EXCLUSIVE AGENCY

INDEPENDENT CONTRACTOR

REFERENCE GUIDE

(Applies to all states except New Jersey)

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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.

This Exclusive Agency Independent Contractor Reference Guide (“Reference Guide”) is provided for informational purposes only. It contains additional information concerning the operation of the EA program, certain legal compliance issues, and suggestions for operating an insurance agency based on Allstate’s past experience.

Although the Company believes that this Reference Guide will be helpful to you, you are not required to adopt any particular procedures suggested in this guide.¹

This Reference Guide is not incorporated into the R3001 Agreement and does not alter or effect that Agreement’s terms in any way. The Reference Guide does not create any rights, duties or obligations of any kind for either you or the Company.

¹ Portions of the Reference Guide discuss various laws that may apply to your agency operation. As provided in the R3001 Agreement, you are required to comply with all applicable laws. The information provided in this guide is intended to assist you in understanding your legal obligations. It does not create any additional duties or responsibilities. This Reference Guide is not intended as legal advice and if you have questions regarding any specific legal requirements, you should consult with a qualified legal advisor.
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,” or “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 Supplement mean the Supplement for the R3001 Agreement.
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General Program Information

What Is an EA?

An R3001 Exclusive Agent is an independent contractor who is an exclusive writer of Allstate insurance, except for certain types of business specified in the R3001 Agreement and the Supplement for the R3001 Agreement ("Supplement"), e.g. residual market business, accommodation business, and expanded market coverage business. The Exclusive Agent (EA) program provides you with the opportunity to build a profitable book of business within the Company’s business system. You will operate in a commercial office, have the opportunity to invest in your future, and make the kinds of business decisions necessary to achieve your business objectives and those of the Company. This program gives you the opportunity to build an economic interest in accounts developed as an R3000 and/or R3001 Agent.

Becoming an R3001 Agent

Convert From the R3000 Agreement

If you are currently an R3000 Agent, you may become an R3001 Agent if you have met all the requirements for conversion, including, but not limited to the following:

You

- Must complete the securities licensing requirements
- Must attain an acceptable level of prospecting activities
- Must complete the prescribed development plan
- Must achieve the production requirements
- Must attain an acceptable level of customer service
- Must obtain errors and omissions (E&O) coverage through CalSurance²

Please note that becoming an R3001 Agent is always subject to final Company approval.

² If in New York and choose to opt out of participation in the Allstate Sponsored Group E&O Program, you still must provide proof of coverage to Allstate from the new insurance carrier.
Direct Appointment or Purchase an Agency

You may become an R3001 Agent via direct appointment or by buying an existing R3001 Agent’s (selling agent) economic interest in business produced under the R3000 and/or R3001 Agreements if you are approved as a buyer by Allstate at its sole discretion. You may also purchase the selling agent’s interest in the business produced under any prior Allstate agent agreement.

To be approved by the Company as a direct appointment or as a buyer, you must have met the following conditions:

You

• Must have the available start-up liquid capital\(^4\) to meet the cash flow market requirement
• Must complete and submit an R4018 - Agency Purchase Approval Request (Exhibit M)\(^5\) to the local sales leader. (Buyer only)
• Must complete the Agent Selection Process (ASP) and obtain a PASS score. (Includes candidates with Allstate Field Sales Leadership and Allstate Agency Owner experience.)
• Must have results on the background check (credit and criminal records), which are satisfactory to the Company.
• Must submit an acceptable updated business plan that includes goals for such items as P&C Growth, Allstate Financial, marketing, and agency management. Your business plan must be consistent with Company and market objectives. Further, for buyers only, the business plan must include clearly defined strategies to address any areas that need improvement in the selling agent’s agency as identified by the Company.

Note: We will rely on your business plan to establish the basis for our ongoing relationship. The business plan you submit is also your commitment to achieving the results stated in the plan once you become an R3001 Agent. Improved results in areas in which the agency is deficient will be expected.

