other in writing.

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**XXI. GENERAL PROVISIONS:**

- A. Agency warrants and represents that Agency is a [corporation] [limited liability company] duly organized, validly existing and in good standing under the laws of the State of \_\_\_\_\_ and has all requisite power and [corporate] [limited liability company] authority to enter into this Agreement and to perform Agency's duties and obligations under this Agreement. Agency further warrants and represents that it is duly qualified and in good standing to do business in every jurisdiction in which such qualification is necessary because of the nature of the business conducted by it pursuant to this Agreement.
- B. Agency and Key Person warrant and represent that Agency and Key Person have the power, [corporate] [limited liability company] authority, and capacity to enter into and consummate this Agreement. The execution, delivery, and performance of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary [corporate] [limited liability company] action, as applicable, on the part of Agency and Key Person.
- C. This Agreement may not be modified except by a written agreement between the Company and Agency which expressly states that it modifies this Agreement. No other written statements, representations, or agreements and no oral statements, representations, or agreements will be effective to modify this Agreement. No representative of the Company will have authority to modify this Agreement, except as provided in this Section XXI. Nothing in this Section will affect the Company's right to amend the Supplement, EA Manual, and Agency Standards, as provided in Section I.C.
- D. Agency acknowledges that it has reviewed the Supplement, EA Manual, and Agency Standards and that it has an ongoing responsibility to review all changes to the Supplement, EA Manual and Agency Standards issued by the Company and agrees to be bound by them.
- E. References in this Agreement to the Supplement, EA Manual, and Agency Standards are references to the Supplement, EA Manual, and Agency Standards including any changes which may be made from time to time and distributed to Agency by the Company.
- F. Agency acknowledges that it has read this Allstate R3001C Exclusive Agency Agreement, understands it, and agrees to be bound by its terms.
- G. The authority granted to Agency under this Agreement is nonexclusive. The term "Exclusive" as used in the title of this Agreement refers to the obligations assumed by Agency under Section I.E.
- H. The descriptive headings of this Agreement are intended for reference only and will not affect the construction or interpretation of this Agreement.
- I. If any provision or part of this Agreement is held invalid for any reason, such invalidity will not affect any other provision or part of this Agreement not held invalid, and such remaining provisions and parts will remain in full force and effect.
- J. The failure of either party to insist upon the performance of any of the terms of this Agreement in any one or more instances will not be construed as a waiver or relinquishment of the future performance of any such term. The obligation of the parties with respect to any such future performance will continue in full force and effect.
- K. Nothing in this Agreement shall be construed to confer upon any person or entity other than the Company and Agency any rights under this Agreement.

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- L. This Agreement, and the obligations or rights hereunder, shall not be assignable by Agency except as provided by Section XVI. The rights and obligations of the parties to this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns.
  - M. This Agreement may be executed in counterparts, each of which will be deemed an original.

IN WITNESS WHEREOF, the Company and Agency have caused this Agreement to be executed by their authorized representatives and the parties hereby accept the terms of this Agreement.

ALLSTATE INSURANCE COMPANY

\_\_\_\_\_  
(authorized representative)

\_\_\_\_\_  
(date)

AGENCY

\_\_\_\_\_  
(name)

\_\_\_\_\_  
(Key Person)

\_\_\_\_\_  
(date)

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT  
KEY PERSON**

This Confidentiality and Non-Competition Agreement ("Agreement") is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_ (referred to in this Agreement as "Service Provider"), and \_\_\_\_\_ (referred to in this Agreement as "Agency"), and Allstate Insurance Company as a direct third party beneficiary of this Agreement (referred to in this Agreement as "the Company").

WHEREAS, the Company has entered into an agency agreement appointing Agency to act as its agent for the purpose of receiving and accepting applications for insurance and for selling certain specified products of the Company's subsidiaries and affiliates; and

WHEREAS, under the terms of the agency agreement, Agency has agreed to maintain the confidentiality of the Company's confidential information; and

WHEREAS, Agency has employed Service Provider to assist Agency in performing services under the agency agreement; and

WHEREAS, Service Provider will have access to certain confidential information of the Company;

NOW, THEREFORE, for and in consideration of the agreements, covenants, and conditions herein contained, the adequacy and sufficiency of which is expressly acknowledged by each of the parties hereto, the parties agree as follows:

1. The terms "employed" or "employment" as referred to in this Agreement apply to any service provided by the Service Provider as an employee, independent contractor, or in any other capacity.
2. Service Provider acknowledges that while assisting Agency in performing services under the agency agreement, Service Provider will have access to or will have disclosed to him/her confidential information concerning the Company, the disclosure of which could be harmful to the Company.
3. Confidential information includes, but is not limited to, business plans of the Company; information regarding the names, addresses, and ages of policyholders or prospective policyholders of the Company; types of policies; amounts of insurance; premium amounts; the description and location of insured property; the expiration or renewal dates of policies; policyholder listings and any policyholder information subject to any privacy law; claim information; certain information and material identified by the Company as confidential or information considered a trade secret as provided herein or by law; and any information concerning any matters affecting or relating to the pursuits of the Company that is not otherwise lawfully available to the public. Confidential information may be oral or recorded on paper, electronic data file, or any other medium.
4. Service Provider agrees that he/she will not at any time or in any manner, directly or indirectly, disclose to any third party or permit any third party to access any confidential information, except upon the written consent of the Company; nor will Service Provider use any confidential information for his/her own benefit, except for the purposes of assisting Agency in performing services under the agency agreement.
5. Any and all confidential information and all Company forms, manuals, records, and other materials and supplies furnished to Service Provider by Agency will at all times remain the property of the Company and will be returned to the Company at any time upon the demand of the Company or upon the termination of Service Provider's employment by Agency.
6. Upon the termination of Service Provider's employment by Agency, Service Provider agrees to treat as confidential and not disclose, either directly or indirectly, to any third party any confidential information of the Company.

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7. For a period of one year following the termination of Service Provider's employment by Agency, Service Provider agrees not to solicit the purchase of products or services in competition with those sold by the Company:
1. With respect to any person, company, or organization to whom Agency, or any person employed by Agency, including Service Provider, sold insurance or other products or services on behalf of the Company, and who is a customer of the Company at the time of the termination; or
  2. With respect to any person, company, or organization who is a customer of the Company at the time of the termination and whose identity was discovered as a result of access to confidential information of the Company; or
  3. From any office or business site located within one mile of any locations from which Agency solicited or sold Company insurance or other products or services during the year immediately preceding the termination.

In the event that such one year period or one mile distance exceeds the time or distance permitted by any applicable law, such period or distance will be automatically adjusted to the maximum period or distance permitted by such law. If any other provision in this paragraph 7 conflicts with any existing law, it will be applied to the extent permitted by such law.

8. Upon the termination of Service Provider's employment with Agency, Service Provider will immediately cease and desist from any and all use of Company service marks and trade names. Service Provider will immediately return to Agency or the Company all property bearing any company service marks or trade names, or dispose of such materials in the manner specified by the Company. If requested by the Company, Service Provider will execute an Order of Transfer of Responsibility for any telephone numbers in the Service Provider's name, which were used in connection with the conduct of business on behalf of the Company.
9. While employed by Agency, Service Provider agrees that he/she will not either directly or indirectly, solicit, sell or service insurance of any kind for any other company, agent or broker, or refer a prospect to another company, agent or broker without the prior written consent of the Company.
10. Service Provider recognizes that a breach of any of the foregoing provisions will cause irreparable damage to the Company's business and that such damage will be difficult or impossible to measure. Service Provider agrees that in the event of any such breach, the Company, in addition to such other rights and remedies as it may have, will be entitled to an order granting injunctive relief from any court of competent jurisdiction against any act which would violate any such provision, without the necessity of posting a bond, and Service Provider waives any defense to an application for such order, except that the violation did not occur. Service Provider agrees that the Company will be entitled to an award of reasonable attorney's fees in the event that it is successful in an application for injunctive relief or in an action based upon breach of the foregoing provisions.
11. This Agreement may be executed in counterparts, each of which will be deemed an original. This Agreement supersedes and replaces any prior confidentiality and non-competition agreement between the parties hereto. The parties agree that the use of facsimile signatures for the execution of this Agreement shall be legal and binding and shall have the same full force and effect as if originally signed.

IN WITNESS WHEREOF, the parties hereby accept the terms of this Agreement.

Accepted by:

SERVICE PROVIDER

AGENCY

ALLSTATE INSURANCE COMPANY

\_\_\_\_\_  
(Key Person as an Individual)

\_\_\_\_\_  
(Key Person on behalf of Agency)

\_\_\_\_\_  
(authorized representative)

\_\_\_\_\_  
(date)

\_\_\_\_\_  
(date)

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(date)

**CONFIDENTIALITY AND NON-COMPETITION AGREEMENT**

This Confidentiality and Non-Competition Agreement ("Agreement") is entered into this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_ (referred to in this Agreement as "Service Provider"), and \_\_\_\_\_ (referred to in this Agreement as "Agency"), and Allstate Insurance Company as a direct third party beneficiary of this Agreement (referred to in this Agreement as "the Company").

WHEREAS, the Company has entered into an agency agreement appointing Agency to act as its agent for the purpose of receiving and accepting applications for insurance and for selling certain specified products of the Company's subsidiaries and affiliates; and

WHEREAS, under the terms of the agency agreement, Agency has agreed to maintain the confidentiality of the Company's confidential information; and

WHEREAS, Agency has employed Service Provider to assist Agency in performing services under the agency agreement; and

WHEREAS, Service Provider will have access to certain confidential information of the Company;

NOW, THEREFORE, for and in consideration of the agreements, covenants, and conditions herein contained, the adequacy and sufficiency of which is expressly acknowledged by each of the parties hereto, the parties agree as follows:

1. The terms "employed" or "employment" as referred to in this Agreement apply to any service provided by the Service Provider as an employee, independent contractor, or in any other capacity.
2. Service Provider acknowledges that while assisting Agency in performing services under the agency agreement, Service Provider will have access to or will have disclosed to him/her confidential information concerning the Company, the disclosure of which could be harmful to the Company.
3. Confidential information includes, but is not limited to, business plans of the Company; information regarding the names, addresses, and ages of policyholders or prospective policyholders of the Company; types of policies; amounts of insurance; premium amounts; the description and location of insured property; the expiration or renewal dates of policies; policyholder listings and any policyholder information subject to any privacy law; claim information; certain information and material identified by the Company as confidential or information considered a trade secret as provided herein or by law; and any information concerning any matters affecting or relating to the pursuits of the Company that is not otherwise lawfully available to the public. Confidential information may be oral or recorded on paper, electronic data file, or any other medium.
4. Service Provider agrees that he/she will not at any time or in any manner, directly or indirectly, disclose to any third party or permit any third party to access any confidential information, except upon the written consent of the Company; nor will Service Provider use any confidential information for his/her own benefit, except for the purposes of assisting Agency in performing services under the agency agreement.
5. Any and all confidential information and all Company forms, manuals, records, and other materials and supplies furnished to Service Provider by Agency will at all times remain the property of the Company and will be returned to the Company at any time upon the demand of the Company or upon the termination of Service Provider's employment by Agency.
6. Upon the termination of Service Provider's employment by Agency, Service Provider agrees to treat as confidential and not disclose, either directly or indirectly, to any third party any confidential information of the Company.



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7. For a period of one year following the termination of Service Provider's employment by Agency, Service Provider agrees not to solicit the purchase of products or services in competition with those sold by the Company:
    1. With respect to any person, company, or organization to whom Agency, or any person employed by Agency, including Service Provider, sold insurance or other products or services on behalf of the Company, and who is a customer of the Company at the time of the termination; or
    2. With respect to any person, company, or organization who is a customer of the Company at the time of the termination and whose identity was discovered as a result of access to confidential information of the Company; or
    3. From any office or business site located within one mile of any locations from which Agency solicited or sold Company insurance or other products or services during the year immediately preceding the termination.

In the event that such one year period or one mile distance exceeds the time or distance permitted by any applicable law, such period or distance will be automatically adjusted to the maximum period or distance permitted by such law. If any other provision in this paragraph 7 conflicts with any existing law, it will be applied to the extent permitted by such law.

8. Upon the termination of Service Provider's employment with Agency, Service Provider will immediately cease and desist from any and all use of Company service marks and trade names. Service Provider will immediately return to Agency or the Company all property bearing any company service marks or trade names, or dispose of such materials in the manner specified by the Company. If requested by the Company, Service Provider will execute an Order of Transfer of Responsibility for any telephone numbers in the Service Provider's name, which were used in connection with the conduct of business on behalf of the Company.
9. While employed by Agency, Service Provider agrees that he/she will not either directly or indirectly, solicit, sell or service insurance of any kind for any other company, agent or broker, or refer a prospect to another company, agent or broker without the prior written consent of the Company.
10. Service Provider recognizes that a breach of any of the foregoing provisions will cause irreparable damage to the Company's business and that such damage will be difficult or impossible to measure. Service Provider agrees that in the event of any such breach, the Company, in addition to such other rights and remedies as it may have, will be entitled to an order granting injunctive relief from any court of competent jurisdiction against any act which would violate any such provision, without the necessity of posting a bond, and Service Provider waives any defense to an application for such order, except that the violation did not occur. Service Provider agrees that the Company will be entitled to an award of reasonable attorney's fees in the event that it is successful in an application for injunctive relief or in an action based upon breach of the foregoing provisions.
11. This Agreement supersedes and replaces any prior confidentiality and non-competition agreement between the parties hereto. The parties agree that the use of electronic signatures for the execution of this Agreement shall be legal and binding and shall have the same full force and effect as if originally signed.

IN WITNESS WHEREOF, the parties hereby accept the terms of this Agreement.

Accepted by:

SERVICE PROVIDER	AGENCY	ALLSTATE INSURANCE COMPANY
_____ (name)	_____ (Key Person)	_____ (authorized representative)
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## INDEPENDENT CONTRACTOR MANUAL REVISION NOTICE

**To holders of:** Exclusive Agency Independent Contractor Manual    **Date:** September 18, 2020  
**No:** 37

**From:** 360° Finance and Distribution Strategy & Program Development

This is a complete revision of the Exclusive Agency Independent Contractor Manual. This version of the Manual replaces the previous version of the Manual, and each page of this Manual has a date of September 18, 2020. If you have a previous version of the Manual, please replace it with this version. The following highlights some of the changes that have been made to the Manual.

Section	Explanation of Change
Professional Liability (Errors and Omissions)	<ul style="list-style-type: none"><li>• Directed agents to the CalSurance website for E&amp;O policy specific information (including any applicable deductibles)</li><li>• Updated the process related to agents who do not purchase E&amp;O coverage</li></ul>

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**EXCLUSIVE AGENCY**

**INDEPENDENT CONTRACTOR MANUAL**

**(Applies to all states except New Jersey)**

© Allstate Insurance Company, 2020

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## **Preface**

The following material is confidential and proprietary information which is the exclusive property of Allstate Insurance Company and may not be disclosed to third parties, other than outside advisors or as required by law, without first having obtained written permission from the Company.

The Exclusive Agency Independent Contractor Manual (Manual) is intended to explain and expand upon the provisions of the R3001 Agreement. The Manual is intended to be consistent with the express terms and conditions of the R3001 Agreement. To the extent that there is any conflict between any of the provisions of the Manual and the express written terms of the R3001 Agreement, the R3001 Agreement shall govern. The Company from time to time may amend the Manual, but such amendments shall not alter the independent contractor relationship between Allstate and an R3001 Agent.

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## References

- References to “he,” “him” or “his” in this manual are for readability purposes only and are intended to include both males and females.
- References to “you,” “your,” or “R3001 Agent(s)” include agents under the R3001 and R3001S Agreements and “Key Persons” under the R3001A and R3001C Agreements, or successor agreements, except as otherwise noted. These references also include the corporation or limited liability company, as appropriate, under the R3001A and R3001C Agreements.
- References to the R3001 Agreement include the R3001, R3001A, R3001S and R3001C Agreements, or successor agreements, except as otherwise noted. The R3001 Agreement and the R3001A Agreement (the former sole proprietor agreement and the former corporation/LLC agreement, respectively) are no longer offered.
- References to the Reference Guide mean the Exclusive Agency Independent Contractor Reference Guide.
- References to the Supplement mean the Supplement for the R3001 Agreement.

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# **R3001 EXCLUSIVE AGENT INDEPENDENT CONTRACTOR**

## **Authority**

### **R3001 Agreement**

As an R3001 Agent, you are an exclusive writer for Allstate, except for certain types of business specified in the R3001 Agreement and the Supplement, e.g., residual market business and expanded market coverage business. In that capacity, you may receive and accept business subject to such restrictions on binding authority as may be established by the Company. The Company owns all business produced by you, except Assigned Risk, JUA, FAIR Plan, Flood, and other business as documented in the Supplement. You will have an **economic interest** in the Allstate customer accounts you develop as an R3000/R3001 Agent, as specified in the Supplement. You are able to realize such interest upon the termination of your R3001 Agreement with the Company, subject to the terms and conditions set forth in the Agreement.

Your authority to represent the Company is subject to the rules and procedures outlined in the R3001 Agreement, the Allstate Agency Standards, the Supplement and this Manual.

You may not execute a transfer of your interest in your R3001 Agreement or any interest in the business under the Agreement without the prior written approval of the Company. This includes, but is not limited to, any sale, assignment, conveyance or the granting of any lien, security interest, pledge, or mortgage. You must notify the Company of any proposed transfer of your interest and obtain prior written approval from the Company. If you are not transferring your entire interest, you must submit a Partial Transfer of Interest Approval Request Form (Exhibit A in the Reference Guide).

The Company retains the right in its exclusive judgment to approve or not approve such a transfer.

### **C Version of the R3001 Agreement – General Information**

The C version of the R3001 Agreement has been developed as an option for R3001 Agents who form corporations or limited liability companies (LLCs).

Agents who execute the C Agreement must obtain an employer tax identification number from the Internal Revenue Service that must be input into the system of record (SAP). Future commissions will then be paid to the corporation or LLC. If, prior to forming a corporation or LLC, you used a social security number or a different employer tax identification number in the system, then the change in the form of legal entity must be effective the first day of the month and input into SAP the last workday of the prior month.



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If the corporation or LLC is dissolved, the C (or A) Agreement automatically terminates. You are required to notify the Company immediately if the corporation or LLC dissolves. If you want to continue an agency relationship with the Company, you must execute a new R3001S or a new R3001C Agreement<sup>1</sup>. A change from one agreement to another agreement executed by you because of a change in the form of legal entity will not be considered a transfer of interest, nor trigger a termination payment under the former agreement.

R3001 Agents who execute the C Agreement must obtain an agency license and/or registration for the business entity, if required by law. This agency license and/or registration is in addition to the Key Person's individual license. The agency license and/or registration must be obtained prior to the execution of the C Agreement.

Ownership interest in the corporation is limited to FINRA related family members<sup>2</sup> of the Key Person. Prior to execution of the C Agreement, the agency (corporation/LLC) must provide to the Company the full names and addresses of all officers, directors and any persons who own an interest in the corporation or LLC by completing an –Agency Ownership Disclosure Form (Exhibit B in the Reference Guide). Thereafter, the agency must promptly furnish the Company the full names and addresses of any new officers, directors or owners and submit a Partial Transfer of Interest Approval Request Form (Exhibit A in the Reference Guide) to request approval. The Company reserves the right in its exclusive judgment not to enter into the C Agreement, including but not limited to when any of the shareholders or members is:

- Another R3001 Agent
- An Exclusive Financial Specialist
- A Company employee
- A person who is acting as an agent or broker for another insurance company, including an Allstate Independent Agent
- A former agent or Exclusive Financial Specialist who was terminated for cause or by notice where he was required to immediately cease representing the Company
- A former Company employee if he was not eligible to purchase an R3001 Agency
- A person whom the Company determines in its sole discretion should not have an ownership interest in an R3001 Agency

Note: In instances where the shareholder or member is a spouse or other family member of the R3001 Agent, the Company will consider making an exception to the above limitations based on the facts and circumstances presented

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<sup>1</sup> The R3001S Agreement is not available in Montana.

<sup>2</sup> FINRA-related family members include parents, grandparents, mother-in-law or father-in-law, husband or wife, brother or sister, brother-in-law or sister-in-law, son-in-law or daughter-in-law, children, grandchildren, cousin, aunt or uncle, or niece or nephew, and any other person whom the registered person supports, directly or indirectly, to a material extent.

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The agency (corporation/LLC) may not execute a transfer of its interest in the C (or A) Agreement without the prior written approval of the Company. This includes, but is not limited to, any sale, merger or assignment, in whole or in part, directly, indirectly, or contingently, of the Agreement or any rights or obligations under it. Neither the agency, nor any shareholders or members of the agency, shall transfer any shares of or interest in the agency, including but not limited to, any sale, assignment, conveyance or the granting of any lien, security interest, pledge, or mortgage thereof, without the prior written approval of the Company. The agency has the obligation to notify the Company of a proposed transfer of any interest in the Agreement or any shares of or interest in the agency by submitting an R4584 - Partial Transfer of Interest Approval Request Form (Exhibit A in the Reference Guide) to request Company approval. The Company retains the right in its exclusive judgment to approve or not approve such a transfer.

The Company reserves the right in its exclusive judgment not to approve the transfer of interest, including but not limited to when any of the shareholders or members is:

- Other R3001 Agents
- Exclusive Financial Specialists
- Company employees
- Any person who is acting as an agent or broker for another insurance company, including an Allstate Independent Agent
- Former agents or Exclusive Financial Specialists who were terminated for cause or by notice where they were required to immediately cease representing the Company
- Former Company employees if they were not eligible to purchase an R3001 Agency
- Any other person whom the Company determines in its sole discretion should not have an ownership interest in an R3001 Agency

**Note:** In instances where the proposed transferee is a spouse or other family member of the R3001 Agent, the Company will consider making an exception to the above limitations based on the facts and circumstances presented

See the Reference Guide for additional information on the C version of the R3001 Agreement.

#### **C Version of the R3001 Agreement – Key Person Change**

In order to be considered for a Key Person change, the agency must make a written request and meet the then current qualifications established by the Company. Approval of a Key Person change will be made in the sole discretion of the Company. A change from one Key Person to another will not be considered a transfer of interest, will not change the agency's affiliation date, and will not trigger a termination payment under the former Agreement. If Allstate approves the agency's request for a Key Person change, the agency must execute the current version of the Key Person Addendum to the R3001C Agreement.

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## **Status as an R3001 Agent**

As an R3001 Agent, you are **not** an employee of the Company. You have full control of your time and the right to decide how your agency will be managed. While you may choose to hire agency staff, including an office manager, our primary relationship is with you, as the agent or Key Person. Our communication, agency evaluation and recognition focus is with you, as the agent or Key Person.

The EA program is not designed for absentee owners who maintain a long-distance relationship with the agency and Company management. You must remain **actively involved** in the operation of your agency. The Company entered into an agency relationship with you based on your experience and your ability to provide quality service and sales. If you have formed a corporation or limited liability company (LLC) and are under the C (or A) version of the R3001 Agreement, the Key Person requirement ensures that you will be actively involved in the operation of the business. Our expectation is that you will have regular in-person contact with your agency and that you will live within a reasonable distance to your office to allow for active involvement in the agency. We also expect you to be reasonably available in your market to meet with Company representatives to discuss market objectives, your agency's business results, legal compliance, and to learn of new products, services, policies and procedures.

## **Brokering**

As an R3001 Agent, you may not directly or indirectly solicit, sell or service insurance of any kind for any other company without prior written approval from the Company. However, you may write Assigned Risk, JUA, Facility, FAIR Plan, Flood, California Earthquake Authority, and expanded market coverage business, as authorized by the Company. You are not authorized to charge a fee in addition to the policy premium for writing this business, except as documented in the Supplement. Although you would not be precluded from having a passive financial investment in an independent agency, the R3001 Agreement prohibits an agent from, either directly or indirectly, soliciting, selling, or servicing insurance of any kind for any other agent or broker. Any involvement in an independent agency's business operation would be prohibited as it would constitute indirect soliciting, selling, or servicing insurance and thus violate the R3001 Agreement.

## **Referring Business to another Company, Agent or Broker**

You may refer business not acceptable to Allstate as a gratuitous service to an insured, or prospect, as long as you have no involvement with the referral business other than to give out names, addresses and phone numbers. However, you are cautioned against consistently referring business to the same agent or broker. The Company only authorizes referrals on an informal basis within the local market. We do not authorize referrals through any type of centralized brokering mechanism not approved by the Company. Please note that the referral of business to an independent agency in which you have either a direct financial interest or an indirect financial interest (e.g., spouse has ownership interest) is not considered gratuitous and is not authorized.

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## Receiving Residuals on Business in Which R3001s Have a Vested Interest

You may receive residuals on insurance business you wrote through another company before you came to Allstate and in which you have a vested interest. However, you are not authorized to have any ongoing involvement with former customers; you may not continue to perform any type of service work.

If you do not become a registered representative<sup>3</sup> of Allstate Financial Services, LLC<sup>4</sup>, you will be permitted to retain any FINRA licenses you obtained prior to being appointed by the Company (provided you meet FINRA requirements) solely for the purpose of receiving trailing commissions (residuals) on business you produced for another company prior to your appointment. However, you may not place any further business (variable annuities, variable life, and mutual funds) or perform any service work for customers of the other company.

## Quality Control

### Allstate Agency Standards

As an R3001 Agent, you are responsible for ensuring that your agency provides services which meet the standards contained in the Allstate Agency Standards at all times. The Allstate Agency Standards includes operating standards which help Allstate obtain its business objectives and help ensure compliance with laws and regulations. The Allstate Agency Standards and this Manual are not intended to be inclusive of all important compliance issues.

### Customer Service Expectations

The customer service expectations ensure that the identified expectations of our customers are met on an ongoing basis at all Allstate locations. The identified expectations include, but are not limited to:

- Be accessible
- Treat with respect
- Handle requests accurately and in a timely manner
- Offer coverage choices to help meet individual needs

### Customer Service Standards

Customer satisfaction is a critical Allstate objective. Customer service standards ensure that the identified expectations of our customers are met on an ongoing basis at all Allstate locations. The Allstate Customer Experience Survey (ACES) asks customers to rate us on several different touchpoints including:

- Agency
- Billing and Payment

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<sup>3</sup> All appointments after 8/1/2000 must affiliate with Allstate Financial Services, LLC.

<sup>4</sup> LSA Securities in the states of PA and LA

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- Contact Center
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  - Policy Change
  - Premium Increase
  - Price
  - Renewal
  - Website

ACES is conducted on a regular basis, performance reports are typically made available on a monthly basis, and it is experience based – meaning we only ask Allstate customers about the services they have actually experienced in the past 12 months.

ACES produces two metrics: the Allstate Promoter Score (APS) and the Agency Experience Score (AES).

- The Allstate Promoter Score (APS) is a net score based on “likelihood to recommend Allstate.” This metric is included in “Enterprise Reporting” to business leadership in Home Office and the field. It is focused on measuring and improving the business.
- The Agency Experience Score (AES) is the agency owner metric and is comprised of two elements: the “Net Satisfaction Score” that includes overall agency satisfaction and answers to key agency touchpoint satisfaction questions (such as satisfaction with ease of contact and timely handling of requests) and a “boost” based on offering to review a customer’s insurance needs. This metric is included in “Agency Experience Reporting” to agents and field sales leaders.

### **Office Availability**

You have complete and sole discretion in determining how to staff your office and the time in which you are physically present, as long as your agency(ies) is open for business as appropriate in the market to provide a proper level of customer service. This applies to all agency locations including satellite locations.

- Agencies must be open a minimum of forty-four (44) hours per week
- All agencies must be open during the “core” business hours of 9:00 a.m. to 5:00 p.m. Monday through Friday
- Agencies may choose, at their discretion, to be open additional hours to provide a proper level of customer service
- A person licensed to sell, solicit, and negotiate insurance must be present during all required agency hours. Adequate licensed personnel should be available during business hours to speak with the customer.
- All phones used by an agency to conduct Allstate business must be forwarded to the appropriate 24-hour customer service center outside of an agency’s normal business hours and removed from forwarding by 9:00 a.m. the following business day

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## Knowledge of Company Products and Services

9 We are in a highly regulated industry and have a responsibility to customers to provide them with  
3 accurate information about our products and services.

1 Accordingly, as requested by the Company, you will be required to demonstrate your knowledge  
0 of the Company products you are authorized to sell, as well as of federal, state, or local laws, rules,  
8 regulations and ordinances affecting your agency operation. If you are unable to demonstrate your  
1 knowledge of any product, the Company reserves the right to deny you the authority, or withdraw  
6 your existing authority, to sell that product until you demonstrate such knowledge. The same  
2 requirement applies to any Licensed Sales Professionals in your agency.

0 Additionally, you, or an appropriate representative from your agency, will be required to attend  
2 certain educational meetings to learn about changes to our products or services, or about legal  
2 compliance issues. Examples of required educational meetings would include:

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- Meetings to disseminate information on products, policies, procedures, processes, and programs which are necessary to ensure compliance with state and federal laws and regulations, or to avoid legal liability and loss of goodwill in the marketplace
  - Education mandated by the Department of Insurance

From time to time, the Company may also conduct for your convenience meetings concerning sales techniques or other issues. You are invited, but not required, to attend such meetings.

## Maintaining a Professional Office Environment

All agencies must maintain a professional office environment that is suitable for conducting Allstate business.

## Agency Evaluation

The Company will evaluate your agency's results through Agency Business Objectives (ABO).

### Countrywide (excluding Michigan and New York)

Effective April 1, 2019 and later, for Established Agencies, standard auto production will be considered when evaluating your agency's performance. This requirement must be met on a monthly basis:

- 6 new business Standard Auto items<sup>5</sup>, per Established Agency rolling up to the bonus primary. Results will be viewed cumulatively.

Each month that the ABO production minimums are not met, you will receive a formal email. On a moving 12-month period, a formal consultation will be offered to you if you do not achieve ABO results for 3 out of the past 12 months. Your Sales Leader will also follow up regarding your production results if ABO minimums are not achieved 6 out of

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<sup>5</sup> Excludes Add items and effective February 1, 2020 and later, standard auto policies bound by the Customer Care Center (via a direct call to 1-800-Allstate) or through the web (via Allstate.com) and assigned to an agent.

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the past 12 months. If you do not achieve ABO results for 8 out of the past 12 months, your agency will be considered for termination.

**Michigan and New York only**

Effective April 1, 2019 and later, for Established Agencies, standard auto production will be considered when evaluating your agency's performance. This requirement must be met on a monthly basis:

- 4 new business Standard Auto items<sup>6</sup>, per Established Agency rolling up to the bonus primary. Results will be viewed cumulatively.

Each month that the ABO production minimums are not met, you will receive a formal email. On a moving 12-month period, a formal consultation will be offered to you if you do not achieve ABO results for 3 out of the past 12 months. Your Sales Leader will also follow up regarding your production results if ABO minimums are not met 6 out of the past 12 months. An additional follow up will occur if the minimums are not met 8 out of the past 12 months. If you do not achieve ABO results for 10 out of the past 12 months, your agency will be considered for termination.

The results for all Established Satellites located in the same state as the primary agency will be combined with their primary agency, and production minimums will be adjusted to reflect the additional location. For Established Satellites that cross state lines, results are combined for any locations that are within the same state.

You will be required to acknowledge your monthly results via ABO Acknowledgement in DASH. Your monthly ABO results are also available in DASH via the *ABO Agent Validation Report*.

As an R3001 Agent, you have the right to determine the manner and means by which these business objectives are met. The Company may establish different key areas for evaluating your agency's results at its sole discretion.

As a Company, we are committed to assisting you in being successful and in generating revenue to grow your agency and meet your income goals. We are also committed to meeting Allstate's business objectives. If your agency is not meeting the Agency Business Objectives, you will be expected to address the deficiencies displayed on the *ABO Agent Validation Report*. Other relevant topics that we may consider in evaluating your agency operation and our business relationship include, but are not limited to:

- Compliance with Company policies, procedures, and contracts, including the Allstate Agency Standards, and all applicable laws and regulations relating to the conduct of business under the R3001 Agreement
- Adherence to ethical standards

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<sup>6</sup> Excludes Add items and effective February 1, 2020 and later, standard auto policies bound by the Customer Care Center (via a direct call to 1-800-Allstate) or through the web (via Allstate.com) and assigned to an agent.

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- Quality of business
  - The type and quality of customer service provided by your agency, including the Customer Service Standards
  - Market penetration within your marketing area
  - Multi-line sales
  - Understanding of our existing products, new products, and industry changes
  - Cooperation in adopting marketing approaches consistent with the Company's strategic direction
  - Maintaining a professional business location
  - Improvement in areas in which the agency's results are deficient
  - Compliance with the terms and conditions of the R3001 Agreement
  - Any activities that may subject the Company to liability or loss of goodwill, or are otherwise detrimental to the business interests of the Company

As an R3001 Agent, you will be expected to maintain a professional business relationship with the Company, and when requested, to meet with Company representatives at mutually convenient times to discuss various business topics. Also, since you are conducting business with the public under the Allstate name, Company representatives and/or its designees should be permitted access to your agency to review compliance with the R3001 Agreement during agency business hours.

### **Use of Agency Name or D/B/A with Allstate Name**

As an R3001 Agent, you may use your agency name or d/b/a, e.g., John Doe Insurance Agency, Doe Insurance Agency, J. Doe Insurance Agency, Inc., XYZ, Inc., d/b/a John Doe Insurance Agency along with the Allstate name, or any Company service marks on specific items.

The Allstate Brand Central Website contains information on various items that may contain your agency name or d/b/a along with Allstate's name or Company service marks, including:

- Business cards
- Company-approved advertising and marketing materials
- Business correspondence
- Office decals
- New signs: A new sign will only be provided for a new location upon becoming an R3001 Agent, or if you decide to relocate based on the Company's request, or to personalize a sign if you are a buyer of an existing R3001 Agency. New signs will not be provided if you are relocating at your request. The cost of signs for the purpose of changing your name will be your responsibility.



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Permission to use your agency name or d/b/a with the Allstate name, or any of the Company's service marks, is contingent on the following criteria being met:

- The agency name must not include the Allstate name or any of the Company's service marks or program names or any parts of them, e.g., Doe Allstate Agency, Doe Good Hands Agency, Doe Exclusive Agency, Inc., Allserve Insurance Agency, Allstar Agency
- The agency name must be appropriate for the insurance business and Allstate's corporate image
- The agency name must not infringe on the proprietary rights of others in the insurance or closely related businesses
- The agency name must not mislead customers or potential customers as to the nature of the services provided
- The agency name must not create a situation that is detrimental to Allstate's business interests
- The agency name must not be the same as that of another agency in the market, except that a Satellite Agency or Enhanced Satellite Agency may use the same name as the original agency
- The agency name must not include any professional designations
- The agency name must be approved by, and/or registered with, the appropriate state agency(ies), where required by law. Also, any applicable d/b/a requirement must be complied with.

The entity name or d/b/a may not be used with the Allstate name or service marks if, in the Company's sole discretion, the name or d/b/a is inappropriate. In a situation where an entity name is inappropriate to use with the Company's name, you could keep the entity name the same, but would have to adopt an acceptable d/b/a for use with the Allstate name.

## **Licensing/License Renewal**

The initial cost to obtain a license as well as the cost to renew a license, including those for your Licensed Sales Professionals, will be incurred by you and not the Company.<sup>7</sup>

In those situations where the state requires appointments to represent Allstate Insurance Company, and its subsidiaries, the Company will pay the appointment fees for you, your corporation or limited liability company, and your Licensed Sales Professionals.

The Company will pay the fees to cancel your appointment if your agency relationship with the Company terminates. We will also pay the fees to cancel the appointments of your Licensed Sales Professionals. You must notify the Company immediately if a Licensed Sales Professional stops working in your agency or loses his license.

If you participate in any of the Ivantage expanded markets programs, additional licenses or bonds may be required. Some programs may require appointments. Costs associated with these requirements may be your responsibility.

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<sup>7</sup> Except in South Carolina

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## **Failure to Maintain Active Insurance Licenses**

R3001 Agents are required to have insurance licenses for property and casualty and for life and health.

If you have been notified by the insurance department that your agent license is no longer active, you must notify the Company immediately. Selling insurance without a license may subject you or the Company, or both, to regulatory action and possible penalties.

The R3001 Agreement automatically terminates upon the loss of any required agent license. If you still want to maintain an agency relationship with the Company, and if you meet the necessary state requirements (including continuing education) and you reinstated your license within thirty (30) days of notice of the license termination, at the Company's discretion, you may submit a written request for reinstatement of your R3001 Agreement. You will keep your same agent number. In the meantime (i.e., upon termination of the agreement and prior to reinstatement of the license):

- You will cease any activities that require an agent license, including but not limited to soliciting insurance, discussing coverages and limits, completing applications and service request forms to include the binding of coverage
- You may continue to perform those activities that do not require an agent license
- You will not receive commissions during this period, except to the extent permitted by state law; however, your production and commission statements will reflect any new and/or renewal business processed and recorded during this period. Regardless of when you sign a new agreement, the Company will **not** go back and give you the commissions on the business processed and recorded during this period. Further, any subsequent chargeback activity to any policies recorded during this period will **not** be adjusted to reflect your not being paid on it initially.

It is important to note, however, that if you fail to meet the licensing requirements within thirty (30) days, the termination processing will continue and at that point, you should refer to the Sale of Agency and Termination Payment sections in this Manual for information about the sale of agency and termination payment options that may be available.

Remember, too, that prior to executing the C Agreement, you must obtain the proper agency license, if required by state law, in addition to any individual license. Failure to have an active agency license will also trigger termination of your R3001C (or A) Agreement.

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## Series 6 & 63 Licensing

For agents signing an R3001 Agreement 8/1/2000 or after and for R3000 Agents who converted to R3001 status after 05/01/2003, an agent has to obtain and maintain the Series 6 and Series 63 (where required by state law) licenses. Agents who have signed R3001 Agreements effective 6/1/2006 or after and are currently affiliated with Allstate have within 24 months from their R3001 Agreement effective date to obtain their Series 6 and Series 63 (where required by state law) licenses.

Effective April 1, 2020, for agency owners appointed on or after April 1, 2018:

- An agency owner can unlock an additional 12 months to obtain the Series 6 & 63 licenses if they meet the following criteria:
  - Achieve ALR minimum (PIF x10) or a minimum of 10,000 ALR production credit in year two (months 13-24) of affiliation
  - Complete at least two exam attempts for each exam (SIE, Series 6, and Series 63 where required by state law) within their first 24 months of appointment
- An agency owner can unlock one more additional 12-month window to obtain the Series 6 and Series 63 licenses if they meet the following criteria between 24 months and 36 months of appointment:
  - Achieve ALR minimum (PIF x10) or a minimum of 15,000 ALR production credit
  - Have completed at least two exam attempts for each exam not yet passed

If these licenses are not obtained within the allotted timeframe, the agency's R3001 Agreement may be terminated. Also, please see the box below regarding unique situations for Series 6 and Series 63 licensing.

Agents terminated as a result of failure to obtain their Series 6 & 63 licenses will receive the 90-day termination notice pursuant to Section XVII. of the Allstate R3001 Exclusive Agency Agreement and the Company Initiated Termination section of this Manual. This 90-day notice is not intended as an extended opportunity to obtain Series 6 & 63 licenses.

Some regions, due to market conditions or business plans, may require Series 6 & 63 licensure:

- Agents appointed prior to 8/1/2000 and conversions on or prior to 5/1/2003 may be required by the FSVP to obtain their 6/63 licenses should they choose to open a Satellite Agency or ESA.
- If agents appointed 8/1/2000 and later or conversions after 5/1/2003 have not yet obtained their 6/63 licenses and want to open a Satellite Agency or ESA, the FSVP may require interested agencies to obtain their 6/63 licenses before opening a Satellite Agency or ESA.

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## Series 6 & 63 Licensing Upon a Key Person Change

If the original Key Person signed an R3001 Agreement prior to 8/1/2000 or was an R3000 Agent who converted to R3001 status on or prior to 05/01/2003 and is not required to obtain their Series 6 & 63 (where required by law) licenses, any subsequent key person will not be required to obtain their Series 6 & 63 (where required by law) licenses.

Upon a Key Person change, the new Key Person will have 180 days from the date binding authority is granted to obtain their Series 6 and 63 (where required by law). If the original Key Person has less than two years of affiliation, the new Key Person will have the remainder of the two-year Series 6 & 63 (where required by law) license compliance timeframe or 180 days from the date binding authority is granted, whichever is greater.

Failure to obtain the required licenses by the Key Person within the allotted timeframe may result in the termination of the Agency.

During any time period that the Key Person does not have a Series 6 & 63 (if required by state law):

- Key Person is not permitted under FINRA rules and federal securities laws to sell or be compensated for the referral or sale of any securities registered products (e.g. mutual funds, variable annuities, and variable life insurance) or any securities private placement, or any security as defined under applicable state blue sky laws.
- Key Person will not be eligible to participate in any incentive, bonus or other compensation (including, but not limited to, trips, cash or merchandise) related to the sale of registered products. In addition, Key Person will not be eligible to receive production credit, credit for insurance policies sold or commission scale enhancements related to the sale of registered products.
- "Allstate Financial" sales requirements cannot be satisfied through the sale of AFS registered products and must be satisfied through the sale of non-registered products.
- Key Person will be permitted to sell non-registered life insurance products for which Key Person is appointed and shall maintain any required licenses related to the sale of those non-registered products.
- Key Person does not have an economic interest in the securities business written by the registered representative.

### Additional information:

- The Key Person will be affiliated with AFS or any other Allstate affiliated broker-dealer and will be subject to any requirement of AFS or any other Allstate affiliated broker-dealer.
- AFS will pay securities commissions directly to the Key Person. Commissions or compensation for registered business cannot be forwarded to anyone including any other agency staff (even if they provided the referral) that are not registered.

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## Your Sales Location

As an R3001 Agent, your agency location or place of doing business must be in a commercial office. A Sales Location includes the primary agency location, Satellite Agencies, Enhanced Satellite Agencies, local agency extensions as well as any other location in which you regularly conduct business on behalf of Allstate. The Company will determine in its sole discretion the number of agencies, Satellite Agencies, Enhanced Satellite Agencies, and local agency extensions in a market based upon the local market conditions.

See the Reference Guide for information on selecting an office site, relocating your office, negotiating a lease, and setting up your office.

## Local Agency Extensions

As an R3001 Agent, you may operate one or more local agency extensions (LAEs), if you meet the Agency Performance Standards. These extensions of your agency are intended to provide an alternate means of marketing your agency's services within an existing complementary business establishment in the local marketplace.

The following requirements apply to the operation of an LAE:

**Agency Performance Standards:** Agency has a prior year-end PIF growth greater than the state average, and a minimum of four (4) LSPs at their primary agency and qualified for Honor Ring the year prior to establishing an LAE.

Excludes agencies currently eligible for the Enhanced Compensation Plan (ECP) and agencies who are not meeting their Agency Business Objectives (ABO).

**Location:** The location of the LAE and the working relationship with the complementary business involved with the LAE are subject to Company approval. The Company reserves the right to withdraw approval of an existing LAE location at its sole discretion.

**Equipment:** All equipment, including technology hardware costs, are your responsibility. Agency must have Voice over Internet Protocol (VoIP) integrated with their primary location. In the event that any Allstate confidential and proprietary information is used in the LAE, it must be secured and available only to representatives of your agency.

**Signage:** Usage of Allstate signage, service marks and/or trade names are allowed, if approved by the Company and align with branding requirements. Relevant basic costs will be covered by Allstate.<sup>8</sup>

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<sup>8</sup> Closure of an LAE within 24 months of establishment may result in a pro-rated chargeback of the signage to the agency.

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**Service Availability:** It is recommended that the LAE be open a minimum of 30 hours per week, with hours of operation determined by the agency. During posted hours of operation, the LAE must be staffed by you or a licensed and appointed Allstate representative.