• Must read the Form U-4, Uniform application for Securities Industry Registration or Transfer, and must read and sign the appropriate Letter of Understanding

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3 Allstate Financial Specialists will only be considered as potential buyers of R3001 agencies if the agency location is outside the market(s) where the Financial Specialist currently works, all existing Allstate Financial accounts are transferred to the agent of record or to an approved Financial Specialist, and the person has demonstrated success in the role of Financial Specialist.

4 Acceptable forms of liquid capital are checking accounts, money market accounts, short-term certificates of deposit (CDs), and savings accounts.

5 Sale of Agency as a result of permanent incapacity or death of Agent/Key Person – Documentation must be provided that demonstrates that the seller of the economic interest in the book of business has authority to act on behalf of the Agent/Key Person (e.g. legal guardianship, conservatorship, durable power of attorney) or on behalf of the estate of the Agent/Key Person (e.g. letters of administration or letters testamentary). This documentation must be forwarded to Rick Comm in Home Office Agency Distribution for review and approval before the sale can take place.
• Must obtain the appropriate individual resident (and non-resident, if applicable\(^6\)) licenses (Property, Casualty, Life, Health, Motor Club, and Securities\(^7\) as applicable in your state) and an agency license and/or registration, where required by law, if you are signing the C version of the R3001 Agreement. The agency license and/or registration are in addition to your individual license. The agency license and/or registration must be obtained prior to the execution of the C Agreement. Refer to the section on Agency Licenses in this reference guide for additional information.

Note: Some states may also require your agency name or d/b/a to be registered or recorded with the government authority responsible for registering and recording general business names. Some states will not permit anyone other than a natural person to obtain a resident license. Also, some states will not issue a non-resident license to a corporation or limited liability company.

• Must obtain errors and omissions (E&O) coverage through CalSurance\(^8\) prior to the execution of the R3001 Agreement

• Must complete the following education **prior** to the execution of the R3001 Agreement:
  
  • New Agency Owner Education in a local Allstate office
  
  • Allstate University curricular conducted by Home Office in Illinois
  
  • Other education as designated by the Company

Note: Agency owner candidates must have their P&C licenses before beginning education. Sales leadership will arrange for this education **prior** to the execution of the R3001S (or C) Agreement. You should understand that during this education period, Allstate will not pay you compensation or reimburse expenses associated with your education. However, upon successful completion of the education program and after signing the R3001 Agreement, you will receive an education bonus.

• Must meet other criteria as the Company may adopt from time to time.

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\(^6\) If the selling agent’s office is an approved border location, your office must also qualify as an approved border location. Otherwise, the sale will not be approved.

\(^7\) If you signed an R3001 Agreement effective 8/1/2000 or after, you must obtain a Series 6 license, obtain a Series 63 license (where required by state law), obtain variable authority (where required by state law), and successfully complete Phase I Education (CAF Curriculum). Failure to meet the above requirements within the allotted timeframe will result in termination of your agency relationship by the Company. Further, failure to remain securities licensed and maintain your affiliation with Allstate Financial Services, LLC (or LSA Securities) will result in the termination of your R3001 Agreement by the Company.

\(^8\) If in New York and choose to opt out of participation in the Allstate Sponsored Group E&O Program, you still must provide proof of coverage to Allstate from the new insurance carrier. This must be done prior to the execution of the R3001 Agreement.
Please note that becoming an R3001 Agent is always subject to final Company approval.

Note: Buyers who are existing:

- **Agency Staff**

  If you are an existing agency staff person in an Allstate agent’s office, you must meet all of the requirements listed above in order to be approved as a buyer. In addition, as part of the approval process, the Company will consider the skills that you have demonstrated which would indicate the potential to successfully run the agency. This includes such things as your management skills, sales skills, people skills, product knowledge, etc.

- **Non-agent Company Employees**

  If you are an existing non-agent Company employee, you must meet all of the requirements listed above in order to be approved as a buyer, except for completing the ASP if you were formerly in the agent position or in sales leadership. Approval is also contingent on the Company’s assessment of its staffing needs and readiness to fill your current position.

  In addition, your background and work history must support a reasonable expectation that you will have the ability to successfully operate and manage an agency. Further, you must have a satisfactory business relationship with Allstate, including having an “exceptional”, “outstanding”, or “successful” rating on your most recent Performance Development Summary. This also includes acting professionally with all representatives of the Company, and demonstrating a willingness to work with Company leadership to achieve desired business results.

If you are approved as a buyer, the termination of the selling agent’s R3001 Agreement and execution of a new R3001S (or C) Agreement by you must occur simultaneously.

**C Version of the R3001 Agreement**

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

The C Agreement is between the Company and the corporation or LLC, with the agent named as the Key Person. Under the C Agreement, there is only one Key Person associated with the particular entity (one employer tax identification number); that person is the agent. The Key Person is the one who executes the agreement.

Note: The Company will not enter into or continue the C Agreement with a corporation or LLC, which is used to run any other insurance agency operation.

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9 Please refer to the EA Manual for additional information on this topic.
The C agreement may be executed upon entering the EA program or after you have entered the program and subsequently form a corporation or LLC. As an employee of the corporation or LLC, you, as the Key Person must also execute the Confidentiality and Non-Competition Agreement [(Form R2459A/C for countrywide excluding Montana (Exhibit D) and form R2459A/CMT for Montana only (Exhibit F)].

Note: If you wish to switch from the R3001C (or A) Agreement to the R3001S Agreement, you must provide documentation or information satisfactory to the Company that demonstrates you have the authority to terminate the agency agreement on behalf of the corporation or LLC and enter into an agency agreement with the Company as a sole proprietor.

Agency Licenses

An R3001 Agent may or may not need to get an agency license. The answer will vary depending on how the R3001 Agent operates and the licensing requirements of the particular state(s). Most states require a corporation or limited liability company to obtain an agency license, while at least one state, Florida, permits it, but only requires it in limited circumstances that relate to the activities of an agency principal. Under most circumstances, Florida does not require a corporation or LLC to obtain an agency license in order to be paid commissions. Please note that this information does not encompass life insurance. For agencies participating in the Ivantage expanded markets programs, you may, in some cases, be required to obtain a broker’s license and/or a broker bond. Agencies are expected to be properly licensed or agencies will be refused from participation. In addition, this information is subject to changes in the laws and regulations of each state. As with all legal matters, you are encouraged to seek independent professional assistance on these issues. If there is a requirement that an agency license be obtained, it must be obtained prior to the execution of the R3001C Agreement.

Use of R3001 Agency Name or D/B/A with Allstate Name

You should be aware that some states may: 1) restrict your ability to use certain words as part of your agency name; 2) require the registration of your agency name or d/b/a whether or not it includes your true name; or 3) require you to obtain a separate insurance license for the agency, regardless of whether the agency name includes your true name or whether the business is incorporated.

It is your responsibility to work with your legal advisor to make sure that your agency name or d/b/a is legally acceptable for use in your state. The Company does not make this determination. It only evaluates the entity name or d/b/a to determine that it is appropriate to use with the Company’s name. You also need to make sure that your agency name or d/b/a is registered, recorded, or licensed with the appropriate government authorities where required. You should be aware that some states may require you to register or record your agency name or d/b/a with both the government authority responsible for registering or recording general business names and the state’s insurance regulatory authority.
Before You Sign the Agreement

Here are the steps you’ll take before you sign the R3001 Agreement.

- Read the EA Independent Contractor Manual, the EA Independent Contractor Reference Guide, the Supplement, the R3001S\(^{10}\) (or C) Agreement, and the Allstate Agency Standards.

- Discuss the program with outside business advisors.

- Read the Form U-4, Uniform application for Securities Industry Registration or Transfer, and read and sign the appropriate Letter of Understanding.\(^{11}\)

- Get licenses in Property/Casualty, Life/Health, and Motor Club, as applicable in your state.\(^{12}\)

- Get an agency license and/or registration, if your state requires it, if you are executing the C version of the R3001 Agreement.

- Get your agency name recorded, registered or licensed, if your state requires it.