**Advertising:** The business in which an LAE is located may notify its customers or include in its advertising that a representative of a local Allstate agency is available on premises to provide a full array of insurance services. With written approval from the Company, the business may use Allstate service marks, including the Allstate logo. However, the business may not make any representations about our products or services. The phone number of the LAE may be listed as a separate Allstate location in Allstate approved advertising and you may advertise your LAE on your Allstate agency home page.

**Legal Compliance:** You must comply with any laws and regulations that apply to operating an LAE. (For more information refer to Legal Compliance in the Reference Guide.)

The Company reserves the right to withdraw authority to operate the Local Agency Extension (LAE) at any time in its sole discretion.

## **Satellite Agencies and Enhanced Satellite Agencies**

In order to operate a Satellite Agency or an Enhanced Satellite Agency (ESA), your primary agency must be under the R3001S (or C) Agreement. You must execute a separate R3001S (or C) Agreement for the Satellite Agency or ESA. The ESA must also sign the ESA Letter of Understanding. The primary agency and Satellite Agency (or ESA) must have the same Key Person (you), if you are operating under the R3001C Agreement. You must comply with any laws and regulations that apply to operating a Satellite Agency or an ESA.

Each Satellite Agency and ESA must be registered as a branch location with FINRA. In a purchase situation:

- The buying agent must obtain a securities license and register their Satellite Agency or ESA with FINRA within 120 days of the effective date of the sale of agency or the variable policies may be moved into a house account and will be subject to reassignment to an active agent.
- The buying agent must obtain a securities license and register their Satellite Agency or ESA with FINRA prior to the program end date<sup>9</sup> to receive any production credit or Insurance Policies Sold (IPS) counts for securities business previously credited to the seller.

The Company reserves the right to make changes to, or discontinue, the program, including eligibility requirements, at any time, without prior notice to the agent.

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<sup>9</sup> Program end date for Agency Bonus, Allstate Life & Retirement Bonus and conference and awards is calendar year end and for variable compensation is the end date of the IPS 12-month mover.

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Satellite Agencies and ESAs are allowed to cross both state and regional lines from their primary locations. In order to cross regional lines, all regional Field Senior Vice Presidents impacted must provide approval.

Please see the Supplement for the R3001 Agreement for the definitions of Satellite Agencies and Enhanced Satellite Agencies.

#### **Eligibility Requirements**

In order to be considered for a Satellite Agency or ESA location, you must meet the then current qualifications established by the Company. Please note that the creation of a Satellite Agency or ESA is always subject to final Company approval.

#### **Satellite Agency and ESA Locations**

A Satellite Agency or ESA location should have a different market reach than any of your other agency locations, but you should be actively involved in the operation of each location. Since the Satellite Agency or ESA location should be in a different market than any of your other agency locations, the satellite agency should function as a separate and independent business. As such, you will not be allowed to close the Satellite Agency or ESA location and merge the accounts with another of your agency locations (or vice versa, close another of your agency locations and merge the accounts into the Satellite Agency or ESA location).

For agents with Satellite or ESA locations, all business (including add items) for a household or the same customer must be written by the same agency location where the first policy was bound. It is prohibited to cross sell, write additional lines of business, or add items for a customer through the Satellite Agency or ESA location, if the first policy for the customer was bound any of your other agency locations. Likewise, it is prohibited to cross sell, write additional lines of business, or add items for a customer through any of your other agency locations, if the first policy for the customer was bound in your Satellite Agency or ESA location. Furthermore, policies cannot be transferred between agency locations, unless the customer requests the change.

### **Scaled Support for Buyers (SSB) Pilot Program— Discontinued Effective June 30, 2009<sup>10</sup>**

If you have an agency under the SSB program that is also a Satellite Agency, the Satellite Agency location should have a different market reach than any of your other agency locations, but you should be actively involved in the operation of each location. Since the Satellite Agency location should be in a different market than any of your other agency locations, it would not make good business sense to close the Satellite Agency location and merge the accounts with another of your agency locations (or vice versa, close another of your agency locations and merge the accounts in the Satellite Agency location). It is prohibited to issue business through the Satellite Agency location that originated in any of your other agency locations. Likewise, it is prohibited to issue business through any of your other agency locations that originated in the Satellite Agency location. Furthermore, policies cannot be transferred between agency locations, unless the customer requests the change.

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<sup>10</sup> The last group of SSB appointments occurred on June 1, 2009. Agencies that are currently participating in the SSB program will remain in the program.

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In situations where the R3001 Agreement for an agency under the SSB program is terminated, mergers of the agency under the SSB program with another of the agency owner's locations will not be permitted, and the agency owner will need to either sell the economic interest (to an Allstate-approved buyer) of the agency under the SSB program or elect the TPP.

See the Supplement for the R3001 Agreement regarding additional information on the SSB program, including the compensation components agencies under the SSB program are eligible to receive.

## **Change of Sales Location**

As an R3001 Agent, you have the right to change your sales location, subject to Company approval and guidelines. You will normally be responsible for the expenses associated with moving your sales location.

## **Sharing Space with another Business**

The Company will not approve an agency, Satellite Agency, Enhanced Satellite Agency, or local agency extension location if you share space with a doctor, lawyer, insurance broker, an agent of another insurance company, a broker or representative of another financial services company offering competing products, or with persons engaged in certain other occupations or businesses as the Company may determine.

In the event that the sharing of space with another business makes good business sense in your judgment, Company approval must be obtained. If the sharing of space with another business is approved, there must be a separate space with a separate sign. Phone numbers, fax numbers, business cards and advertising must also be separate. The public must be able to easily distinguish who provides what service.

Our association with other businesses can positively or negatively impact Allstate's reputation. Therefore, the factors that the Company will consider in evaluating the proposed sales location include, but are not limited to, the following:

- The nature of the other business
- Whether the business has a natural tie-in with insurance
- Any possible conflict of interest that might be created
- The reputation of the other business in the community
- Whether the other business has a professional environment and neat appearance
- The security available for Allstate equipment and information
- Whether there are any obvious customer service problems associated with the other business



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## Conducting Other Businesses

As an R3001 Agent, you may be involved in other businesses. However, you may not be involved (other than through a passive financial interest) in any insurance or other business in which insurance products or mutual funds are sold. It is the intent of the Company that any other business conducted by you should be clearly separate and distinct from Allstate in the eyes of the customer. The public must not be led to believe that the other business is sponsored by, or is in any way connected to, any of the Allstate companies. You must provide separate signs, telephones (including fax lines), business cards, advertisements, etc., for the other business. If the business is conducted in your agency, Satellite Agency, or Enhanced Satellite Agency location, it must be done in a separate space and the business must be clearly identified by its full corporate name or trade name. Additionally, the business must not be of a type or conducted in a manner that is detrimental to the business interests of the Company, subjects the Company to liability or loss of goodwill, or damages its reputation or image in the community.

## Agency Staff

As an R3001 Agent, you may choose to employ an unlimited number of agency staff. These individuals are not employees of Allstate. Except for Licensed Sales Professionals (see Licensed Sales Professionals section below), your agency staff does not need to be approved by the Company. You are solely responsible for determining all aspects of your agency staff's relationship with you, including wages, hours, and working conditions subject to all contracts, federal, state or local laws, ordinances, rules, and regulations regarding employees. This also includes decisions to hire, transfer, suspend, lay off, promote, discipline, and discharge agency staff. The Company plays no role in those decisions. You are responsible for all salaries and other compensation. Any compensation or benefits package made available to agency staff will be at your sole discretion. In addition, you are responsible for proper withholding and the payment of appropriate federal, state and local income taxes, FICA, and federal and state unemployment taxes. You are accountable for the conduct of your agency staff. You must ensure that all agency staff comply with all laws affecting your agency operation and meet the Company's standards with respect to ethical business practices.

Agencies participating in the Enhanced Compensation Plan (ECP) are prohibited from sharing licensed and/or unlicensed staff with other agents. Agencies with multiple locations are permitted to shift staff between their primary and Enhanced Satellite Agency (ESA) locations.

To comply with state licensing and safeguarding laws, you will be required to utilize the Manage My Staff (MMS)<sup>11</sup> tool to add, terminate, and verify licensed and unlicensed agency staff. Each agency staff member employed by you will be required to sign the Confidentiality and Non-Competition Agreement.

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<sup>11</sup> Refer to the Manage My Staff (MMS) subsection for more information.

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## Licensed Sales Professionals

If you use Licensed Sales Professionals (LSPs) as part of your agency staff, you must have them approved and where required, appointed by the Company before they can solicit, sell or bind insurance for your agency. Your LSP may not solicit, bind or service business that is for another insurance agency or company other than Allstate that is not authorized by Allstate. The authority granted by the Company for an agency staff member to act as an LSP, including the binding of coverage, can be withdrawn or limited by the Company at any time in its sole discretion.

Your LSP may generate new business both inside and outside of your agency, Satellite Agency, Enhanced Satellite Agency or LAE.

Although you have the discretion to determine how you will use your LSPs, you must comply with the following requirements and procedures.

### Licensing

LSPs must meet specific licensing requirements to obtain an Allstate appointment. They must hold a valid state insurance license for each line of insurance to be bound. This license must be the same as the license that you hold.

### Binding Authority Approval

In order for an LSP to be approved by the Company for binding authority, he must first provide information concerning his background which will be verified by the Company (the Company will pay the cost of the background check). If an acceptable verification is received, he must then:

- Have and maintain the necessary insurance licenses
- Successfully complete the Allstate educational requirements
- Sign the Confidentiality and Non-Competition Agreement
- Obtain Company approval

Written approval **must** be received from the Company in order for binding authority to be extended to the LSP. After adding the LSP to MMS as licensed, you will receive an email containing the link to on-line paperwork. This email will be sent from the AAPCDPT mailbox. You and your LSP must complete the on-line paperwork and your LSP must meet the regional binding education requirements. The Company will notify you of your LSP's binding authority approval, once all requirements are met, via the Binding Authority Approval form (Exhibit H in the Reference Guide). Once approved by the Company, the LSP will have up to the same binding authority as you. You will determine the level of authority based upon your judgment regarding the LSP's product knowledge, sales skills, people skills and overall expertise in writing good quality business.

All applications bound by the LSP must be completed and remitted in compliance with established policies and procedures.

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## Signature Procedures

The LSP is required to sign each application with his name, date it, and place his producer number on the application, as the writing agent.

## Brokering

Your LSP may solicit and bind Allstate products and services and Assigned Risk and other state insurance plans as well as solicit and service Ivantage expanded markets programs, as authorized by Allstate.

Your LSP may not solicit, bind or service business that is for another agency or insurance company other than Allstate or that is not authorized by Allstate.

## Agent Responsibilities

You are the person ultimately responsible for all sales and service activities of your LSP since he is acting under your direction or control. His representations will be attributed to you. It is your responsibility to be certain that your LSP is fully trained and prepared to represent Allstate well as a professional with the highest integrity.

You must ensure that certain responsibilities are met, including:

- Maintaining a valid insurance license. You are responsible for providing to the Company annual proof that the LSP has a valid license. You must immediately notify the Company if the LSP ceases to work for you or loses his license so Allstate can withdraw sponsorship of the LSP's license. You must also use Manage My Staff (MMS)<sup>12</sup> to verify, add or terminate licensed agency staff.
- Compliance with Company policies and procedures, including the Allstate Agency Standards, and all applicable laws and regulations relating to the conduct of business under the R3001 Agreement
- Providing a proper level of customer service
- Compliance with the standards described under Ethical Standards in the Conduct of Business
- Obtaining accurate and truthful information on all applications
- Meeting all quality verification and administrative requirements
- Providing the education and development necessary to avoid errors and omissions (E&O) activity. With E&O coverage through CalSurance, your errors and omissions protection is extended to your LSP for authorized sales and service activities. Any errors and omissions situation resulting from the actions of your LSP will be treated just as if it resulted from your own sales and service activities.

As with any member of your agency staff, the LSP must sign the appropriate Confidentiality and Non-Competition Agreement.

<sup>12</sup> Refer to the Manage My Staff subsection for more information.

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## **Manage My Staff (MMS)**

Manage My Staff (MMS) is an online tool for managing agency staff information. It is used to add, terminate, and verify data for licensed and unlicensed agency staff. MMS streamlines the process for verifying completion of confidentiality/non-compete agreements and provides the enhanced ability to monitor compliance with state licensing/appointment regulations.

MMS is intended to be used for agency staff. MMS may not be used:

- to create support staff IDs for other Allstate agents or financial specialists working in your office, or
- to create fake IDs (IDs not tied back to a specific agency staff, i.e., Front Desk, Staff, etc.), or
- to create staff IDs for yourself in your own office.

## **Insurance**

As an R3001 Agent, you will be required to provide certain insurance coverages for your agency at your expense. Allstate will need to be named as an additional insured where specified. Any change in coverage or cancellation will require at least thirty (30) days' prior written notice to Allstate. You are required by Allstate to provide proof of insurance to the Company upon request. If the policies do not provide adequate protection, Allstate will advise you of this and will expect compliance with these requirements within fifteen (15) days. If you do not purchase the required insurance, Allstate may obtain the necessary coverage at your expense.

The following coverages are required:

- Workers' Compensation including Employers Liability for any person employed
- Commercial General Liability
- Professional Liability (Errors and Omissions)

Specific limits and carrier information follow.

### **Workers' Compensation/Employers Liability**

You are required to carry Workers' Compensation insurance regardless of whether it is required by law. However, you, as the agent or Key Person, acting as the employer, do not have to be covered under the policy unless it is legally required under state law. If you are contracting for agency staff through a staffing vendor, the vendor should provide Workers' Compensation/Employers Liability insurance. If the staffing vendor does not provide Workers' Compensation/Employers Liability insurance or you are using a payrolling service, then you will have to provide this coverage. The Workers' Compensation insurance must include Other States insurance, with a waiver of subrogation rights against the Company - Statutory limits, and Employers Liability with a waiver of subrogation rights against the Company:

- \$100,000 bodily injury per accident
- \$100,000 disease per employee
- \$500,000 policy aggregate

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Note: Workers' Compensation pays benefits prescribed by statute to a worker who sustains an injury arising out of and in the course of employment. Benefits are governed entirely by applicable statutes. Employers Liability protects employers from suits brought by injured employees or their families that may fall outside the exclusive remedy provided by Workers' Compensation. An example of an Employers Liability suit would be one brought by family members for loss of consortium.

## **Commercial General Liability**

You are required to carry Commercial General Liability coverage covering liability for bodily injury and property damage with Allstate as an additional insured and a severability of interest/cross liability endorsement. The required minimum limit is a \$500,000 combined single limit.

This coverage, in most cases, may be purchased through Allstate via a Commercial General Liability or Business Owners policy; however, you may also use another carrier's plan. The choice is yours.

## **Professional Liability (Errors and Omissions)**

### **Allstate Sponsored Group E&O Program**

As an R3001 Agent, you are required to maintain an Errors and Omissions (E&O) insurance policy with a minimum per claim and aggregate limit of \$1 million, with legal defense in addition to this limit.

Except for New York R3001 Agents, all R3001 Agents must obtain their E&O insurance through the broker, CalSurance, with coverage currently being provided by Allianz. In addition to the minimum per claim and aggregate limit of \$1 million, increased limits are available for \$2 million, \$5 million or \$10 million per claim and aggregate through CalSurance. If you have a Series 62 or Series 7 license, you must also obtain the Securities Endorsement for an additional premium.

The Allstate Exclusive Agent policy is intended to cover the named insured (you) and all your employees, leased employees and/or temporary employees (unlicensed and licensed) assisting you in your insurance activities while acting within the scope of their duties as employees. The Allstate Exclusive Agent policy also includes coverage for Licensed Sales Professionals (including those with securities licenses) while engaged in rendering professional services on behalf of the named insured. Licensed Sales Professionals are covered within your limits of liability at no additional cost. The coverage is not restricted to a single agency location. Separate coverage must be obtained, however, if you have more than one corporate entity under which you do business. You may want to consider purchasing a higher limit if you have Licensed Sales Professionals or are operating a Satellite Agency, Enhanced Satellite Agency, or Local Agency Extension.

Coverage must be purchased via the CalSurance website at [www.calsurance.com/allstateagent](http://www.calsurance.com/allstateagent). To log-in, input your name and your 6-digit agent number (e.g., a020205 or 41-20205 should be input as 020205). The application will automatically be pre-filled. To complete online enrollment, select one of three payment methods: full payment by credit card, full payment by ACH (electronic check payment), or payment installments by ACH (first

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installment at time of enrollment, second installment on 10/1, and final third installment on 11/1). When you complete the online enrollment process through CalSurance, you will be able to print an "Errors and Omissions Insurance Certificate" as proof of E&O coverage immediately.

As an existing R3001 Agent participating in the Allstate Sponsored Group E&O Program through CalSurance, you will receive renewal notification at least 30 days prior to the next renewal. If the premium has not been paid by the day preceding the beginning of the next policy period, CalSurance will contact the Company. The Company will pay the premium for E&O coverage on your behalf (and Series 62 or Series 7, if you are Series 62 or Series 7 licensed) at the same limit of liability elected by you during the previous policy period. The full premium amount, plus a processing fee of 25% of the full premium amount, will then be automatically deducted from your commissions. Any attempt to pay after the expiration of the renewal enrollment period will be denied.

New R3001 Agents are required to purchase the necessary E&O coverage prior to appointment. The premium is prorated based on month of appointment and your payment options are limited to full payment by credit card or full payment by ACH (electronic check payment). In the event you do not purchase the necessary coverage within fifteen (15) business days prior to your appointment date, the Company will pay the premium for E&O coverage on your behalf (and Series 62 or Series 7, if any licensed agency employee is Series 62 or Series 7 licensed). The applicable premium amount, plus a processing fee of 25% of the applicable premium amount, will then be automatically deducted from your commissions..

Allstate will handle errors and omissions claims involving Allstate policies (including facility and Assigned Risk policies written by Allstate) where you are alleged to have made a mistake, but the policy or coverage is one that Allstate would have otherwise written (applies to claims reported on or after January 1, 1999). An example would be where you fail to add rental reimbursement coverage to an Allstate automobile policy as requested by the customer and that you agreed to procure (before an actual claim arose). In this example, Allstate will pay the claim once it is determined that an error or omission occurred as long as you had authority to bind the rental reimbursement and both you and the customer had agreed that you would procure the rental reimbursement coverage. Claims in which it is alleged that you made a mistake resulting in no coverage because the policy type or coverage was not offered by Allstate or you exceeded your binding authority in binding a risk that did not meet Allstate's underwriting criteria or claims in which it is alleged you owed a duty to a customer which you breached (typically relates to inadequate or lack of coverage), are the types of claims where damages resulting from such error would ultimately be your responsibility and for which you should seek coverage under your errors and omissions policy through CalSurance. Claims alleging that you owed a duty to a customer that you breached can often be brought after the end of the agency relationship with Allstate and this is one of the reasons it is important for agents who are no longer active with Allstate to carefully consider purchasing the two-year, three-year, five-year, or Unlimited Extended Reporting Period coverage as described below.

The policy provides not only coverage for insurance products, but also for authorized non-insurance products, such as Motor Club/Roadside Services, on behalf of Allstate Insurance Company and/or its subsidiaries and affiliates. The policy will also cover alleged mistakes

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involving a policy (or product) other than an Allstate policy, e.g., JUA, Fair Plan, or expanded market coverage business.

Remember that you should immediately report any potential errors and omissions claims to the local Market Claim Manager and Lancer Claims Services (the third party claims administrator). You are expected to cooperate in the investigation of potential agent E&O situations in order for the Company to avoid potential legal liability and loss of goodwill. Failure to cooperate in these situations may jeopardize your agency relationship with the Company.

Upon termination of your R3001 Agreement, your active E&O coverage ceases. An automatic one-year Extended Reporting Period (ERP) beginning on the date of termination is provided to report claims under the CalSurance E&O program, which arise out of an alleged act and/or error or omission that took place prior to the date of your termination (refer to CalSurance website for additional information). If your agreement is terminated and you then request a refund of your unearned E&O premium, your Automatic one-year Extended Reporting Period will be shortened to ninety (90) days from agreement termination and there will be no coverage for claims reported after 90 days from agreement termination which arise out of an alleged act and/or omission that took place prior to termination. Optional ERPs are available for purchase within sixty (60) days of the date of your agreement termination. Options include a two-year Extended Reporting Period for 100% of the last annual E&O premium, a three-year ERP for 130% of the last annual E&O premium, a five-year Extended Reporting Period for 200% of the last annual E&O premium, or an Unlimited Extended Reporting Period for 500% of the last annual premium. Last annual premium includes any additional coverage options such as the Securities and/or EPLI endorsement(s), if applicable.

For E&O policy details (including applicable deductibles), refer to the CalSurance program policy and materials, which can be access through the CalSurance website: <http://www.calsurance.com/allstateagent/>.

See Additional Optional Insurance in the Reference Guide for information on other insurance coverages you may choose to carry.

#### **New York R3001 Agents Who Choose Not to Obtain Insurance through the Allstate Sponsored Group E&O Program**

As an R3001 Agent, you are required to maintain an Errors and Omissions (E&O) insurance policy with a minimum per claim and aggregate limit of \$1 million, with legal defense in addition to this limit.

As an R3001 Agent, you will receive renewal notification at least 30 days prior to the next renewal. If you choose not to participate in the Allstate Sponsored Group E&O Program, you still must provide proof of coverage to Allstate from the alternative insurance carrier. Certificates from the alternative insurance carrier must be provided to the HR Department by the communicated renewal deadline. If the necessary E&O coverage is not purchased by the communicated renewal deadline, coverage through CalSurance will be purchased on your behalf. The full premium amount, plus a processing fee of 25% of the full premium amount, will then be automatically deducted from your commissions.

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It is your responsibility to ensure an E&O policy from the alternative carrier meets the requirements identified below:

- Minimum of \$1M per claim limit with a \$1M aggregate limit. Legal defense cost must be in addition to the limits of liability.
- Allstate Insurance Company and/or its subsidiaries and affiliates must be added as an additional insured for vicarious liability.
- Policy must include coverage for all Allstate and non-Allstate products you are authorized to sell and/or service including, but not limited to, residual markets, flood, bank and securities products.
- Coverage for Series 62 or Series 7 activities must be included if you, the agent, or one of your Licensed Sales Professionals maintains a Series 62 or Series 7 license.
- The policy must include coverage for all agency staff while engaged in the sale and/or servicing of products that you are authorized and approved to sell and/or service by Allstate.
- The retroactive date must be the effective date of the first date of contract with Allstate or the inception date of the first claims made Agent's E&O policy, which has been maintained in full force without interruption – whichever is earlier.
- The E&O insurer must carry an AM Best Rating A-, XIII or better. The E&O insurer must be an admitted insurance carrier.

### **Economic Interest in the Book of Business**

You have an economic interest in the Allstate customer accounts developed under the R3000 and R3001 Agreements. That economic interest is a specifically defined, limited interest. Subject to the terms and conditions set forth in your R3001 Agreement, this Manual, and the Supplement, your economic interest in the book of business is comprised of only two elements:

- First, the economic interest includes the option, where applicable, of receiving a termination payment according to the terms of your R3001 Agreement, this Manual, and the Supplement
- Second, the economic interest includes the ability to transfer your interest as provided in the R3001 Agreement, this Manual, and the Supplement, subject to the Company's approval

No other rights are included within the terms "your economic interest" or "economic interest in the book of business." You do not have any ownership interest in any of the business written under the R3000 and R3001 Agreements or any previous agency agreement between you and the Company. You do not have any right to renewals or renewal commissions of any kind after termination of your R3001 Agreement. The Company retains ownership of each item of business and of the entire book of business, including renewals. You do not have any ownership interest in expirations, renewals, or in any information about the customers to whom you have sold Company business. All such information remains the property of the Company.



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The economic interest includes both the assets and liabilities associated with that interest. This includes an economic interest that is purchased by you. Assets as referenced in this section may include, but are not limited to, commission interest (the right to receive commissions), termination payment eligibility, earned premium on both active and terminated policies, and positive policies in force and item growth. Liabilities as referenced in this section may include, but are not limited to, commission chargebacks, Allstate Financial (AF) production credit chargebacks, negative policies in force, negative item growth, and items such as losses (past, present and future) occurring in a book of business that may disqualify you for particular bonuses, commission increases or other Company reward programs.

## **Assigning a Security Interest in the Economic Interest in an Allstate Book of Business in order to Obtain a Business Loan**

You may collaterally assign a security interest in your economic interest in the business written under the R3000 and/or R3001 Agreement to obtain a business loan, subject to Company approval.

In order for Allstate to approve an assignment of a security interest, the Request for Consent to the Granting of Security Interest in the Economic Interest in an R3001 Agreement, a copy of which can be accessed through the Lending Connection webpage, must be completed and signed by the Agency Key Person and the lender (financial institution, seller, or individual lender), and submitted to the *Allstate Lending Connection*<sup>SM</sup> in Home Office for approval.

The Request for Consent to the Granting of Security Interest includes the Granting of Security Interest in the Economic Interest in an R3001 Agreement Notice to Lender and the Security Agreement in Economic Interest; both documents must be completed, signed, and submitted to the *Allstate Lending Connection*<sup>SM</sup>.

The existence of an Allstate-approved Request for Consent to the Granting of Security Interest on an Allstate book of business means that:

- If the agency owner terminates and decides to sell the economic interest in the book of business, the seller needs to satisfy the lien in order for the sale to be approved by Allstate. A book of business cannot be transferred unless Allstate has received documentation that the lender's Security Interest has been released (the Lending Connection webpage includes guidelines for releasing assignments and security interests). Please note that if you have assigned a security interest in the economic interest you have in your Allstate book of business, you must disclose any such assignment, in writing, to any potential buyer of your economic interest.
- If the agency owner terminates and elects the Termination Payment Provision (TPP), Allstate makes the termination payments directly to the lender up to the loan balance or the value of the TPP, whichever is reached first. The *Allstate Lending Connection*<sup>SM</sup> contacts the lender to ascertain the loan balance. The lender may provide written proof that the loan has been satisfied in full and that they are releasing their security interest so that the Company may begin making termination payments to you.

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Please note that if you terminate your agreement due to a change in the way your business is legally structured (e.g., sole proprietor to corporation or LLC), you will be required to provide one of the following before signing a new R3001 Agreement:

- Documentation from the lender that they have released their security interest
- A Request for Consent to the Granting of Security Interest executed by the new business entity
- An Agreement to Assume Security Agreements, Assignments of TPP, and Assignments of Commission with each lender (copies of which can be accessed through the Lending Connection webpage)

The Company will not execute an R3001 Agreement with the new business entity unless one of the above documents is provided. You will have to continue operating under the existing R3001 Agreement until the necessary documents are provided.

**The Company will not approve an assignment of your entire agreement as security for a loan.** Also, please understand that Allstate is never involved in the approval of a loan or a lender – that is between lender and agency owner. Not all lenders may be willing to loan money based on the assignment of a security interest in the economic interest in your book of business.

**See the Transfer of Economic Interest section for information regarding your obligations and responsibilities prior to transferring your economic interest.**

## **Transfer of Economic Interest**

Before transferring your economic interest in the business or your interest in this Agreement, you have the obligation and sole responsibility to (i) repay any business loan secured by your rights and economic interest in the business, whether with the proceeds from such transfer or not; (ii) satisfy prior to transfer any obligation you owe to the Company or lien held by the Company on your economic interest; and (iii) disclose to any transferee or purchaser of the business (a) the existence of such business loan, including any lien, security interest, or other encumbrance related to such loan, or obligation to repay and, if applicable, your intention to repay such business loan with the proceeds of such sale or transfer; and (b) any obligation you owe to the Company or lien held by the Company that must be satisfied prior to the transfer of your economic interest.

## **Termination of R3001 Agreement**

### **Agent Initiated Termination**

You must give Allstate ninety (90) days' written notice in order to terminate the R3001 Agreement. You are not required to give ninety (90) days' notice of termination if both Allstate and you mutually agree to a shorter time period.

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## Automatic Termination

Outlined below are the guidelines for the following situations that result in the automatic termination of the R3001 Agreement:

1. Your death or permanent incapacity<sup>13</sup>
  2. Your loss of any required agent license or agency license
  3. The dissolution of the agency (A or C Agreement only)
  4. You, as the Key Person, cease to be employed by the agency (A or C Agreement only)<sup>13</sup>
  5. The surrender of, or the election not to renew, the Company's license to sell insurance in all lines in the state in which your sales location is located
- You, or your legal representative, may elect to transfer your interest in the book of business serviced by your agency to an approved buyer, or elect to receive a termination payment from the Company, except for a termination pursuant to (5) above, subject to the terms and conditions set forth in the R3001 Agreement, this Manual, and the Supplement. If such election is not made or the economic interest is not transferred to an approved buyer within 90 days of termination of the R3001 Agreement (or such longer period within the Company's discretion), the termination payment will be processed.

**See the Transfer of Economic Interest section for information regarding your obligations and responsibilities prior to transferring your economic interest**

- The Company will service the book of business for a period of ninety (90) days following termination (or the first day of the following calendar month if the termination date of the R3001 Agreement is other than the last day of the month), unless the Company has agreed to allow one or more Licensed Sales Professionals (LSPs) in your agency to service the business. Although the R3001 Agreement has been terminated, your agent number will remain active until the eligible policies have been transferred to an approved buyer with a new agent number, or until the Company receives written instructions from you, or your legal representative, that the termination payment has been elected. There will be no commissions paid during the service period, other than the final commission check, except as noted below.

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<sup>13</sup> For an agency who uses the C version of the R3001 Agreement, the agency may make a request to replace the Key Person upon the death or permanent incapacity of that individual. Agency must provide written notice to the Company of its intent to replace the Key Person within 30 days of the death or permanent incapacity. Agency shall have 90 days from the date Key Person dies or is permanently incapacitated to replace the existing Key Person with a new Key Person approved by Allstate. Agency must continue to meet all licensing requirements and obtain approval for the business to be serviced by a Licensed Sales Professional until a new Key Person is approved. See the C Version of the R3001 Agreement – Key Person Change section for additional information.

- You, or your legal representative, may make a request to allow the agency location to remain open if your R3001 Agreement is automatically terminated for any of the above reasons, except termination pursuant to (5) above. This request will only be approved in situations where closing the office location would cause significant undue hardship to the business. One or more LSPs will need to be approved to service the business in your agency during the service period.

If approved, the location will be allowed to remain open from the effective date of termination of the R3001 Agreement and for three full calendar months after the first of the month following the date of the termination (service period). Although the R3001 Agreement has been terminated, your agent number will remain active until the eligible policies have been transferred to an approved buyer with a new agent number, or until the Company receives written instructions from you or your legal representative that the termination payment has been elected. However, please note that your appointments with the Company will be terminated immediately. The following must also be agreed to by you, or your legal representative, through a Letter of Understanding prior to allowing the agency location to remain open:

1. If the R3001 Agreement is automatically terminated pursuant to (2), (3) and (4) above, you will not be permitted to work in the agency location during this service period
2. You, or your legal representative, will be responsible for all expenses to run the agency, including compensation for the LSPs servicing the business during this period
3. No commissions will be paid during this period, except that the Company will pay commissions that would have otherwise been generated by the agency to offset the expenses incurred in continuing to service the business on the Company's behalf during the service period

<b>EXAMPLE:</b>	Termination due to permanent incapacity:	June 15 (no SAP input)
	Final direct deposit check issued to you:	mid-July
	Business will be processed under your agent number through "service period:"	September 30
	Agency transfer date requirement (begin processing of business under buying agent's number):	October 1

### Company Initiated Termination

Outlined below are the guidelines that apply in situations in which the Company has given ninety (90) days' notice of termination, with or without cause, and has requested that you immediately cease representing the Company:

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- You may elect to transfer your interest in the book of business serviced by your agency to an approved buyer, or to receive a termination payment from the Company, subject to the terms and conditions set forth in the R3001 Agreement, this Manual, and the Supplement. If such election is not made or the economic interest is not transferred to an approved buyer within 90 days of notice of termination of the R3001 Agreement (or such longer period within the Company's discretion), the termination payment will be processed.

**See the Transfer of Economic Interest section for information regarding your obligations and responsibilities prior to transferring your economic interest**

Note: When the Company has requested that you immediately cease representing the Company, approval of a buyer will also be conditional on the agreement that you will not have any involvement or ownership interest in the buyer's agency following the sale

- The Company will service the book of business until the ninety (90) day notice period expires (or the first day of the following calendar month if the termination date of the R3001 Agreement is other than the last day of the month), unless the Company has agreed to allow one or more Licensed Sales Professionals (LSPs) in your agency to service the business. Although the R3001 Agreement has been terminated, your agent number will remain active until the eligible policies have been transferred to an approved buyer with a new agent number, or until the Company receives written instructions from you that the termination payment has been elected.
- You may make a request to allow the agency location to remain open. This request will only be approved in situations where closing the office location would cause significant undue hardship to the business. One or more LSPs will need to be approved to service the business in your agency during the service period.

If approved, the location will be allowed to remain open from the notice of termination of the R3001 Agreement and for three full calendar months after the first of the month following the date of the termination (service period). Although the R3001 Agreement has been terminated, your agent number will remain active until the eligible policies have been transferred to an approved buyer with a new agent number, or until the Company receives written instructions from you or your legal representative that the termination payment has been elected. However, please note that your appointments with the Company will be terminated immediately. The following must also be agreed to by you through a Letter of Understanding prior to allowing the agency location to remain open:

1. You will not be permitted to work in the agency location during this service period
2. You will be responsible for all expenses to run the agency, including compensation for the LSPs servicing the business during this period

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Outlined below are the guidelines that apply in situations in which the Company has terminated the R3001 Agreement immediately for cause:

- You may elect to transfer your interest in the book of business serviced by your agency to an approved buyer, or elect to receive a termination payment from the Company, subject to the terms and conditions set forth in the R3001 Agreement, this Manual, and the Supplement. If such election is not made or the economic interest is not transferred to an approved buyer within 90 days of termination of the R3001 Agreement (or such longer period within the Company's discretion), the termination payment will be processed.

**See the Transfer of Economic Interest section for information regarding your obligations and responsibilities prior to transferring your economic interest**

Note: If your agreement is terminated immediately for cause, approval of a buyer will also be conditional on the agreement that you will not have any involvement or ownership interest in the buyer's agency following the sale

- You will cease representing Allstate immediately. The Company will service the book of business from the effective date of termination and for three full calendar months after the first of the month following the date of the termination, or until you elect to accept the termination payment, or until the date a sale of your interest in the book of business to an approved buyer is effective, whichever is earliest. There will be no commissions paid during the service period, other than the final commission check, except as noted below.
- During the service period, the Company in its sole discretion will determine the manner in which service will be provided.
- You may make a request to allow the agency location to remain open. This request will only be approved in situations where closing the office location would cause significant undue hardship to the business. One or more LSPs will need to be approved to service the business in your agency during the service period.

If approved, the location will be allowed to remain open from the effective date of termination of the R3001 Agreement and for three full calendar months after the first of the month following the date of the termination (service period). Although the R3001 Agreement has been terminated, your agent number will remain active until the eligible policies have been transferred to an approved buyer with a new agent number, or until the Company receives written instructions from you or your legal representative that the termination payment has been elected. However, please note that your appointments with the Company will be terminated immediately. The following must also be agreed to by you through a Letter of Understanding prior to allowing the agency location to remain open:

1. You will not be permitted to work in the agency location during this service period
2. You will be responsible for all expenses to run the agency
3. No commissions will be paid during this period, except that the Company will pay commissions that would have otherwise been generated by the agency to offset the expenses incurred in continuing to service the business on the Company's behalf during the service period

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## Use of Agency Name after Termination

The authority granted to the Company to use your name and/or signature on company documents, including policy documents and customer communications materials, shall continue for up to 120 days after the termination of the Agreement, unless the parties have agreed otherwise in writing. If you become aware that Allstate has used your name or signature after the 120 day post termination period, you agree to notify Allstate regarding the usage and give Allstate up to 60 days after Allstate's receipt of the notice to stop using your name and/or signature. Notice must be provided to:

Allstate Insurance Company  
8711 Freeport Parkway  
Irving, TX 75063

## Payment after Termination

- You, or your legal representative, will be paid for new and renewal business processed up to the date of termination of the R3001 Agreement, except where prohibited by state law due to loss of any required agent or agency license
- You, or your legal representative, will receive one more commission check(s) after termination of the R3001 Agreement, for business processed up to the termination date, except as noted above under Automatic Termination

Note: In a sale situation, the buying agent will not receive a commission payment from the Company until the second month after the effective date of his agreement. However, if your agency was incorporated, and the buying agent keeps the same tax ID number, commissions will continue to be paid to the corporation.

- The final commission check, if any, is in addition to the termination payment from the Company that is made in 24 monthly installments if you, or your legal representative, have elected it

## Sale of Agency<sup>14</sup>

Subject to the terms and conditions set forth in the R3001 Agreement, the Supplement, and this Manual, you may transfer your economic interest<sup>15</sup> in the business written under the R3000 and/or R3001 Agreement upon the termination of your agency relationship with Allstate by either:

1. Selling your economic interest in the business to an approved buyer

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<sup>14</sup> Any reference in this Manual to the sale of an agency or the sale, transfer, or purchase of an agent's book of business means the sale, transfer, or purchase of the economic or other interest in the book of business only. Allstate retains ownership of the book of business.

<sup>15</sup> See the Economic Interest in the Book of Business section for further information on economic interest.

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## 2. Electing the termination payment

If you entered the EA program as an outside buyer, you have an economic interest in the customer accounts that you acquired from the selling agent which were written under the R3000 and/or R3001 Agreement.<sup>16</sup>

As an R3001 Agent, you may sell your economic interest in the book of business serviced by your agency at any time provided the Company approves the buyer. The Company shall have the right to approve or disapprove the sale of the economic interest in the book at any time up until the time the transfer of the economic interest has occurred. (See Becoming an R3001 Agent in the Reference Guide, Agency Sales between Existing R3001 Agents in this Manual, and Agency Sales between Existing R3001 Agents and Outside Buyers in this Manual.) You can sell your economic interest in the book of business to a single purchaser or multiple purchasers. From and after any such transfer or sale of your agency's economic interest, you will no longer have any economic interest in or any other rights with respect to any of the business written under the R3000 and/or R3001 Agreement and your economic interest extinguishes and ceases to exist.

See Sales Processing in this section for information on accounts that may be included in the sale, subject to the terms and conditions set forth in the R3001 Agreement.

If you elect to sell your economic interest in the book of business to an outside buyer, the process outlined under Outside Buyer Approval in the Reference Guide should be followed. If your intent is to terminate your relationship with Allstate on the proposed transfer date, regardless of whether a buyer is approved, you must give the Company ninety (90) days' notice of termination as specified in your R3001 Agreement.

In sale of agency situations, Allstate is never the buyer or seller. The only times Allstate is involved is to approve the buyer and when you elect to receive the termination payment. If you elect to sell, you do not receive the termination payment from Allstate.

**See the Transfer of Economic Interest section for information regarding your obligations and responsibilities prior to transferring your economic interest.**

### **Agency Sales between Existing R3001 Agents**

A qualified R3001 Agent may be approved as a buyer of your interest in the book of business serviced by your agency. In order to be considered for a book purchase, the agent must meet the then current qualifications established by the Company. For qualifications for Satellite Agencies and Enhanced Satellite Agencies, refer to the eligibility requirements in the Satellite Agencies and Enhanced Satellite Agencies subsection of this Manual.

Approval of a sale of your interest in the book of business serviced by your agency is dependent on your location being in close proximity to the buying R3001 Agent's location if the books of business will be merged into one of the locations.

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<sup>16</sup> If you are an outside buyer who is under the R3001S (or C) Agreement, the termination payment on the accounts acquired from the selling R3001 Agent will be calculated under the terms of your agreement.



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## Agency Sales between Existing R3001 Agents and Outside Buyers

A qualified outside buyer may be approved as a buyer to purchase your interest in the book of business serviced by your agency. In order to be considered to purchase the interest in a book of business, the outside buyer candidate must meet the then current qualifications established by the Company. The following are the current qualifications that a candidate must meet in order to be considered for approval as a buyer:

- Must complete and submit an R4018 - Agency Purchase Approval Request (Exhibit I) to the local sales leader
- Must complete the Agent Selection Questionnaire (ASQ) and obtain a pass score. (This requirement does not apply if the candidate was formerly an Exclusive Agent, an Allstate Field Sales Leader, or if the candidate is applying to become an Allstate Dealer agency.)
- Must have results on the background check which are satisfactory to the Company (credit and criminal records)
- Must submit an acceptable updated Business Plan that includes goals for P&C growth that addresses both acquisition and retention, financial services, marketing, and agency management
- Must read the Form U-4, Uniform application for Securities Industry Registration or Transfer, and must read and sign the Letter of Understanding
- Must obtain the appropriate individual resident (and non-resident, if applicable) licenses and an agency license and/or registration, where required by law, if signing the C version of the R3001 Agreement
- Must complete the following education prior to the execution of the R3001 Agreement<sup>17</sup>:
  - Agency Foundations, Essentials, and Agency Operations Center education (unless the agency owner meets specific opt-out qualifications)
  - Allstate University education
  - Other education as designated by the Company

Please note that the outside buyer is always subject to final Company approval.

### Retention of Documents

If you sell your interest in the book of business serviced by your agency, the buying agent will be expected to retain the customer records and required trailing documents.

### Sale Processing

The sale of your economic interest in business written under the R3000 and/or R3001 Agreements must be effective on the first calendar day of the month. See the "policies in account" definition in the Supplement Glossary for additional information on sale processing.

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<sup>17</sup> Agency owner candidates must have their P&C licenses before beginning education.

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The sale will include your economic interest in secured business (see the “secured business” definition in the Supplement Glossary for additional information on secured business) and business transferred to you as part of any agency sale, including policies assigned to Requested Agents through the customer initiated Agent Change Process.

If you relocate to another market as an R3001 Agent, the Allstate Financial policies written by you on behalf of yourself and your family members may be excluded from the transfer and retained by you, except if you are relocating to or from the state of New York.

Also, when selling the economic interest in your agency, registered products (e.g., mutual funds, variable annuities, variable life insurance) are controlled and retained by the broker dealer, Allstate Financial Services, LLC<sup>18</sup>. (In New York, Jefferson Pilot Financial retains all ownership rights in the variable universal life product.) The broker dealer will determine who will service the accounts in the future. The buyer will have to be approved by the broker dealer in order to retain these accounts. The approval process will include proper licensing, an affiliation with the broker dealer and customer approval.

Note: If the buyer does not obtain a securities license or variable Lincoln Benefit Life agent number and register their agency location as a branch location with FINRA within 120 days of the effective date of the sale of agency, the variable policies may be moved into a house account and subject to reassignment to an active agent.

It is your responsibility to establish a value and negotiate the sale price for your economic interest in any of the business included in the transfer.<sup>19</sup> If you sell your interest in the entire book of business serviced by your agency to an approved buyer and the buyer subsequently wants to sell the business, the buyer may sell the entire economic interest in the book without any waiting period. It is important to note that Allstate retains ownership of business coded to you, except where noted in the Supplement, and that business developed under any prior Allstate agent agreement, except the R3000 Agreement, will always be excluded from the calculation of the termination payment.

Additionally, if you elect to sell your Assigned Risk, JUA, Fair Access to Insurance Requirements (FAIR) Plan, or Flood business, you must notify the proper processing areas, servicing carriers, etc., of the sale and the new agent number. With respect to Flood business, upon termination of your R3001 Agreement: 1) you can sell your Flood book to another Allstate agent; or 2) if you maintain an insurance license and sign up through National Flood Insurance Program (NFIP), you may seek to rewrite the Flood customers directly with the NFIP and offer an NFIP serviced policy prior to renewal; or 3) if you become appointed with another insurance carrier, you may seek to write the Flood customers with a policy serviced by a different carrier prior to renewal.