- If you are purchasing an existing agency, complete the required education program\(^{13}\).

- Negotiate the lease or sub-lease for your office. The Company must approve your sales location.

- Make arrangements with the Company or the selling agent for furniture, equipment, phones, signs and supplies. These arrangements are discussed in detail in the section on Setting up Your Office in this reference guide.

Additional Optional Insurance

The EA Manual describes the insurance coverages that you are required to maintain as an R3001 Agent. In addition to the required coverages, you should also consider carrying employers non-owned liability coverage for non-owned autos used in the business by anyone other than you (e.g. agency staff). This coverage is available on an Allstate Customizer policy. Agents who qualify for an Allstate commercial auto policy can add the employers non-owned liability coverage to that policy.

\(^{10}\) The R3001S Agreement is not available in Montana.

\(^{11}\) If you are converting from the R3000 Agreement, you should have completed this during your time as an R3000 Agent.

\(^{12}\) If you are converting from the R3000 Agreement, you should have completed this prior to being appointed.

\(^{13}\) Agency owner candidates must have their P&C licenses before beginning education.
As an R3001 Agent, you may want to purchase Fire and Extended Coverage protection for your personal and business property. If required by your lease agreement, you may need glass coverage. You may also want to consider purchasing a Fidelity Bond for possible employee dishonesty exposures. The Allstate Customizer policy may be endorsed to provide coverage for money, securities and property taken by dishonest acts of employees or contract employees. You may be covered for limits of $5,000, $10,000, $20,000, $30,000, $40,000, or $50,000. A $250 deductible applies to each loss.

If you intend to have employees, you may want to consider obtaining Employment Practices Liability (EPL) coverage. Typically, EPL policies include coverage for discrimination, sexual harassment and wrongful termination. The Company has made available an opportunity for you to enroll in an EPL program offered through CalSurance. This optional coverage will be attached to the Errors and Omissions insurance coverage, but with separate limits and deductible. The CalSurance website can be accessed at www.calsurance.com/allstateagent.

**Recognition**

As an R3001 Agent, you may participate in the Company’s recognition programs. The Company conferences, such as Regional Honor Ring, Circle of Champions and Inner Circle Elite, will include the award trip plus an award tax offset. The monetary value of the award plus any award tax offset will be included in your Form 1099 for income tax reporting purposes. You will be the recipient of the award. Other awards and trips, such as the Regional Award trip, may not include an award tax offset and all taxes will be the responsibility of the agent. Participation in all awards and recognition programs is voluntary.

Awards are not transferable to any other individual, except as permitted by the Company. The Company will not give awards directly to your agency staff to recognize them for their services. Our relationship is with you. We can give awards to you, and it is up to you to pass them on to your agency staff if you wish, with the exception of awards associated with our national recognition programs, such as Regional Honor Ring, Circle of Champions, Inner Circle Elite, and Leaders Forum, or any other event where the eligible attendees are specified and do not include agency staff.

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

**Satellite Agencies created on or after January 1, 2008 and Enhanced Satellite Agencies (ESA)**

When an agency has a Satellite Agency (created on or after 1/1/2008) or an ESA, both the primary agency and Satellite or ESA qualify for promotions and awards separately. If both the primary agency and Satellite or ESA qualify for the same promotions/awards conference, someone affiliated with either the primary agency or the Satellite or ESA must attend the conference. If a Satellite Agency or an ESA qualifies for a conference but the primary agency does not, the agency owner/principal would qualify to participate in the conference.
Satellite Agencies created prior to January 1, 2008

Agencies with Satellite Agencies (created prior to January 1, 2008) can qualify for promotions and awards as an “entity”, combining the results for all agencies, as long as the Satellite Agency location and primary location are within the same state and still have active agreements at the end of the promotion/award period. For Satellite Agency and primary locations that cross state lines, qualification for promotions and awards are separate. Unless otherwise stated, the award trips may only be awarded to and attended by the R3001 Agent.