You should not share Personally Identifiable Information (PII) with NFIP or another carrier, without first obtaining the customer’s consent. Please note that Allstate is required under the NFIP rules to offer the customer an Allstate serviced NFIP policy at renewal unless the customer cancels prior to the mailing of the renewal offer.

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<sup>18</sup> LSA Securities in the states of PA and LA

<sup>19</sup> In order for the buyer to accurately assess the value of the agency, your sale and commission reports can be made available to the buyer. Reports include, but are not limited to, Business Metrics reports, annual on-pace bonus reports, estimated TPP reports, loss ratio detail reports, and monthly commission statements.

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## Assignment of Commission

An R3001 Agent may choose to take part in the assignment of commission process for the purposes of obtaining a loan to purchase an existing agency or for business expansion. The process allows the agent to assign a portion of his commission to a lender (selling agent and/or financial institution). Since there are a number of ways to finance a loan, the agent and lender need to agree on the best method for both of them. The assignment of commission method might not be appropriate for all situations. However, if agent and lender choose to use the assignment of commission method, the following must be completed and acknowledged:

- The assignment of commission documents (Assignment of Commissions Notice, Commission Payment Agreement) that need to be completed in order to initiate the assignment of commission process can be accessed through the Lending Connection webpage
- In addition, if you assign your rights to your termination payment or commissions, you must disclose any such assignment to any buyer of your economic interest in the book of business

**See the Transfer of Economic Interest section for information regarding your obligations and responsibilities prior to transferring your economic interest**

## Termination Payment

If you decline or are unable to sell your economic interest in the book of business serviced by your agency (e.g., the Company does not approve the buyer that you present, or you are unable to find a buyer), you may elect to receive the termination payment, subject to the terms and conditions of the R3001 Agreement which may include a deduction for any indebtedness owed to the Company. The termination payment will not apply if you sell your economic interest in the book of business. It also does not apply if the termination is a result of the Company surrendering or electing not to renew its license to sell insurance in a state in which you are appointed by the Company or the discontinuance of the sale of insurance in the state.

If you elect the termination payment, the payment calculated and made by Allstate will only apply to business written by you, or any predecessor(s) under the R3000 and R3001 Agreements. Business developed under any other Allstate agent agreement, i.e., R830 or R1500 Agent Agreement, will be excluded from the termination payment.

If you become an R3001 Agent by purchasing an R3001 Agency, the termination payment on eligible transferred accounts will be calculated based on the terms of your R3001S (or C) Agreement. Similarly, if you converted from the R3001 or R3001A Agreement to the R3001S (or C) Agreement, the termination payment on accounts developed under the R3001 or R3001A Agreement will be calculated based on the terms of your R3001S (or C) Agreement.

Refer to the Supplement for information on how the termination payment is calculated, the method of payment, the termination payment report available to selling agents, and the termination payment impact on the buying agent.

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## Waiting Period to Open a Start-up -Agency

Effective May 1, 2019, an eighteen (18) month waiting period has been implemented for existing and former agents who want to open a Start-up Agency or Enhanced Satellite Agency (ESA).

- Start-up (ADB and ECP) and Established agencies who divest the interest in all their agency locations, will be prohibited from returning as a start-up agency within 18 months from the date of their last remaining location's termination date.

In addition, FINRA related family members of a former agency owner/key person will be unable to open a Start-up agency or ESA within 18 months from the date of the former agency owner/key person's termination date.

## Ethical Standards in the Conduct of Business

Allstate has identified and adopted certain ethical standards that govern how it chooses to conduct business.

All agency activities must be consistent with Allstate's ethical standards, and any activity inconsistent with the ethical standards may result in termination of your agency relationship with the Company.

The following describes the ethical standards. Although not all-inclusive, these standards are guides of conduct that you should follow as a representative of the Company. The standards also apply to any member of your agency.

### Conflict of Interest

Sometimes people get themselves into situations that make it difficult for them to distinguish to whom they should be loyal. These situations constitute conflicts of interest. Allstate's position is that you, as a Company representative, should not take part in any activities that might prove to place you or your agency in a conflict of interest with respect to the duties you owe to Allstate.

Gifts or Benefits When you're dealing with our policyholders, claimants, or another company, you may not accept any gift, unusual hospitality, or money in exchange for or in appreciation of your services. Be careful not to put yourself in the position of owing anyone favors because you accepted a gift or a sum of money.

Referring People to Attorneys in Claim Situations When you're dealing with our policyholders or claimants, you may not volunteer, advise, suggest, or in answer to a customer's request or that of any other person involved in a claim or loss, recommend an attorney or suggest contacting an attorney.

Other Business Interests Although as an independent contractor you can conduct other businesses, you may not have other duties or interests that would conflict with your duties under your R3001 Agreement.

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Providing Services Ancillary to the Life Application/Underwriting Process Agents and LSPs are prohibited from providing services ancillary to the Life application/underwriting process, including, but not limited to paramedical services, handling of specimens, providing of medical records to underwriting, etc. (provided, however, this prohibition shall not include the collection of oral fluid specimens).

Political Activity Allstate encourages representatives of the Company to become involved in community activities, including political activities. You should notify the Company if you are elected or appointed to political office. This will help to avoid problems that could arise from Company investment activity in the political entity in which you are involved.

## **Integrity**

As a Company representative, you are expected to act honestly and fairly in all of the Company's business relationships.

You are expected to comply with Company policies and procedures, including the Allstate Agency Standards, and all applicable laws and regulations relating to the conduct of business under the R3001 Agreement.

Second, you may never falsify any state insurance department or Company documents, including applications, and you may never forge signatures. Furthermore, you may never withhold information from the Company that could be considered material to its decision to issue coverage.

Last, misappropriation of funds and cooperating with others to defraud, or any other illegal or criminal acts, will not be tolerated.

## **Fraudulent Activity**

Fighting fraud is everyone's responsibility. Agents are prohibited from engaging in any activity that is fraudulent or contrary to the law or the company's policies and procedures. Allstate is required to report all such activity to the State Fraud Bureau and/or law enforcement as applicable. If you believe you have knowledge of inappropriate activity, report it to the Allstate i-Report at 1-800-706-9855.

Fraudulent activity may include, but is not limited to, the following activities:

- Allowing a family member or other party to sign or otherwise act on behalf of the policy owner unless they are duly authorized to do so.
- Altering a document after it has been signed by a customer.
- Asking a customer to sign a "blank" form.
- Signing the customer's name on any documents.
- Withholding information from the company that could be considered material to our decision to issue coverage.

## Unacceptable Sales Practices

There are certain sales practices that are unacceptable for representatives of the Company including, but not limited to, the following:

**Encouraging Customers to Change Agents** You should act as a professional in your dealings with your fellow agents by not soliciting customers to change agents. We all recognize that there are legitimate cases in which a policyholder makes a request to be transferred to another agent. For example, there are times when some agents and policyholders just can't get along. We have a process in place to handle those situations. However, even though you may need to provide customer service to customers who have another agent, including taking their payments, you should not be encouraging them to seek a transfer to you or any other agent.

**Unauthorized Brokering** You may not represent or solicit business for any other company, agent or broker, except as permitted by the Company.

**Improper Referrals** You may not accept business which has been referred from an agent, broker, insurance producer, risk manager or any other person if the business will be controlled/serviced by such person.

**Rebating** You may not pay, allow or give, directly or indirectly, any rebate, discount, reduction of the premium, or any other thing of value to a customer as an inducement to purchase insurance or after it has been purchased, except where permitted by law and authorized by the Company.

**Replacing Existing Life Insurance to the Disadvantage of the Policyholder** Replacing existing life insurance may not be in the policyholder's best interest. You may not replace existing life insurance knowing the policyholder would have been better off retaining his existing policy or contract.

**Deceptive or Misleading Representations about Competitors** State regulations prohibit verbal or written representations about our competitors that are untrue, deceptive or misleading. These practices violate our Fair Competition Policy and can result in stiff penalties from the regulators, as well as potential legal action by a competitor for unfair competition. All statements on the financial condition, legal status, product performance, or other characteristics of our competition must be factual. Disparaging comments regarding a competitor is a sensitive issue, particularly in potential replacement situations, and are prohibited.

**Misclassifying and Misrating** You may not knowingly misrate or misclassify in order to provide a more attractive premium to make a sale.

**Inappropriate Premium Payment** You may not provide your personal EFT or credit card information for any premium payment(s) on a customer's policy.

In conclusion, here are two important points to remember:

- If you ever have any questions or doubts about a situation, you should check with the Company
- Allstate may prosecute any criminal acts against the Company

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## **Sale of Life and Annuity Products**

### **Assisting Customers in Determining Insurance Needs and Financial Objectives**

You assist customers in meeting their current and future financial objectives, which may include retirement and college savings. The ability to present products that are appropriate for their consideration in meeting these needs depends on the financial and needs analysis performed with the customer. It is important to learn all the essential facts concerning the customers' personal financial circumstances, including but not limited to, existing life and annuity coverage, current income, tax status, net worth, and the ability to afford the life, long-term care, and annuity products that you are presenting to them for consideration. Do not under any circumstances present a product to a customer that is not suitable or does not meet their financial objectives.

### **Outside Communications**

The Company maintains a policy that generally requires **prior approval** of outside communications that have an impact on or involve the Company. This policy reflects the fact that the Company includes subsidiaries of a publicly traded company subject to the rules of the Securities and Exchange Commission, that it operates a highly visible insurance business subject to regulation by the insurance department of every state in which it does business, and that it invests a significant amount of resources to create and maintain the customer goodwill that is so important to the success of its business. Statements made by agents regarding the Company can have serious legal and business implications that may adversely affect the Company's ability to do business, its reputation, and its profitability. Therefore, no agent has the right to make outside communications on behalf of the Company without prior Company approval. Outside communications include, but are not limited to, publications (including Internet publications), speeches, media interviews, discussions, or testimony.

In order to obtain prior approval for an outside communication, an agent must contact the Senior Corporate Relations Manager for the region in which the agency is located.

**Note:** Communication with legislators or regulators also needs approval of the General Counsel of Allstate Insurance Company. Also, please see **Communications with Investors and Analysts**, below.

The procedures for prior approval balance the Company's business needs and agents' individual rights by providing appropriate guidance when agents anticipate making outside communications which may affect the Company. In the event that the prior approval requirements in this policy, or any other facet of the policy conflicts with any state or federal law, the policy will be applied only to the extent permitted by law.

Requests for assistance regarding the interpretation or application of this policy should be sent to your regional Corporate Relations Department.

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## Communications with Investors and Analysts

Agents should not discuss the Company, or its parent, with investors and securities market professionals and should refer inquiries from investors and securities market professionals to Investor Relations at (800) 416-8803. Securities market professionals include buy-side and sell-side financial analysts, brokers, dealers, investment advisors, investment managers, and representatives of mutual funds, investment companies, and pensions funds.

## Company Weapons Policy

In keeping with Allstate's intent to provide a safe and secure work environment for its customers and other third parties, no firearms, weapons, or devices intended to be used as instruments of violence are permitted: 1) in an agency, Satellite Agency, Enhanced Satellite Agency or LAE location, 2) on any Company premises, 3) or while on any Company business. Violation of this policy could affect your agency relationship with the Company.

## Legal Compliance

### Special IRS Reporting Requirements

The Internal Revenue Service requires Allstate to report cash payments received in a single transaction or in related transactions (two or more transactions with one person within a 24 hour period) that exceed \$10,000:

For this purpose cash includes:

1. Coins and currency of the U.S. or any other country, and
2. Certain cashier's checks, bank drafts, traveler's checks, and money orders that have a face amount of \$10,000 or less and that are received in a transaction in which you know the payer is trying to avoid the reporting of the transaction. (An example of this would be where a customer provides payment for an insurance service or product with a \$9,000 cashier's check and \$2,000 in cash.)

If you receive cash (as defined above) in excess of \$10,000 in any single or related transactions you must complete IRS Form 8300 - Report of Cash Payments Over \$10,000 Received in a Trade or Business. This form must then be filed within 15 days of the transaction with the:

Internal Revenue Service  
Detroit Computing Center  
P.O. Box 32621  
Detroit, Michigan 48232

A copy of IRS Form 8300 should also be sent to Allstate's Corporate Tax Department (G2B), Northbrook, Illinois. Questions regarding this form should also be directed to the Tax Department.

You must keep a copy of each IRS Form 8300 for 5 years from the date you file it. If you collect multiple cash payments (refer to definition above) from multiple customers totaling \$10,000 on any given day, you should keep your remittance report for that day for 5 years, in the event of an IRS inquiry.



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## **Agent Insurance License Number on Advertising – California Only**

California law requires that you place your insurance license number on certain advertisements in type the same size as any indicated telephone number, address, or fax number also listed on the advertisement. Affixing the license number by use of stickers or ink stamps is acceptable, as is printing, handwriting, or typing the license number on the advertisement.

The license number must be displayed in the manner explained above on the following:

- Business cards (also applies to Licensed Sales Professionals)
- Yellow Pages display ads
- Written proposals for insurance products (including any computer generated quotes)
- Print advertisements distributed exclusively in each state
- Internet sites

**Note:** Advertisements and brochures that are for countrywide use are excluded from the requirements of the law. However, you should affix or stamp your insurance license number on such advertisements and brochures when possible.

If you reside and are licensed in another state, but also have a non-resident California license, you must follow the requirements of the law when advertising in the state. Violations of the law are punishable by fines, depending on the number of offenses committed.

## **Agent Disclosure Requirements – Minnesota Only**

Minnesota law requires that at the time of making the initial personal contact with a potential buyer, you must clearly and expressly disclose in writing:

- The name of the person making the contact
- The name of the agent, agency or insurer that the person represents
- The fact that the agent, agency or insurer is in the business of selling insurance

These disclosures are not required if: 1) the prospect personally knows you, the name of your agency, if any, and the fact that you are an insurance agent; 2) the prospect initiates the contact; or 3) the initial contact takes place in your office. Additionally, if the initial personal contact is made by telephone, the disclosures required above need not be made in writing. The law affects all persons who write any insurance business in the state of Minnesota (resident or nonresident). You can meet these disclosure requirements by presenting your business card to the potential buyer upon initial personal contact.

The above disclosure requirements also apply to your Licensed Sales Professionals.

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## **The Violent Crime Control and Law Enforcement Act**

The Violent Crime Control and Law Enforcement Act is a federal insurance fraud law. This law makes it unlawful:

- For any individual who has ever been convicted of certain felonies to engage in the business of insurance without the written consent of the appropriate State Insurance Department(s)
- For an individual to permit another individual who has been convicted of certain felonies to engage in the business of insurance
- For an insurer to permit an individual who has been convicted of certain felonies to engage in the business of insurance

You have a continuing obligation to immediately notify the local field sales leader or the Human Resource Department upon becoming aware of anyone, including your agency staff, who has ever been convicted of a felony and represents Allstate. From time to time, you will be notified of your responsibility to inform the Company of felony convictions via the local field sales leader or the Human Resource Department. If you are convicted of a felony between notification dates, you must inform Allstate promptly, but no later than 10 calendar days after the conviction.

Failure to comply with this law is a serious legal concern. The penalties are severe and may include fines and/or prison time. These penalties can apply to:

- The individual who has been convicted of a felony
- Anyone who allows an individual who has been convicted of a felony to participate in the business of insurance
- The Company if it permits an individual convicted of a felony to engage in the business of insurance

Further, conduct which does not comport with this law may result in termination of your agency relationship with the Company.

## **Financial Industry Regulatory Authority (“FINRA”) Rule 4530 Reporting Requirements**

FINRA Rule 4530 requires Allstate Financial Services, LLC<sup>20</sup> to report certain matters concerning Allstate agents, Allstate Financial Services LLC registered representatives, Licensed Sales Professionals, field sales leadership, and Home Office employees registered with Allstate Financial Services, LLC. AFS must file FINRA notification in the following cases:

- Any written complaint alleging theft, misappropriation of funds, or forgery (regardless of the product or forms containing alleged forgeries);
- Any finding by a governmental agency that an Allstate Financial Services, LLC registered representative has violated any rule or standard of conduct of any governmental agency;

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<sup>20</sup> LSA Securities in the states of PA and LA

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- Any action brought by a regulatory body naming the Allstate Financial Services, LLC registered representative as a defendant alleging violation of any insurance regulation;
  - Any disciplinary action brought against a Allstate Financial Services, LLC registered representative by any insurance regulatory body;
  - Any arrest, indictment or conviction of a Allstate Financial Services, LLC registered representative or plea of guilty, no-contest, or *nolo contendere* by an Allstate Financial Services, LLC registered representative to any criminal offense (other than a traffic violation); or
  - Any securities, commodities-related, or financial-related insurance civil litigation or arbitration naming the Allstate Financial Services, LLC registered representative as a defendant or respondent where the claim for damages that has been disposed of by judgment, award or settlement for an amount exceeding \$15,000.00.

The Allstate Financial Services, LLC notification to the FINRA must be filed within thirty (30) calendar days of receipt of the complaint or information regarding a regulatory action or criminal proceeding that meets the above criteria for reporting. If your agency receives a written complaint or information regarding a regulatory action or criminal proceeding that meets the above criteria for reporting:

- Send an e-mail to the regional customer retention manager in the Sales Support Department. Your agency does not need to determine whether the individual is a registered representative.
- The e-mail subject line should be "FINRA 4530 Notification."
- Include the name of the individual who is the subject of the complaint, regulatory action or criminal proceeding, and your agency name and phone number.
- Fax a copy of the complaint or other document(s) to the regional customer retention manager.

### **Health Insurance Portability and Accountability Act of 1996, As Amended and Modified ("HIPAA")**

This section is applicable to those agencies who are appointed with Allstate Life Insurance Company of New York ("ALNY"), American Heritage Life Insurance Company ("AHL"), and Lincoln Benefit Life Company ("LBL").

The Department of Health and Human Services has adopted regulations ("HIPAA rules") pursuant to HIPAA which impose, amongst other things, requirements for the use and disclosure of Protected Health Information ("PHI"). As an underwriter of health insurance products<sup>21</sup>, the HIPAA Rules apply to ALNY, AHL, and LBL.

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<sup>21</sup> HIPAA is applicable to the following products: Long-term care, AHL mini-medical®, group or individual cancer, group or individual accident, group or individual hospital indemnity, group or individual critical illness, group indemnity medical, heart/stroke, or dental products.

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Because your agency may create or receive a PHI from, or on behalf of ALNY, AHL or LBL, you are considered to be a "business associate" under the HIPAA rules, and, as such, also have responsibility for compliance with the HIPAA rules.

The HIPAA rules also require that an agreement exist between the business associate and the insurer which contains language specifying this compliance. Upon licensing with AHL or ALNY, you will be provided with a Business Associate Agreement and will be expected to comply with its terms.



**Allstate**  
You're in good hands.

**To holders of:** Supplement for the R3001 Agreement

**Date:** May 1, 2020

**No:** 77

**From:** 360° Finance and Distribution Strategy & Program Development

This is a complete revision of the Supplement for the R3001 Agreement. This version of the Supplement replaces the previous version of the Supplement, and each page of this has a date of May 1, 2020. If you have a previous version of the Supplement, please replace it with this version. The following highlights some of the changes that have been made to the Supplement:

Chapter / Section Number	Chapter / Section Name	Explanation of Change
<b>Chapter 2</b>	<b>Commission Schedule</b>	
Section 1a	Auto	<ul style="list-style-type: none"> <li>• <b>Subsection 1.2</b> – clarified the commission amount paid for added coverages on policies in Direct Transition status</li> <li>• <b>Subsection 4.3</b> – clarified the commission amount paid on add cars for business bound through an agent's home page on the internet or by the CCC via an agent forwarded phone</li> </ul>
Section 1b	Personal Property	<ul style="list-style-type: none"> <li>• <b>Subsection 1.2</b> - clarified the commission amount paid for added coverages on in Direct Transition status</li> </ul>
<b>Chapter 3</b>	<b>Commission Interest</b>	
Section 4h	Allstate Life & Retirement Bonus	<ul style="list-style-type: none"> <li>• Noted that the bonus was sunset effective December 31, 2019</li> </ul>
<b>Glossary</b>		<ul style="list-style-type: none"> <li>• Updated the definitions of Established Agency, Start-up Agency, Enhanced Satellite Agency (ESA), and Satellite Agent for agents with affiliation dates of 5/1/2020 and later</li> <li>• Added definitions for                             <ul style="list-style-type: none"> <li>○ Scratch</li> <li>○ Cash Flow Market</li> </ul> </li> </ul>

**SUPPLEMENT FOR THE R3001 AGREEMENT**

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## Supplement for the R3001 Agreement

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SUPPLEMENT FOR THE R3001 AGREEMENT

**ALLSTATE FINANCIAL EXHIBITS**

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<u>Exhibit C</u>	Allstate Financial Commission Schedule (excludes New York)
<u>Exhibit D</u>	Allstate Financial - Commission Schedules for Discontinued Products (excludes New York)
<u>Exhibit E</u>	Allstate Financial - Allstate Benefits Commission Schedule (excludes New York)
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<u>NY Exhibit B</u>	Allstate Financial - Production Credit (New York only)
<u>NY Exhibit C</u>	Allstate Financial - Commission Schedule (New York only)
<u>NY Exhibit D</u>	Allstate Financial - Commission Schedules for Discontinued Products (New York only)
<u>NY Exhibit E</u>	Allstate Financial - Allstate Life Insurance Company of New York Workplace Division Commission Schedules

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# Chapter 1: R3001 Agents

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# Section 1: R3001 Agents

## 1.0 Preface

The Supplement for the R3001 Agreement is intended to explain and expand upon the provisions of the R3001 Agreement, which directly refer to the Supplement. The Supplement, the Exclusive Agency Independent Contractor Manual, and the Allstate Agency Standards manual, as they may be amended from time to time, are incorporated as part of the Agreement between the R3001 Agent and the Company. The sections referencing the Supplement include the following:

- **Authority** - The R3001 Agent's role is to sell, solicit, and service insurance and "Company Business" - referred to in Chapter 1, Section 2, subsection 2.0 – as an independent contractor on behalf of Allstate Insurance Company and its subsidiaries and affiliates referred to in Chapter 1, Section 2, subsection 1.0.
- **Commissions** - Chapter 1, Section 3 of the Supplement details how new and renewal commission will be recorded and paid to R3001 Agents. Recovery of unearned commission is also discussed in this section of the Supplement. The final pay computation for terminated R3001 Agents is found in Chapter 1, Section 5. Calculations to determine conversion allowances for certain new R3001 Agents are set forth in Chapter 1, Section 7. Chapter 2 of the Supplement sets forth the commission amounts applicable to R3001 Agents. Chapter 3 contains the rules governing special situations relating to commission interest. Chapter 4 describes the rules applicable to unrepresented business and policies bound by the Customer Contact Center (CCC)/Internet.
- **Transfer of Interest** - The transfer of interest provision of the R3001 Agreement is explained in Chapter 1, Section 4 of the Supplement. A transfer of interest requires written consent by the Company in its sole discretion.
- **Termination Payment** - R3001 Agents may be authorized a special payment subject to certain conditions once they terminate their agreement. Chapter 1, Section 6 of the Supplement describes the basis for this payment.
- **Computer Systems** - The Company is reliant upon computer technology to process Company Business. The Company's standard operating procedures provide efficient, accurate and uniform methods for processing such business.
- **Allstate Financial/Allstate Life and Retirement** – Effective June 9, 2017, agency owners, exclusive financial specialists, and respective staffs (collectively "Agents") must be fully FINRA registered (at minimum Series 6 and Series 63) and affiliated with AFS, LLC ("Full Affiliation") to write or partner on Fixed Indexed Annuities, Equity Indexed Annuities, Equity Index Annuities, or Fixed Annuities (collectively, "Annuities"). To continue engaging in the sale of Annuities, writing agents must, by September 1, 2017, meet Full Affiliation requirements and partnering agents must meet Full Affiliation requirements by January 1, 2018. Non-Full Affiliation Agents will continue to receive credit for periodic premium payments on in-force Annuities. Additional premium payments or changes to Annuities sold in connection with IRAs or qualified plans are subject to the DOL Best Interest Review ("BI") and non-Fully Affiliated Agents will be removed and replaced from such BI Annuities with Fully Affiliated Agents.

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The individual referred to as “you” in the R3001 Agreement, the R3001S Agreement or the R3001 Transitional Service Agreement, and the entity referred to as the “Agency” in the R3001A Agreement or R3001C Agreement will be referred to in the Supplement as the “R3001 Agent.” Any references to the R3001 Agreement in the Supplement shall include the R3001 Agreement, the R3001S Agreement, the R3001 Transitional Service Agreement, the R3001A Agreement and the R3001C Agreement, except as otherwise noted. Any reference to agent in the Supplement shall include, but not be limited to, R3001 Agents.

## Section 2: Subsidiaries, Affiliates, Company Business

### 1.0 Parties to the R3001 Agreement

The R3001 Agreement is an agreement between the Allstate Insurance Company and the agent. In addition, the following subsidiaries and affiliates are also parties to the agreement:

- Allstate Indemnity Company
- Allstate Property and Casualty Insurance Company
- Allstate Life Insurance Company (all agents except New York)
- Allstate Life Insurance Company of New York (New York agents only)
- Allstate County Mutual Insurance Company (Texas)
- Allstate Texas Lloyd's, Inc. (Texas)
- Allstate Fire and Casualty Insurance Company
- Allstate Vehicle and Property Insurance Company
- Allstate Motor Club, Inc.
- Castle Key Insurance Company
- Castle Key Indemnity Company
- Ivantage Select Agency, Inc.
- American Heritage Life Insurance Company (Allstate Benefits as stated in this Supplement is the marketing name used by American Heritage Life Insurance Company)

### 2.0 Company Business

In addition to the various insurance lines the agent is permitted to solicit, sell and service while representing the Allstate Insurance Company, the agent is also permitted to sell other products specified by the Company and referred to in the R3001 Agreement as "Company Business". Company Business will include all business written by R3001 Agents through the following companies:

**Allstate Indemnity Company**

An alternate company to Allstate Insurance Company into which the Risk Management department may place business.

**Allstate Property and Casualty Insurance Company**

An alternate company to Allstate Insurance Company into which the Risk Management department may place business.

**Allstate Assurance Company (AAC)**

Life business written by all agents, except those in New York, will be underwritten by this company.

**Allstate Life Insurance Company (ALIC)**

Life and annuity business written by all agents, except those in New York, will be underwritten by this company.

**Allstate Life Insurance Company of New York**

Life and Workplace business written by New York agents will be underwritten by this company.

**Allstate County Mutual Insurance Company**

Substandard automobile business coded to Texas may be underwritten by this company. Allstate County Mutual may also underwrite other personal lines and commercial business.

**Allstate Texas Lloyd's, Inc.**

An alternate company to Allstate Insurance Company and Allstate Indemnity Company into which the Risk Management department may place property lines and commercial lines business.

**Allstate Fire and Casualty Insurance Company**

An alternate company to Allstate Insurance Company, Allstate Indemnity Company and Allstate Property and Casualty Company into which the Risk Management department may place auto lines of business.

**Allstate Vehicle and Property Insurance Company (AVPIC)**

An alternate company to Allstate Insurance Company into which the Risk Management department may place property lines of business.

**Allstate Motor Club, Inc.**

Agents soliciting and selling Allstate Motor Club memberships represent Allstate Motor Club, Inc.

**Lincoln Benefit Life Insurance Company (LBL)<sup>1</sup>**

An alternate company to Allstate Life Insurance Company into which Lincoln Benefit Life Insurance Company appointed agents can submit specified life and annuity business.

**Castle Key Insurance Company**

Personal Property business written by Florida licensed agents may be placed in this company.

<sup>1</sup> Effective April 1, 2014, Lincoln Benefit Life Company (LBL) was purchased by Resolution Corporation. For purposes of this Supplement, rules that apply to LBL business written before and after the sale will continue to apply.

**Castle Key Indemnity Company**

An alternate company to Castle Key Insurance Company in which the Risk Management department may place Florida personal property business.

**Allstate New Jersey Insurance Company**

Allstate New Jersey Property and Casualty business written by New Jersey licensed agents will be underwritten by this company.

**Allstate Financial Services, LLC<sup>2</sup> (AFS)**

An alternate company to Allstate Life Insurance Company into which FINRA licensed agents who have signed the Registered Representatives Agreement can submit specified variable life, variable annuity, fixed indexed annuity and mutual fund business.

**American Heritage Life Insurance Company (AHL)** (Allstate Benefits as stated in this Supplement is the marketing name used by American Heritage Life Insurance Company)  
A company into which American Heritage Life Insurance Company appointed agents can submit individual life and health insurance business.

**Ivantage Select Agency**

Eligible agents may refer certain personal lines business not currently underwritten by Allstate or not acceptable to Allstate based on its current underwriting or administrative guidelines to the Ivantage Select Agency to secure insurance coverage for these risks.

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<sup>2</sup> Allstate Financial Services, LLC is referred to as LSA Securities in the states of PA and LA.



## Section 3: Compensation

### 1.0 Basis of Commission

#### 1.1 General

R3001 Agents are independent contractors.

Commission for performing duties for the Company will be paid in accordance with the procedures set forth in the R3001 Agreement and this Supplement in Chapters 2 and 3, except as noted below. Any money owed to the Company or any indebtedness incurred by the agency for which the Company pays may be deducted from agency compensation at the Company's discretion.

Allstate agents are not authorized to charge customers any fees or accept any compensation beyond that provided for in the agent's agency agreement, except as authorized by the Company and permitted by law.

#### 1.2 New Business Production

R3001 Agents receive the new business component of their commission for a particular month based on the prior month's recorded net written new premium. Included in this component is new business coded to R3001 Agents as "Acy", "Designated Agency", "Direct Transition", "Agency Direct", and "Agency Routed"<sup>1</sup> on Customer Contact Center (CCC)/Internet bound policies and any applicable new net written premium on "Plus Policies"<sup>2</sup>. Commissions on CCC/Internet bound policies will appear separately on the agent's monthly production and commission statements, unless identified as resulting from an agent forwarded phone or the agent's home page beginning October 4, 2004 and subsequent (agent type 41).

#### 1.3 Renewal Production

Renewal business will be recorded in an R3001 Agent's account as the policies are taken (renewed). Commission for renewal business will be based on net written renewal premium recorded in the agent's account in the prior month. Included in this component is renewal business coded to R3001 Agents as "Assigned Agency", "Designated Agency", "Direct Transition", "Agency Direct", and "Agency Routed" on Customer Contact Center (CCC)/Internet bound policies and any applicable new net written premium on "Plus Policies"<sup>2</sup>. Commissions on CCC/Internet bound policies will appear separately on the agent's monthly production and commission statements, unless identified as resulting from an agent forwarded phone or the agent's home page beginning October 4, 2004 and subsequent (agent type 41).

<sup>1</sup> The new business commission rate for Direct Transition and Agency Routed policies is zero (0%).

<sup>2</sup> Effective August 1, 2019, the Plus Policy program will be sunset and no new Plus Policies will be assigned. Policies currently in Plus Policy status will remain in Plus Policy status until the five full annual renewal periods have been completed.

### 1.3.1 Service Fees and Relationship Fees

Service fees and relationship fees will be included with renewal commission in the calculation of monthly commission.

### 1.3.2 Countersigning Fees

Fees for countersigning (in states where required) will be calculated in accordance with state laws and regulations. Any resulting fee will be included with renewal commission in the calculation of monthly commission.

## 2.0 Bonuses and Programs

The Company may provide R3001 Agents with such bonuses, awards, prizes, and other remuneration based on performance ("Bonus Compensation"), if any, as it may prescribe in its sole discretion. The Company reserves the right to change or eliminate any such Bonus Compensation. Any money owed to the Company or any indebtedness incurred by the agent for which the Company pays may be deducted from the agent's Bonus Compensation at the Company's discretion. Documentation on Bonus Compensation programs can be found on Gateway using the following link: <https://agencygateway.allstate.com/wps/myportal/id/165059>

### 2.1 Month of Affiliation

Month of affiliation is used in the calculation of eligibility for various bonus programs. The month of affiliation is determined using only full calendar months. If the R3001 agent converted from the R830, R1500, or R3000 agreement the consecutive full calendar months spent under those agreements will also be used to determine the number of months of affiliation. If an R3001 Agent opens a Satellite Agency on 1/1/2008 or later or an Enhanced Satellite Agency (ESA), the Satellite Agency and/or ESA will have an affiliation date separate from the R3001 Agent's primary location. The first month of affiliation for the Satellite or ESA will be based on the effective date of the Satellite Agency or ESA agency agreement.

#### Example 1: Became agent on 10/01/2000, started under the R3001

The number of months of affiliation in the first year (2000) = 3 (Oct, Nov, Dec)

The number of months of affiliation in the second year (2001) = 12 (Jan - Dec)

The number of months of affiliation in the third year (2002) = 12 (Jan - Dec)

The number of months of affiliation in the fourth year (2003) = 12 (Jan - Dec)

The agent started affiliation month 37 on October 1, 2003.

#### Example 2: Became agent on 10/15/2000\*\*, started under the R3000

The number of months of affiliation in the first year (2000) = 2 (Nov, Dec)

The number of months of affiliation in the second year (2001) = 12 (Jan - Dec)

The number of months of affiliation in the third year (2002) = 12 (Jan - Dec)

The number of months of affiliation in the fourth year (2003) = 12 (Jan - Dec)

\*\*agents who became agents on any day other than the first

The agent started affiliation month 19 on May 1, 2002 and started affiliation month 37 on November 1, 2003.

**Example 3: Became agent on 09/01/2005, started under the R3001; opened an ESA on 8/1/2007**

**Agent's primary location:**

The number of months of affiliation in the first year (2005) = 4 (Sep, Oct, Nov, Dec)  
 The number of months of affiliation in the second year (2006) = 12 (Jan – Dec)  
 The number of months of affiliation in the third year (2007) = 12 (Jan – Dec)  
 The number of months of affiliation in the fourth year (2008) = 12 (Jan – Dec)

The agent starts affiliation month 37 on September 1, 2008.

**Agent's Enhanced Satellite Agency:**

The number of months of affiliation in the first year (2007) = 5 (Aug, Sep, Oct, Nov, Dec)  
 The number of months of affiliation in the second year (2008) = 12 (Jan – Dec)  
 The number of months of affiliation in the third year (2009) = 12 (Jan – Dec)  
 The number of months of affiliation in the fourth year (2010) = 12 (Jan – Dec)

The Enhanced Satellite Agency starts affiliation month 37 on August 1, 2010.

### **3.0 Payment of MVRs Over the Threshold Determined by Region**

The agent who exceeds the threshold determined by the region for ordering MVRs may be restricted from ordering MVRs before submitting applications until results improve. As an alternative, an agent may choose to pay for the MVRs over a level established by the Company via a deduction from monies owed the agent for that month. If the amount cannot be recovered that month, then the amount due will be recovered from monies owed in subsequent months, until the full amount is recovered.

### **4.0 Payment of Monthly Maintenance Fees for Agents Participating in Allstate at Work**

R3001 Agents who participate in the Allstate at Work program will have a monthly maintenance fee in the amount of \$32 deducted from monies owed to the agent for that month based on the number of payroll interfaces for each active account in the program. If the amount cannot be recovered that month, then the amount due will be recovered from monies owed in subsequent months, until the full amount is recovered.

## 5.0 Recovery of Unearned Commission

If the net of all transactions processed in a month is negative, the negative amount will be considered unearned.

When commission is calculated in each subsequent month, total commissions, awards, and bonuses, will be reduced until the full unearned commission amount is recovered. Allstate may reduce the amount we pay you by any amount you owe us, or any of our affiliate(s), regardless of the contract under which you are indebted to us.

## 6.0 Eligibility and Recovery of Bonus Compensation Upon Termination for Cause

Beginning with the 2019 bonus program year<sup>3</sup>, if the Company has terminated the R3001 Agreement immediately for cause, an Agent shall not be eligible for Bonus Compensation starting with the year in which the incident occurred that led to the termination through the year in which the Company has terminated the R3001 Agreement immediately for cause. Such Agent shall be obligated to repay to the Company the amount or value of any and all Bonus Compensation (i.e. bonuses, incentives, awards, prizes and other remuneration based on performance), paid or awarded to the Agent. The Company may offset the amount of Bonus Compensation from any payment due to the Agent from the Company including, without limitation, the Termination Payment provided for in this Supplement.

<sup>3</sup> Bonus payable in 2020.

## Section 4: Transfer of Interest

### 1.0 Approval of a Transfer of Interest

A transfer of interest in the R3001 Agreement requires prior written consent of the Company. Such consent may be given in the Company's sole discretion and the Company's decision as to whether or not to render such consent will be final. The Company's consent may also be conditioned on the satisfaction of any obligation or payment owed by the transferring R3001 Agent to the Company.

The Company shall have a lien on the R3001 Agent's economic interest prior to its transfer for any payment or obligation owed by the transferring R3001 Agent to the Company (including, without limitation, the obligation to return Bonus Compensation as provided in this Supplement), which lien shall be satisfied prior to the transfer of interest.

### 2.0 Business Included in Transfer of Entire Interest

Upon approval of an R3001 Agent's request for a transfer of the agent's entire interest in the R3001 Agreement, the Company will transfer the policies in the terminating/selling agent's account - excluding any business retained by the Company specifically identified in subsection 2.1 below<sup>1</sup> - to the account of the transferee.

**Note:** Policies that are identified in Assigned Agency status (agent type 11), Designated Agency status (agent type 22), and policies coded 01XXXXXX will be transferred to the buying agency at 3.5%.<sup>2</sup>

Policies written through the Ivantage Select Agency will be assigned at the discretion of the Ivantage Select Agency to the buying agency in sale of agency situations. The policies will be assigned to the buying agency at the current applicable commission amount.

### 2.1 Excluded Business

The following business is excluded from a transfer of interest:

- Business not receiving renewal commission
- Business on which the agent receives a service fee, relationship fee or countersigning fee
- Business in lines which the Company no longer sells in the state(s) in which the agent is appointed to represent the Company
- Expanded Market business

<sup>1</sup> The exclusion does not apply where a new agreement is executed by the same person to replace an existing R3001 Agreement in order to change to another form of legal entity, e.g. sole proprietorship to corporation or vice versa.

<sup>2</sup> Policies in Assigned Agency status (agent type 11) will begin renewing at 3.5% based on effective and process dates on or after October 1, 2004. Any policies in Assigned Agency status transferred prior to that time will be transferred at 2% until they renew.

- Voluntary property and casualty and Allstate Financial lines of business written under any prior Allstate agent agreement, other than the R3000 Agreement, unless the R3001 Agent has completed one full year in EA independent contractor status or the R3001 Agent has died or become permanently incapacitated. An R3001 Agent shall be considered permanently incapacitated if the incapacity causes him to be unable to remain actively involved in the insurance business as determined by the Company at its sole discretion.

Note: Policies that are identified in Assigned Agency status (agent type 11), Designated Agency status (agent type 22), and policies coded 01XXXXX will be transferred to the buying agency at 3.5%.<sup>3</sup>

Policies written through the Ivantage Select Agency will be assigned at the discretion of the Ivantage Select Agency to the buying agency in sale of agency situations. The policies will be assigned to the buying agency at the current applicable commission amount.

### **3.0 Commission Amounts Applicable to Transferred Business**

The same commission rules and amounts applicable, except as noted in this Supplement, to a transferring agent at the time of the transfer will apply to the transferee when a transfer of interest has been approved. This includes both positive and negative premium transactions on policies that were active or terminated at the time of the transfer.

#### **3.1 Requested Agency Policies**

Policies that have a requested agency will be transferred to the buying agent in an agency sale situation. These policies are ones where a customer has requested another agent, however, the selling agent was still receiving commissions on the policy.

### **4.0 Allstate Flood Insurance, Assigned Risk, Underwriting Association**

Sale of the referenced business, which is at the sole discretion of the agent, is not considered a transfer of interest under the R3001 Agreement.

<sup>3</sup> Policies in Assigned Agency status (agent type 11) will begin renewing at 3.5% based on effective and process dates on or after October 1, 2004. Any policies in Assigned Agency status transferred prior to that time will be transferred at 2% until they renew.

## Section 5: Final Commission Computation

### 1.0 Computation of Commission

Calculations to determine final commission (not to be confused with the Termination Payment as referenced in Section 6) will be made on commissions recorded in the R3001 Agent's account through the last day the R3001 Agreement is in effect.

Commissions recorded will be based on all new business, renewal business, service fee, relationship fee and countersigning fee amounts issued and recorded on the R3001 Agent's Commission Statement as of the last day the R3001 Agreement is in effect.

The agent will not receive these commissions, if prohibited by state law, due to loss of any required agent license.

### 2.0 Recovery of Unearned Commission

Recovery of any and all unearned commission shall take place at the time of final commission calculations. Final commission, in addition to Agency Development Bonus, Enhanced Compensation Plan (ECP) bonus, Allstate Life & Retirement Quarterly Incentive (excludes NY), New York Bundling Quarterly Incentive (NY only), Establishment Bonus, Agency Bonus, Allstate Life & Retirement Bonus, business written by the Ivantage Select Agency and any other discretionary compensation, will be reduced by the amount of any unearned commission.

If final commission is reduced to a zero amount after deducting unearned commission amounts and any unearned commission amount still remains, this amount becomes due and payable to the Company which reserves the right to collect such amount. The Company may exercise this right by withholding any remaining unearned commission from the Termination Payment described in Section 6 or by receiving payments for such unearned commission directly from the agent.

## Section 6: Termination Payment

### 1.0 R3001 and R3001A Agreement Specifications

The R3001 and R3001A Agreements describe the Termination Payment options available to agents<sup>1</sup>. This section elaborates on these provisions.

### 2.0 R3001S and R3001C Agreement Specifications

Currently, the Termination Payment option available to agents under the R3001S and R3001C Agreements is the same as the Termination Payment option available to agents under the R3001 and R3001A Agreements, subject to the terms and conditions described in subsections 3.0, 4.0, and 5.0 of this section.

If an R3001 Agent under the R3001S or R3001C Agreement purchases the economic interest in another R3001 Agency, the Termination Payment on eligible accounts acquired from the selling R3001 Agent will be calculated based on the terms of the R3001S or R3001C Agreement. Similarly, if an agent converted from the R3001 or R3001A Agreement to the R3001S or R3001C Agreement, the Termination Payment on accounts developed under the R3001 or R3001A Agreement will be calculated based on the terms of the R3001S or R3001C Agreement.

If an agent who is currently on the R3001 or R3001A Agreement purchases the economic interest in a book of business of an agent who is on the R3001S or R3001C Agreement, the Termination Payment provision in the purchasing agent's agreement will apply.

The payment of the Termination Payment will be made in 24 monthly installments, subject to appropriate adjustments, beginning no later than the end of the month after the month in which all property, confidential information, and trade secrets belonging to the Company have been returned or made available for return to the Company. Payments are subject to compliance with the terms of the confidentiality and non-competition provisions of the R3001 Agreement, which survive termination of the agreement. Any unremitted payments received by the agency on behalf of the Company and any debts incurred by the agency for which the Company pays may be deducted from the agency's Termination payment at the Company's discretion.

### 3.0 Eligible Business

Production compensation for the month in which the R3001 Agent terminates will be included in the Termination Payment **only** if the R3001 Agent's agreement is terminated on the last calendar day of the month. Otherwise, the prior 12 full calendar months' production compensation will be used.

<sup>1</sup> Execution of a new agency agreement by the same person due to a change to another form of legal entity, e.g., sole proprietorship to corporation or vice versa, will not entitle the R3001 Agent to a Termination Payment.



### 3.1 Auto, Personal Property, Commercial

This portion of the payment is based on the earned premiums for the 12 full calendar months preceding the effective date of termination of the agreement on property and casualty secured business in the agent's account.

### 3.2 Allstate Financial

This portion of the payment is based on the 12 full calendar months' new net written premium plus the renewal commissions for the same period on eligible products. Shared business is excluded.