Note: During the 2009 calendar year, agency owners with Satellite Agencies opened prior to January 1, 2008 can opt to convert those Satellite Agencies to stand-alone agencies for recognition purposes.14 For those Satellite Agencies that have been converted to stand-alone agencies, the rules for Satellite Agencies created on or after January 1, 2008 will apply.

Again, agent awards are not transferable to any other individual except as permitted by the Company. You must have a valid in-force R3001 Agreement at the time that the award is received or the conference/forum takes place. Please note that Honor Ring jewelry can only be awarded to the R3001 Agent.

You are solely responsible for income tax liability resulting from the receipt of any recognition award. Prizes are not grossed up for tax purposes and may be declined at your discretion.

Note: Performance One points earned prior to your becoming an R3001 Exclusive Agent are still available to you after becoming an R3001 Exclusive Agent. You should contact the regional Promotion Coordinator to have your agent profile updated with your new 10-digit identification number as an R3001 Agent which you can obtain from Human Resources.

Continuing Education Requirements

You may attend ongoing professional education courses offered by the Company to meet continuing education requirements. If you paid for a course that you started as an employee agent, reimbursement may be made for that course. (See below if the course also satisfies a professional designation requirement.)

Incentives for Obtaining Professional Designations

As an R3001 Agent, you will receive a cash incentive for successfully completing a course and passing the exam which leads to obtaining one of the professional designations approved by the Company, e.g. CFP, ChFC, CLU, CPCU, CIC, LUTCF, CRPC, and CLTC. The incentive amount will be based on the approved cost of the course and exam and will be paid to you after passing the exam. The Company may also provide additional incentives, e.g. cash awards and trips, to you on achieving such designations. The incentive amount will be included in your Form 1099 for income tax reporting purposes. For further information regarding approved professional designations, access the EA/EFS Professional Designations/Certifications website located on Gateway.

14 See your local sales leader for information on how to convert your Satellite Agencies.
Agency Affiliation Recognition Award

Your long-term agent relationship with Allstate is valued by the Company and does not go unnoticed. Your time representing Allstate, as an agent, will be recognized through the Agency Affiliation Recognition Award.

The recognition will be applicable for your accumulated relationship time, as an Allstate Agent, and will be measured in five-year increments. Affiliation will be counted from the date you or your agency (corporation or LLC), whichever is earlier, began acting as an agent on behalf of the Company. For example, if you began an agency affiliation with the Company on September 1, 1975, you would reach your 30-year milestone as of September 2005.

When you reach these milestone anniversaries, you or your agency will receive an Allstate Agency Affiliation plaque. Either your name or the name of your agency will be etched on a nameplate. Additional medallions will be presented to you to be added to the plaque as future five-year milestones are reached.

Referral Program

As an R3001 Agent, you may receive a monetary award for referring people to Allstate who are hired as employees by the Company or appointed as Exclusive Agent or Exclusive Financial Specialist independent contractors. The Company determines the amount of the award and the time period in which the person must remain employed or appointed to qualify for the award. Please contact the local Human Resource Department for the specifics on this program.

Matching Grant Program

As an R3001 Agent, you may participate in the Allstate Foundation Matching Grant Program for Higher Education. Further details on the Matching Grant Program can be found on the Corporate Relations Website.

Scholarship Program

As an R3001 Agent, your dependent children may be eligible to participate in The Allstate Foundation Scholarship Program. Further details on the Scholarship Program can be found on the Corporate Relations Website.
Allstate Deferred Compensation Plan for Independent Contractor Exclusive Agents

As an R3001 Agent, you are currently eligible to participate in the Allstate Deferred Compensation Plan for Independent Contractor Exclusive Agents (the Plan) if you operate your business as a sole proprietorship and have submitted a Form W-9 to the Commission COE substantiating your business as a sole proprietorship.

When you enroll in the Plan, you are required to elect a distribution option. You may revise your distribution election any day before the day you separate from service, but distributions will not start for at least twelve months after the Allstate Benefits Center has received your revised election. Separation from service means the termination of your agency relationship with Allstate without subsequent employment with Allstate or its affiliates.