### 4.0 Excluded Business

The following business is excluded from the Termination Payment calculation:

- Business written by the agent under any prior Allstate employee agent agreement (R830/R1500), other than the R3000 Agreement,
- Business the agent purchases from any other Allstate agent which was written under any agreement other than the R3000 or R3001 Agreement,
- Business written under any prior Allstate employee agent agreement (R830/R1500), other than the R3000 Agreement, for an insured that is subsequently replaced in an affiliated company with no lapse in coverage at the time of replacement,
- Business not receiving renewal commission,
- Plus Policies<sup>2</sup>,
- Allstate Benefits business (except for GoodForLife business which is included),
- Allstate Financial fixed annuity products, variable products, and mutual fund business,
- Workplace business of Allstate Life Insurance Company of New York,
- Allstate Flood Insurance,
- Allstate Parts and Labor Plus,
- Assigned Risk,
- Reinsurance Facility business,
- Business on which the agent receives a service fee, relationship fee or countersigning fee,
- Business bound by the Customer Contact Center (CCC) or the Internet and assigned to an agent in Assigned Agency, Designated Agency, or Agency Routed status<sup>3</sup>,

<sup>2</sup> Effective August 1, 2019, the Plus Policy program will be sunset and no new Plus Policies will be assigned. Policies currently in Plus Policy status will remain in Plus Policy status until the five full annual renewal periods have been completed. Refer to definition in Glossary

<sup>3</sup> Policies in Agency Direct status and Direct Transition status will be included in the Termination Payment calculation.

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#### SUPPLEMENT FOR THE R3001 AGREEMENT

- Policies that originated as Agency Routed policies which have been cross-sold to unlock renewal commissions,
- Business in lines which the Company no longer sells in the state(s) in which the agent is appointed to represent the Company,
- Non-Allstate business the agent is permitted to write (such as Underwriting Association, accommodation business, FAIR Plan, Expanded Market Coverage, and California Earthquake Authority).
- Business written by the Ivantage Select Agency

## 5.0 Termination Payment Calculation

The termination payment will be determined in accordance with the steps identified in table below.

### 5.1 Calculation Effective January 1, 2020 and Later

STEP	DESCRIPTION
1	Identify the TPP eligible earned premium (new net written premium for Allstate Financial products) by individual line of insurance
2	Identify the eligible renewal base commission rate (%) <sup>4</sup>
3	Determine the eligible blended variable compensation rate (%) (if applicable)  $\frac{\text{Total 12MM Variable Compensation Paid}}{\text{12MM P\&C Written Premium}}$
4	Determine the Total P&C Termination Payment Rate (%)  Renewal Base Commission Rate + Blended variable compensation rate
5	Determine the multipliers Auto / Property / Commercial: Total P&C termination payment rate times 1.5 Allstate Financial New: .075 (5% x 1.5 = 7.5%) Allstate Financial Renewal Commissions: 1.5
6	Apply the multipliers to the following categories <sup>5</sup> : Auto / Property / Commercial / Allstate Financial
7	Determine the Total TPP Payout by combining the amounts for all categories

<sup>4</sup> The renewal base commission rate varies by product.

<sup>5</sup> Lines within a category subject to the same rate (multiplier) may be combined for calculation purposes.

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#### SUPPLEMENT FOR THE R3001 AGREEMENT

## 5.2 Calculation Effective Prior to January 1, 2020

STEP	DESCRIPTION	PROCEDURE
1	Determine Buyout Earned Premium by Line	Identify eligible buyout earned premium (new net written premium for Allstate Financial products) by individual line of insurance
2	Determine renewal commissions and variable compensation rate (if applicable)	Identify eligible commission rate % Identify eligible variable rate % (if applicable)
3	Determine Multipliers	Auto / Property / Commercial: Most recent renewal commission rate plus variable compensation rate (if applicable) for particular line times 1.5 Allstate Financial New: .075 (5% x 1.5 = 7.5%) Allstate Financial Renewals: 1.5
4	Apply Multipliers	Calculations made for the following categories <sup>6</sup> : Auto / Property / Commercial / Allstate Financial
5	Determine Total	Combine amounts for all categories.

## 5.3 Determining the Blended Variable Compensation Rate

The blended variable compensation rate is used in the calculation of the Termination Payment rate. It is determined by taking the agency's total 12MM variable compensation paid and dividing by the agency's 12MM P&C written premium (source: Total Property & Casualty Written and Advance Premium - 12MM as displayed on the Agency Premium & Profitability Business Metrics report)

Example:

12MM variable compensation paid	\$60,000
12MM P&C written premium	\$4,200,000

$$\$60,000 / \$4,200,000 = 1.43\% \text{ (blended variable compensation rate)}$$

<sup>6</sup> Lines within a category subject to the same rate (multiplier) may be combined for calculation purposes.

**Established Agencies with affiliation dates in 2019 and 2020**

The 12MM variable compensation paid amount used for the blended variable compensation rate calculation will only include personally earned variable compensation. The 12MM P&C written premium will include all written premium (personally produced and purchased).

Example: Established Agency with an affiliation date of August 1, 2019 opts to take TPP effective April 1, 2020. The agency has 8 months of personally earned variable compensation (calculation does not include seller's earned variable compensation). The blended variable compensation rate will be calculated as follows:

8MM variable compensation paid	\$18,500
12MM P&C written premium	\$1,900,000

$$\$18,500 / \$1,900,000 = 0.97\% \text{ (blended variable compensation rate)}$$

**Start-up Agencies who Become Established and are no longer required to Vest<sup>7</sup>**

The 12MM variable compensation paid amount used for the blended variable compensation rate calculation will only include personally earned variable compensation. The 12MM P&C written premium will include all written premium (personally produced and purchased).

Example: Start-up Agency with an affiliation date of October 1, 2017 purchased the economic interest in a Total Property and Casualty 12mm Written Premium of more than the end point of their premium curve on August 1, 2019. The agency is now considered Established and is no longer required to vest. If the agency chooses to take TPP effective March 1, 2020, the blended variable compensation rate will be calculated as follows:

7MM variable compensation paid	\$16,500
12MM P&C written premium	\$2,750,000

$$\$16,500 / \$2,750,000 = 0.60\% \text{ (blended variable compensation rate)}$$

<sup>7</sup> Refer to the Vesting subsection for additional details.

## 5.4 Examples

### Established Agency

Category	TPP Eligible 12MM Earned Premium	Current Renewal Base Commission Rate <sup>8</sup>	Blended Variable Compensation Rate <sup>9</sup>	Total TPP Rate	TPP Multiplier	Payment
		Current Renewal Rate + Blended Variable Comp Rate = Total Termination Payment Rate				TPP Eligible Premium x Total TPP rate x TPP Multiplier
Standard Auto (Line 10,16)	\$1,500,000	9.00%	+ 1.43%	= 10.43%	1.5	\$234,675
Non-Standard Auto (Line 19)	\$500,000	7.00%	+ 1.43%	= 8.43%	1.5	\$63,225
Property	\$1,100,000	9.00%	+ 1.43%	= 10.43%	1.5	\$172,095
Commercial	\$65,000	9.00%	+ 1.43%	= 10.43%	1.5	\$10,170

Category	New Net Written Premium	TPP Rate	TPP Multiplier	Payment
				New Net Written Premium x TPP rate X TPP Multiplier
Allstate Financial New	\$25,000	5%	1.5	\$1,875

Category	Renewal Commissions	TPP Multiplier	Payment
			Renewal Commissions x TPP Multiplier
Allstate Financial Renewal	\$2,500	1.5	\$3,750

<b>Total Termination Payment Amount</b>	<b>\$485,790</b>
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<sup>8</sup> Renewal base commission rate varies by product.

<sup>9</sup> Refer to the Determining the Blended Variable Compensation Rate subsection for additional details.

## Start-up Agency

Category	TPP Eligible 12MM Earned Premium	Current Renewal Base Commission Rate <sup>10</sup>	Blended Variable Compensation Rate <sup>11</sup>	Total TPP Rate	TPP Multiplier	Payment
		<i>Current Renewal Rate + Blended Variable Comp Rate = Total Termination Payment Rate</i>				<i>TPP Eligible Premium x Total TPP rate x TPP Multiplier</i>
Standard Auto (Line 10,16)	\$320,000	10.00%	NA	10.00%	1.5	\$48,000
Non-Standard Auto (Line 19)	\$100,000	8.00%	NA	8.00%	1.5	\$12,000
Property	\$165,000	10.00%	NA	10.00%	1.5	\$24,750
Commercial	\$5,000	10.00%	NA	10.00%	1.5	\$750

Category	New Net Written Premium	TPP Rate	TPP Multiplier	Payment
				<i>New Net Written Premium x TPP rate X TPP Multiplier</i>
Allstate Financial New	\$25,000	5%	1.5	\$1,875

Category	Renewal Commissions	TPP Multiplier	Payment
			<i>Renewal Commissions x TPP Multiplier</i>
Allstate Financial Renewal	\$2,500	1.5	\$3,750

<b>Total Termination Payment Amount</b>	<b>\$91,125</b>
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<sup>10</sup> Renewal base commission rate varies by product.

<sup>11</sup> Refer to the Determining the Blended Variable Compensation Rate subsection for additional details.

**Start-up Agency Became Established and is no longer required to Vest<sup>12</sup>**

Category	TPP Eligible 12MM Earned Premium	Current Renewal Base Commission Rate <sup>13</sup>	Blended Variable Compensation Rate <sup>14</sup>	Total TPP Rate	TPP Multiplier	Payment
		Current Renewal Rate + Blended Variable Comp Rate = Total Termination Payment Rate				TPP Eligible Premium x Total TPP rate x TPP Multiplier
Standard Auto (Line 10,16)	\$750,000	9.00%	+ 0.60%	= 9.60%	1.5	\$108,000
Standard Auto (Line 10,16)	\$500,000	10.00%	+ 0.60%	= 10.60%	1.5	\$79,500
Non-Standard Auto (Line 19)	\$50,000	7.00%	+ 0.60%	= 7.60%	1.5	\$5,700
Non-Standard Auto (Line 19)	\$15,000	8.00%	+ 0.60%	= 8.60%	1.5	\$1,935
Property	\$375,000	9.00%	+ 0.60%	= 9.60%	1.5	\$54,000
Property	\$250,000	10.00%	+ 0.60%	= 10.60%	1.5	\$39,750
Commercial	\$20,000	9.00%	+ 0.60%	= 9.60%	1.5	\$2,880
Commercial	\$25,000	10.00%	+ 0.60%	= 10.60%	1.5	\$3,975

Category	New Net Written Premium	TPP Rate	TPP Multiplier	Payment
				New Net Written Premium x TPP rate x TPP Multiplier
Allstate Financial New	\$25,000	5%	1.5	\$1,875

Category	Renewal Commissions	TPP Multiplier	Payment
			Renewal Commissions x TPP Multiplier
Allstate Financial Renewal	\$2,500	1.5	\$3,750

<b>Total Termination Payment Amount</b>	<b>\$301,365</b>
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<sup>12</sup> Refer to the Vesting subsection for additional details.<sup>13</sup> Renewal base commission rate varies by product.<sup>14</sup> Refer to the Determining the Blended Variable Compensation Rate subsection for additional details.**SUPPLEMENT FOR THE R3001 AGREEMENT**

## 6.0 Vesting

Start-up agents, with affiliation dates of January 1, 2012 and subsequent, will be required to vest for five years before being eligible to receive a termination payment on all secured new business. Vesting will not be required for purchased policies and Plus Policies will continue to vest under the Plus Policy program<sup>15</sup>.

If a Start-Up Agency with an affiliation date prior to April 1, 2017 becomes an Established Agency by purchasing the economic interest in and/or being assigned via the Plus Policy program a combined total of more than 750 Total Personal Lines policies with a combined total of more than \$800,000 in Total Property and Casualty 12mm Earned Premium, vesting will no longer be required and any new business written will immediately become vested.

Effective May 1, 2019 and later, if a Start-Up Agency with an affiliation date of April 1, 2017 and later becomes an Established Agency in one of the following ways, vesting will no longer be required on existing business and any new business written will immediately become vested.

- Purchasing the economic interest in a Total Property and Casualty 12mm Written Premium of more than the end point of their premium curve. Multiple purchases will be combined to determine if they exceed the end point of their premium curve, or
- When an agency has a primary and an Enhanced Satellite Agency (ESA) and the agent divests their primary agency, the ESA will be considered an Established Agency

Prior to May 1, 2019, if a Start-Up Agency with an affiliation date of April 1, 2017 and later became an Established Agency by purchasing the economic interest in and/or being assigned via the Plus Policy program a combined Total Property and Casualty 12mm Written Premium which increased the agent's premium book size beyond the end point of their current premium curve, vesting was no longer required on existing business and any new business written immediately became vested.

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<sup>15</sup> Effective August 1, 2019, the Plus Policy program will be sunset and no new Plus Policies will be assigned. Policies currently in Plus Policy status will remain in Plus Policy status until the five full annual renewal periods have been completed.



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Example:

**Agency TPP Vesting Program**

		<b>Start-Up Agency Scratch</b>	<b>Start-Up Agency Outside Buyer</b>	<b>Established Agency Outside Buyer</b>
<b>Vesting Requirement</b>	<b>Secured New Business</b>	<ul style="list-style-type: none"><li>• 5 Years Affiliation</li></ul>	<ul style="list-style-type: none"><li>• 5 Years Affiliation</li></ul>	<ul style="list-style-type: none"><li>• Immediate</li></ul>
	<b>Purchased Policies</b>	<ul style="list-style-type: none"><li>• N/A</li></ul>	<ul style="list-style-type: none"><li>• Immediate<sup>2</sup></li></ul>	<ul style="list-style-type: none"><li>• Immediate</li></ul>

<sup>1</sup> Effective 8/1/2019, the Plus Policy program will be sunset and no new Plus Policies will be assigned. Policies currently in Plus Policy status will remain in Plus Policy status until the five full annual renewal periods have been completed.

<sup>2</sup> A key person change will not accelerate or otherwise change these TPP vesting requirements. Due to system constraints, a key person change may cause TPP reports to display an inaccurate vested amount.

## Section 7: Conversion Allowance

### 1.0 General

The R3001 Agent who converts from an R830 or R1500 Agreement will receive a Conversion Allowance as determined by the Company. Approved buyers who become R3001 Agents by purchasing an agency will not receive a Conversion Allowance.

### 2.0 Calculation

The Conversion Allowance will be calculated based on the average of the agent's last three months' authorized compensation prior to conversion times a factor (see subsection 3.0), when applicable. For purposes of the Conversion Allowance, business coded to the CCC/Internet will have a factor of 1.0. The Conversion Allowance shall be payable in the first month in which the R3001 Agreement is in effect.

The components of Conversion Allowance are:

- New business (includes first renewal auto)
- Renewal business
- Adjustment to minimum (R830, R1500, if applicable)
- Production Allowance
- Service Fees
- Relationship Fees
- Facility business
- Countersigning fees
- Business bound by the CCC/Internet
- Authorized compensation excludes:
  - Allstate Flood Insurance
  - Assigned Risk
  - Lump sum payments for bonuses, if any, paid by the Company
- Non-Allstate business the agent is permitted to write, such as Underwriting Association, accommodation business, FAIR Plan, Expanded Market Coverage, California Earthquake Authority.

The following example illustrates the various components and the method of calculating the Conversion Allowance.

**EXAMPLE:**

Agent converts to R3001 status on July 1. The calculation will include compensation from the prior 3 months as is indicated in the chart below. This mathematical computation should be completed by line of insurance as follows:

1. April(1) + May(2) + June(3) = **Subtotal**
2. Subtotal divided by 3 = **Average**
3. Average x Applicable Factor by line of insurance = **Component Totals**
4. The sum of the various **component totals** will equal the **Conversion Allowance**. (Apply these steps to the example in the following chart.)

**R3001**

<b>Production Month</b>	March	April	May	July
<b>Compensation Month</b>	April	May	June	

**Conversion Allowance calculation example:**

Conversion Component	Mo. 1	Mo. 2	Mo. 3	Subtotal	Avg.	Factor	Total
<i><b>New Business/1st Renewal Auto</b></i>							
Total Personal Lines/First Renewal Auto	\$1050	\$1125	\$1095	\$3270	\$1090	3.68	\$4011
Allstate Financial	700	650	795	2145	715	1.29	922
Commercial Insurance	550	300	425	1275	425	3.46	1471
Other	200	175	210	585	195	1.0	195
<i><b>Renewal</b></i>							
Total Personal Lines	250	300	350	900	300	1.60	480
Allstate Financial	100	125	150	375	125	1.29	161
Commercial Insurance	80	50	110	240	80	1.0	80
Other	125	150	120	395	132	1.0	132
Adjustment to Minimum	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Production Allowance	115	120	75	310	103	1.0	103
Service Fees	60	45	50	155	52	1.0	52
Relationship Fees	0	0	0	0	0	1.0	0
Facility Business	0	0	0	0	0	1.0	0
Countersigning Fees	0	0	0	0	0	1.0	0
CCC & Internet Bound Business	100	100	100	300	100	1.0	100
<b>Conversion Allowance</b>							<b>\$7707</b>

**Note:** Conversion factors are designed to approximate the R3001 new and renewal commission amounts and help offset future charge back activity to policies processed at 0% in the month prior to conversion.

### 3.0 Conversion Factors

The following conversion factors will be applied when calculating the Conversion Allowance:

	PP & C <sup>1</sup>		Allstate Financial	Commercial		Other <sup>2</sup>
	New	Renewal	New & Renewal	New	Renewal	New & Renewal
<b>R830</b>						
<i>Option A</i>	1.00	2.22	1.29	1.00	1.72	1.00
<i>Option B</i>	1.00	1.82	1.29	1.00	1.41	1.00
<i>Option C</i>	1.00	1.54	1.29	1.04	1.19	1.00
<b>R1500</b>						
<i>Option A</i>	2.16	1.67	1.29	2.16	1.67	1.00
<i>Option B</i>	1.85	1.43	1.29	1.85	1.43	1.00
<i>Option C</i>	1.62	1.25	1.29	1.62	1.25	1.00

The Conversion Allowance will be paid as a gross amount, not net after taxes, in month one as an R3001 Agent. If there is an ALSTAR<sup>3</sup> deduction for additional leased equipment, or deductions for personal life insurance for the first month, they will be taken from the Conversion Allowance.

<sup>1</sup> Voluntary business only, excluding business bound by the Customer Contact Center (CCC) or the Internet.

<sup>2</sup> Includes Facility business, including business bound by the CCC/Internet.

<sup>3</sup> References to ALSTAR mean either the ALSTAR computer system or the Agency Desktop system.

## **Section 8: Operating Procedures for Agency Technology**

### **1.0 General**

This section applies to agencies using technology supplied by the agency to conduct Allstate Business.

As used in this section, Agency Technology includes any technology utilized by agencies to transmit and process insurance and Company business. With Agency Technology, agencies will be required to supply and maintain at their own expense, the necessary desktop/notebook workstation equipment, desktop/notebook workstation software, broadband internet connectivity and networking, and telephone systems.

Agencies may be eligible for the Agency Technology Allowance (ATA), which is provided to assist with the purchase of computer equipment that meets Allstate's minimum specifications. The ATA may be used in the Agency Technology Store and is intended to be used to purchase computer equipment only for purposes of conducting Company business. The ATA is calculated and paid in accordance with Allstate's current ATA program and the Company reserves the right at any time as it may prescribe in its sole discretion to change, restrict or eliminate such program and any associated ATA funding. Allstate may provide limited and defined support to computer equipment purchased in the Agency Technology Store for conducting Allstate business, but agencies shall be responsible for the cost of this support.

Allstate will make its Gateway Portal available over the internet in order for agencies using Agency Technology to conduct business with the Company. Allstate applications will be available on this Gateway Portal. Agents must use only Company approved software to provide a quote and/or illustration of any product.

### **2.0 Agency Technology Specifications**

To ensure compatibility with the Gateway Portal, along with optimal customer experiences, all Agency Technology must meet or exceed the technology specifications shown in Agency Standards - Exhibit A. These technology specifications include the security specifications necessary to help protect Allstate information and may be periodically changed by Allstate in its sole discretion.

### 3.0 Asset Protection

Allstate has many resources. As a Company representative, you are being trusted with access to some of those assets, and are expected to protect and preserve them for Company use. All information transmitted, received and contained in the Gateway Portal or through any Allstate provided software remains the property and asset of the Company. Disclosing, altering, or destroying any Allstate information without the Company's approval is prohibited.

### 4.0 Use

The agent will use the Gateway Portal, and any company provided software in accordance with the terms and conditions outlined in this section of the Supplement, and will comply with all applicable laws and regulations as well as company procedures as outlined in the Allstate Agency IT Usage Policy - Agency Technology, the "Company Property, Confidentiality" section of the R3001 Exclusive Agency Agreement, and the "Confidentiality of Information" section of the R3001 Agency Standards. The agent assumes full responsibility for the use of the Gateway Portal, and any company provided software or equipment by the agent's employees or other persons working on the agent's behalf.

### 5.0 Security

The agent is responsible for securing and safeguarding any confidential and proprietary information which is accessible through the use of the Gateway Portal and/or any company provided software. Allstate reserves the right to deny access to the Gateway Portal and the Allstate network for failure to comply with Allstate's security requirements. Security requirements are contained in the Allstate Agency Standards.

To ensure that the Company's confidential and proprietary information is being secured and safeguarded consistent with the "Confidentiality of Information" section of the Allstate Agency Standards, Allstate may at its discretion, inspect your agency's security and safeguarding practices. This inspection may be done any time during normal agency hours without notice by the Company or its designated inspectors and you shall have the duty to cooperate fully with the party(ies) making such inspection. The inspection may include Allstate Confidential Information stored in any manner, including your agency computer systems. The inspection may be conducted through any appropriate means, such as a remote connection to your computers.

### 6.0 Maintenance/Limitation of Liability

Agencies are responsible for procuring the necessary maintenance and repair services for all agency-owned desktop/notebook workstation equipment, desktop/notebook workstation software, internet connectivity and networking, telephone systems, and any related peripheral equipment.

Allstate will maintain the Gateway Portal, and make updates as necessary. Allstate's obligations in connection with Gateway Portal are limited to providing maintenance and making updates as necessary. This obligation is in lieu of all other warranties, expressed or implied, and is further in lieu of any other obligation or liability to pay damages whether direct, indirect, special or consequential, arising out of, or in connection with, the use of the Gateway Portal and/or any company provided software.

Allstate will not be responsible for any delay, failure in performance, or interruption of service resulting directly or indirectly from acts of God, civil disturbance, war, accident, strikes, fire, or other catastrophes, shortage of parts, materials, labor, power, transportation or other events beyond Allstate's reasonable control.

**7.0 Modifications**

The agent may not modify, alter, disclose or distribute software provided by the Company, or the information contained therein. Any software provided must be used in compliance with its license agreement, and in accordance with the purpose for which it was provided. Software provided by Allstate will specify the number of computers on which it can be installed. You may not copy software provided by Allstate unless the software is legally permitted to be copied or shared without violation of copyright or trade mark laws. Allstate retains the right to protect the Gateway Portal and any software it may provide in any way deemed necessary.

**8.0 Notice of Loss**

The agent is responsible for notifying Allstate through the Privacy Incident Reporting Process by reporting the incident to the Allstate Alert Us Line at 1-800-427-9389 when any computer equipment used in the course of conducting Allstate agency business is lost or stolen as that computer equipment may contain customer information. At the end of that equipment's useful life, all customer information must be securely removed as specified in the "Confidentiality of Information" section of Agency Standards.

**9.0 Return of Customer Information and Software**

Upon termination for any reason of your agency relationship with Allstate, you must return all customer information to the Company, along with any software provided by the Company.

Once a copy of the Allstate customer information stored on your agency PCs has been provided to Allstate, all customer information must be securely removed from your PCs as specified in the "Confidentiality of Information" section of Agency Standards.

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## **Chapter 2: Schedule of Commissions**



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## Section 1: Introduction

### 1.0 General

This chapter contains the current commission amounts applicable to products sold by the R3001 Agent. Rules for special commission situations are contained in Chapter 3.

### 2.0 Applying Commission Amounts to Converting Agents' Business

Once the agent has converted to the R3001 Agreement, the next renewal of each property and casualty policy in his or her account will be recorded at the applicable renewal amount contained in this chapter. Prior to each renewal, any policy activity (endorsement, chargeback) will be recorded at the applicable amount from the agent's former agreement.

Commissions for Allstate Financial business issued prior to the agent's conversion will be in accordance with the agent's former agreement, except as follows:

- For agents that converted prior to July 1, 1994, all UL policies written prior to July 1, 1994 that are in their sixth or subsequent policy year will be paid at the current Policy Value rate<sup>1</sup> (Chapter 2, Section 1d). This is in lieu of renewal commission on UL excess premium.

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<sup>1</sup> Not applicable to New York R3001 Agents.

**Section 1a: Auto**

**1.0 General**

Those lines in the Auto line group and included in like lines for purposes of agent commission are listed in Chapter 3, Section 2.

**1.1 Plus Policies<sup>1</sup>**

Commission amounts on Plus Policies, including added coverage, will be 6% on the applicable net written premium for Standard Private Passenger auto policies and 4% on the applicable net written premium for Non-Standard Private Passenger auto policies. Commercially Rated, Non-Fleet Plus Policies will be paid at the rates listed in subsection 4.1 or 4.2.

**1.2 Customer Contact Center (CCC)/Internet Policies<sup>2</sup>**

**Agency Routed**

Policies bound by the Customer Contact Center (CCC)/Internet and assigned to R3001 Agents in Agency Routed status will receive zero percent (0%) new business and 3.5% renewal commissions. Add Cars will be paid at 3.5% new and renewal. Refer to Chapter 4, Section 5, subsection 6.0 for details.

**Direct Transition**

Policies bound by the Customer Contact Center (CCC)/Internet and assigned to R3001 Agents in Direct Transition status will receive zero percent (0%) new business and full renewal commissions.

Commissions on Added Coverages to policies bound by the CCC/Internet and Direct Transition status will be paid at full commissions on the net written premium for the Added Coverage on a pro-rated basis until the next renewal.

**Assigned Agency and Agency Direct**

New, first renewal and subsequent renewal commissions on policies bound by the CCC/Internet and assigned to R3001 Agents in Assigned Agency or Agency Direct status will be 3.5%<sup>3</sup> on the net written premium.

<sup>1</sup> Effective August 1, 2019, the Plus Policy program will be sunset and no new Plus Policies will be assigned. Policies currently in Plus Policy status will remain in Plus Policy status until the five full annual renewal periods have been completed.

<sup>2</sup> Unless identified as resulting from an agent forwarded phone or the agent's home page on the Internet beginning October 4, 2004 and subsequent - agent type 41.

<sup>3</sup> Commissions on policies renewing with an effective and process date prior to October 1, 2004 will be 2% on the net written premium.

Commissions on Added Coverages to policies bound by the CCC/Internet and in Assigned Agency or Agency Direct status will be 3.5%<sup>4</sup> on the net written premium for the Added Coverage on a pro-rated basis until the next renewal. If the Added Coverage to the policy in Assigned Agency status is a Major Coverage and such coverage was added (bound) by an agency, the agency adding the coverage will receive 3.5% on the net written premium for the Added (Major) Coverage on a pro-rated basis until the next renewal and the agency will capture the policy at 3.5% at the next renewal as described in Chapter 4 of this Supplement.

### **Designated Agency**

New, first renewal and subsequent renewal commissions on policies bound by the CCC (prior to September 14, 2009)/Internet that are captured as described in Chapter 4 of this Supplement and are in Designated Agency status will be 3.5% on the net written premium.

Added Coverage to policies bound by the CCC/Internet and in Designated Agency status will be 3.5% on the net written premium for the Added Coverage on a pro-rated basis until the next renewal. At the next renewal, the Designated Agency will receive 3.5% on the entire premium.

## **2.0 Established Agencies**

Voluntary Auto Table 1 (subsection 4.1) is applicable to business that is effective and processed on or after January 1, 2013 for Established Agencies. Policy activity on business that is effective or processed prior to January 1, 2013 will be recorded at the applicable amount from the Voluntary Auto Table 2 schedule in Subsection 4.2.

## **3.0 Start-up Agencies**

Voluntary Auto Table 2 (subsection 4.2) is applicable to Start-up Agencies.

For Start-up Agencies with affiliation dates prior to April 1, 2017 who become an Established Agency by achieving 37 full months of affiliation in the calendar year, Voluntary Auto Table 1 is applicable to business that is effective and processed on or after January 1 of that calendar year. Business that is effective or processed prior to January 1 of the calendar year Established Agency status is attained will be paid at these rates upon the next renewal of each auto policy in the agent's account. Prior to each renewal, any policy activity will be recorded at the applicable amount from the Voluntary Auto Table 2 schedule in Section 4.2. Chargebacks will be recorded at the initial rate paid. For example, in situations where an agency writes a policy as a Start-up Agency and the policy subsequently charges back when the agency is an Established Agency, the chargeback will be at the initial rate paid when the agency was a Start-up.

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<sup>4</sup> Commissions on policies renewing with an effective and process date prior to October 1, 2004 will be 2% on the net written premium for the Added Coverage on a pro-rated basis until the next renewal.

For Start-up Agencies with affiliation dates prior to April 1, 2017 who become an Established Agency by purchasing the economic interest in over 750 Total Personal Lines policies with a combined total of more than \$800,000 in Total Property and Casualty 12mm Earned Premium, Voluntary Auto Table 1 is applicable to business that is effective and processed on or after the month following the purchase. Business that is effective or processed during and prior to the month of purchase, will be paid at these rates upon the next renewal of each auto policy in the agent's account. Prior to each renewal, any policy activity will be recorded at the applicable amount from the Voluntary Auto Table 2 schedule in Section 4.2. Chargebacks will be recorded at the initial rate paid. For example, in situations where an agency writes a policy as a Start-up Agency and the policy subsequently charges back when the agency is an Established Agency, the chargeback will be at the initial rate paid when the agency was a Start-up.

For Start-up Agencies with affiliation dates of April 1, 2017 and later who become an Established Agency by graduating from or losing their eligibility to participate in the Enhanced Compensation Plan (ECP)<sup>5</sup>, Voluntary Auto Table 1 is applicable beginning with business that is effective and processed in the month they become an Established Agency. Business that is effective or processed prior to the month they become an Established Agency will be paid at these rates upon the next renewal of each auto policy in the agent's account. Prior to each renewal, any policy activity will be recorded at the applicable amount from the Voluntary Auto Table 2 schedule in Section 4.2. Chargebacks will be recorded at the initial rate paid. For example, in situations where an agency writes a policy as a Start-up Agency and the policy subsequently charges back when the agency is an Established Agency, the chargeback will be at the initial rate paid when the agency was a Start-up.

## 4.0 Tables

The following tables contain the current commission amounts for R3001 Agents applicable to auto policies, except policies bound by the Customer Contact Center (CCC)/Internet, unless identified as resulting from an agent forwarded phone or the agent's home page on the Internet beginning October 4, 2004 and subsequent (agent type 41) and Plus Policies<sup>6</sup>. Refer to subsections 2.0 and 3.0 to determine which table is applicable.

<sup>5</sup> Refer to the New Agency Program page for details on an Enhanced Compensation Plan (ECP) eligible agency becoming an established agency.

<sup>6</sup> Effective August 1, 2019, the Plus Policy program will be sunset and no new Plus Policies will be assigned. Policies currently in Plus Policy status will remain in Plus Policy status until the five full annual renewal periods have been completed.

**4.1 Voluntary Auto<sup>7</sup> Table 1**

Policies paid based on the commission amounts in the following table are eligible for variable compensation. Refer to the Variable Compensation page on Gateway for information regarding variable compensation.

Line	Commission Amounts			
	New <sup>8</sup> %	First Renewal <sup>9</sup> %	Subs. Renewal %	Added Coverage %
<b>STANDARD</b>				
<b>Private Passenger</b>				
Allstate Insurance	9	9	9	9
Allstate Indemnity – TX	9	9	9	9
Allstate Indemnity – CA <sup>10</sup> , MD <sup>11</sup> , MN <sup>12</sup> & NC <sup>13</sup>	9	9	9	9
Allstate County Mutual - TX	9	9	9	9
Allstate Fire and Casualty Insurance Company – TX, MI <sup>14</sup>	9	9	9	9
Allstate Property and Casualty	9	9	9	9
<b>NON-STANDARD</b>				
Allstate Indemnity - <i>excluding</i> TX	7	7	7	7
Allstate Indemnity – CA <sup>15</sup> , MD <sup>16</sup> , MN <sup>17</sup> & NC <sup>18</sup>	7	7	7	7
Allstate County Mutual – TX	7	7	7	7
<b>Commercially Rated, Non-Fleet</b>				
All Allstate Companies <i>except</i> Allstate New Jersey	9	NA	9	9
Allstate New Jersey	6.5	NA	6.5	6.5

<sup>7</sup> Commission amounts for products sold under the Emerging Business Pilot are located in Section 1f.

<sup>8</sup> Refer to subsection 4.3 for information regarding policies bound through an agent’s home page on the Internet or bound by the CCC as resulting from an agent forwarded phone.

<sup>9</sup> First renewal is applicable to six month auto policies only.

<sup>10</sup> Allstate Indemnity policies effective 6/1/93 and subsequent and Allstate Insurance Company policies effective 1/1/92 through 5/31/93 which were rolled over to Allstate Indemnity after 8/1/93.

<sup>11</sup> Allstate Indemnity policies effective 12/7/2004 and subsequent

<sup>12</sup> Allstate Indemnity policies effective 10/17/2005 and subsequent

<sup>13</sup> Allstate Indemnity policies written in Standard Tiers as part of SRM 2 effective 9/17/01

<sup>14</sup> Effective June 15, 2015, the MCCA assessment is split out from the premium and a flat annual rate of \$8.00 per item will be paid for the assessment.

<sup>15</sup> Allstate Indemnity policies effective prior to 6/1/93 only

<sup>16</sup> Allstate Indemnity policies effective prior to 12/7/2004

<sup>17</sup> Allstate Indemnity policies effective prior to 10/17/2005

<sup>18</sup> Allstate Indemnity policies written in Non-standard Tiers as part of SRM 2 effective 9/17/01

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## 4.2 Voluntary Auto<sup>19</sup> Table 2

Line	Commission Amounts			
	New <sup>20</sup> %	First Renewal <sup>21</sup> %	Subs. Renewal %	Added Coverage %
<b>STANDARD</b>				
<b>Private Passenger</b>				
Allstate Insurance	10	10	10	10
Allstate Indemnity – TX	10	10	10	10
Allstate Indemnity – CA <sup>22</sup> , MD <sup>23</sup> , MN <sup>24</sup> & NC <sup>25</sup>	10	10	10	10
Allstate County Mutual - TX	10	10	10	10
Allstate Fire and Casualty Insurance Company - TX, MI <sup>26</sup>	10	10	10	10
Allstate Property and Casualty	10	10	10	10
<b>NON-STANDARD</b>				
Allstate Indemnity - <i>excluding</i> TX	8	8	8	8
Allstate Indemnity – CA <sup>27</sup> , MD <sup>28</sup> , MN <sup>29</sup> & NC <sup>30</sup>	8	8	8	8
Allstate County Mutual – TX	8	8	8	8
<b>Commercially Rated, Non-Fleet</b>				
All Allstate Companies <i>except</i> Allstate New Jersey	10	NA	10	10
Allstate New Jersey	6.5	NA	6.5	6.5

<sup>19</sup> Commission amounts for products sold under the Emerging Business Pilot are located in Section 1f.

<sup>20</sup> Refer to subsection 4.3 for information regarding policies bound through an agent's home page on the Internet or bound by the CCC as resulting from an agent forwarded phone.

<sup>21</sup> First renewal is applicable to six month auto policies only.

<sup>22</sup> Allstate Indemnity policies effective 6/1/93 and subsequent and Allstate Insurance Company policies effective 1/1/92 through 5/31/93 which were rolled over to Allstate Indemnity after 8/1/93.

<sup>23</sup> Allstate Indemnity policies effective 12/7/2004 and subsequent

<sup>24</sup> Allstate Indemnity policies effective 10/17/2005 and subsequent

<sup>25</sup> Allstate Indemnity policies written in Standard Tiers as part of SRM 2 effective 9/17/01

<sup>26</sup> Effective June 15, 2015, the MCCA assessment is split out from the premium and a flat annual rate of \$8.00 per item will be paid for the assessment.

<sup>27</sup> Allstate Indemnity policies effective prior to 6/1/93 only

<sup>28</sup> Allstate Indemnity policies effective prior to 12/7/2004

<sup>29</sup> Allstate Indemnity policies effective prior to 10/17/2005

<sup>30</sup> Allstate Indemnity policies written in Non-standard Tiers as part of SRM 2 effective 9/17/01

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### 4.3 Policies Bound through an Agent's Home Page on the Internet or Bound by the Customer Contact Center (CCC)/Internet as Resulting from an Agent Forwarded Phone

Personal auto business, including add cars, bound through an agent's home page on the Internet will receive:

- 0% new business (effective October 4, 2004 through December 31, 2008)
- Full new business (effective January 1, 2009 and subsequent)
- Full renewal (effective October 4, 2004 and subsequent)

Personal auto business bound in the CCC/Internet that has been identified as resulting from an agent forwarded phone<sup>31</sup> will receive:

- 0% new business (effective October 4, 2004 and subsequent)
- Full renewal (effective October 4, 2004 and subsequent)
- Add cars will receive full new business and full renewal

If the software used to determine whether the call is from an agent forwarded phone or a direct call to the CCC is not operating, then business bound by the CCC on a new to Allstate customer who does not request an agent will be coded to the CCC house account number, and any existing customers and new Allstate customers that request an agent will be assigned to the agent as an agent type 41.

### 4.4 Residual Market

Allstate agents are not authorized to charge any fees or accept any compensation beyond that provided for in the agent's agency agreement, or the commission as set forth by the particular state residual market plan except they may charge any fee which is specifically authorized by the particular state Assigned Risk plan rules. The commission and any specifically authorized fee for Assigned Risk plan business is intended to cover the agent's total involvement in the act of providing insurance.

#### 4.4.1 Reinsurance Facility (Business Bound by R3001 Agents)

State	Commission Amounts		
	New %	First Renewal <sup>32</sup> %	Subsequent Renewal %
North Carolina	10	10	10
	10	10	6.5

<sup>31</sup> Policies bound through the Extra Hands Call Forward program will receive full new business and full renewal.

<sup>32</sup> First renewal is applicable to six month auto policies only.

State	Commission Amounts		
	New %	First Renewal <sup>32</sup> %	Subsequent Renewal %
New Hampshire <sup>33</sup>			

**4.4.2 Underwriting Association**

State	Commission Amounts
Michigan (AIPF)	10%
Hawaii (JUP) New Business Renewals	8% capped at \$75 per item 5% capped at \$35 per item

**5.0 Allstate Parts and Labor Plus<sup>34</sup>**

	Commission Amount
Agent Produced Business	18%

<sup>33</sup> The New Hampshire Driving Record Surcharge will be excluded from Facility premium for purposes of agent commission. The agent will receive a flat payment of \$5.00 for each driving record point up to a maximum of \$25.00 (5 points).

<sup>34</sup> The Allstate Parts and Labor Plus program has been discontinued effective January 31, 2005.

<sup>34</sup> The Allstate Parts and Labor Plus program has been discontinued effective January 31, 2005.



## Section 1b: Personal Property

### 1.0 General

In cases where a countersigning agent in a non-resident state is to receive a fee for countersigning a policy, this fee will reduce the commission of the Writing Agent. Any such reduction will be reflected on the Writing Agent's production statement.

#### 1.1 Plus Policies<sup>1</sup>

Commission amounts on Plus Policies, including added coverage, will be 6% on the applicable net written premium.

#### 1.2 Customer Contact Center (CCC)/Internet Policies<sup>2</sup>

##### Agency Routed

Policies bound by the Customer Contact Center (CCC)/Internet and assigned to R3001 Agents in Agency Routed status will receive zero percent (0%) new business and 3.5% renewal commissions. Refer to Chapter 4, Section 5, subsection 6.0 for details.

##### Direct Transition

Policies bound by the Customer Contact Center (CCC)/Internet and assigned to R3001 Agents in Direct Transition status will receive zero percent (0%) new business and full renewal commissions.

Commissions on Added Coverages to policies bound by the CCC/Internet and Direct Transition status will be paid at full commissions on the net written premium for the Added Coverage on a pro-rated basis until the next renewal.

##### Assigned Agency and Agency Direct

New and renewal commissions on policies bound by the CCC/Internet and assigned to R3001 Agents in Assigned Agency or Agency Direct status will be 3.5%<sup>3</sup> on the net written premium.

Commissions on Added Coverages to policies bound by the CCC/Internet and in Assigned Agency or Agency Direct status will be 3.5%<sup>4</sup> on the net written premium for the Added Coverage on a pro-rated basis until the next renewal. If the Added Coverage to the policy in Assigned Agency

<sup>1</sup> Effective August 1, 2019, the Plus Policy program will be sunset and no new Plus Policies will be assigned. Policies currently in Plus Policy status will remain in Plus Policy status until the five full annual renewal periods have been completed.

<sup>2</sup> Unless identified as resulting from an agent forwarded phone or the agent's home page on the Internet beginning October 4, 2004 and subsequent – agent type 41.

<sup>3</sup> Commissions on policies renewing with an effective and process date prior to October 1, 2004 will be 2% on the net written premium.

<sup>4</sup> Commissions on policies renewing with an effective and process date prior to October 1, 2004 will be 2% on the net written premium for the Added Coverage on a pro-rated basis until the next renewal.

status is a Major Coverage and such coverage was added (bound) by an agency, the agency adding the coverage will receive 3.5% on the net written premium for the Added (Major) Coverage on a pro-rated basis until the next renewal and the agency will capture the policy at 3.5% at the next renewal as described in Chapter 4 of this Supplement.

#### **Designated Agency**

New and renewal commissions on policies bound by the CCC (prior to September 14, 2009)/Internet that are captured as described in Chapter 4 of this Supplement and are in Designated Agency status will be 3.5% on the net written premium.

Added Coverage to policies bound by the CCC/Internet and in Designated Agency status will be 3.5% on the net written premium for the Added Coverage on a pro-rated basis until the next renewal. At the next renewal, the Designated Agency will receive 3.5% on the entire premium.

## **2.0 Established Agencies**

Personal Property Table 1 (subsection 4.1) is applicable to business that is effective and processed on or after January 1, 2013 for Established Agencies. Policy activity on business that is effective or processed prior to January 1, 2013 will be recorded at the applicable amount from the Personal Property Table 2 (subsection 4.2).

## **3.0 Start-up Agencies**

Personal Property Table 2 (subsection 4.2) is applicable to Start-up Agencies.

For Start-up Agencies with affiliation dates prior to April 1, 2017 who become an Established Agency by achieving 37 full months of affiliation in the calendar year, the Personal Property Table 1 is applicable to business that is effective and processed on or after January 1 of that calendar year. Business that is effective or processed prior to January 1 of the calendar year Established Agency status is attained will be paid at these rates upon the next renewal of each property policy in the agent's account. Prior to each renewal, any policy activity will be recorded at the applicable amount from the Personal Property Table 2 schedule in Section 4.2. Chargebacks will be recorded at the initial rate paid. For example, in situations where an agency writes a policy as a Start-up Agency and the policy subsequently charges back when the agency is an Established Agency, the chargeback will be at the initial rate paid when the agency was a Start-up.

For Start-up Agencies with affiliation dates prior to April 1, 2017 who become an Established Agency by purchasing the economic interest in over 750 Total Personal Lines policies with a combined total of more than \$800,000 in Total Property and Casualty 12mm Earned Premium, the Personal Property Table 1 is applicable to business that is effective and processed on or after the month following the purchase. Business that is effective or processed during and prior to the month of purchase, will be paid at these rates upon the next renewal of each property policy in the agent's account. Prior to each renewal, any policy activity will be recorded at the applicable amount from the Personal Property Table 2 schedule in Section 4.2. Chargebacks will be recorded at the initial rate paid. For example, in situations where an agency writes a policy as a Start-up