When you separate from service you will be eligible for a distribution of your account balance based upon the distribution option you selected. If you have questions about your distribution election or the deferred compensation plan in general, you should call the Allstate Benefits Center at 1-888-255-7772.

Identified Benefit Options

As an R3001 Agent, you will be responsible for the cost of the personal benefits you select.

Agent Information

As an R3001 Agent, you will have access to view your business results in one easy-to-use dashboard. The dashboard is titled My Agency Results and can be accessed by clicking the My Agency Results tab at the top of the Gateway website. My Agency Results (MAR) provides such measures as sales production, customer retention and agency profitability. The tool allows you to set personalized goals, track staff production, and identify effective marketing campaigns. An integrated New Business Log provides a comprehensive, detailed view of your new business activity including sub-producer, Lead Source and Lead Source Detail information.

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15 Complete details of the Plan are contained in the Plan document. If there are any discrepancies between the information provided above and the Plan document, the Plan document will govern. Allstate reserves the right to change or terminate this Plan at any time. The Plan document can be found on the Incentives & Compensation page of Gateway or by using the following link: [https://agencygateway1.allstate.com/wps/myportal/id/56684](https://agencygateway1.allstate.com/wps/myportal/id/56684).
MAR is made up of a series of 8 portlets (sections of similar information) with the ability to drill into more detail breaking down by product lines and details. The 8 portlets include:

- **Property & Casualty**
  - Key Metrics including Retention and Loss Ratio, Policies in Force, Households, Written Premium, and Product Mix
  - Sales and Service activity including YTD Quotes, Discount Effectiveness, and AES Score
  - My Work Items including Leads Conversion Rate, Retention Items, and Completion Rate
  - New Business activity including Issued Policies, Issued Items, Issued Premium, and New Product Mix
- **Financial Services** includes Production Credit, Commission Scale, Policies, Financial Product Mix, and more
- **My Compensation** includes monthly and YTD production and more
- **My Bonus** includes your Portfolio Growth, Household Bundling, and Executive Advantage allocation
- **My Awards** provides details on the upcoming conferences and shows conference award levels achieved as well as your status for the AFS, LLC and the Life & Annuity programs
- **Staff Portlet** provides details for how many licensed and unlicensed support staff you have
- **Terminated Payment Provision (TPP)** provides Allstate’s view of what the economic interest in the book of business you service is worth (if applicable)
- **Related Resources** provides links out to other sites like accessallstate.com, SMART reports, the Manual of Achievement and more

**Sub-Producer Reports**

You will have the ability to identify PP&C and Commercial Non-Fleet Auto business written by your sales producers by using special sub-producer codes\(^{16}\). These numbers will be assigned and controlled by you. Monthly individual sub-producer production reports (A06) and a List 60 will be provided to you based on the sub-producer code recorded on policy records and input by the Support Center or input into ALSTAR. These reports are located on SMART, which can be accessed through Gateway. When you use sub-producer codes you may use any number between 001 and 998. (Please note that the selected sub-producer code cannot be the same as your location number.) This number can be input into ALSTAR and the Detailed Staff Information Screen in the Agency Staff Data Tool (ASDT) or it should follow your agent number on any new business applications submitted to the Support Center for input.

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\(^{16}\) Refer to the section on [Assigning Sub-Producer Codes to Purchased Books of Business](#) in this reference guide for additional information.
The sub-producer code input when new business is processed will also appear on any subsequent renewals. The system will not handle multiple sub-producer codes on a policy. Therefore, if a new sub-producer code is input at a later time, the new sub-producer code will replace the original sub-producer code. Any subsequent activity to the policy, including renewals, will show the new sub-producer code instead of the sub-producer code originally input when the new business was processed. It is recommended to never reuse sub-producer codes to eliminate confusion between written business from previous staff or current staff.

**Agent Identification**

The EA program requires the use of separate agent number classifications to identify processed new business for List 60, production and commission statements, and for ALSTAR.

The Allstate agent number on your agent stamp will begin with a “0” as the leading number and be followed by your 5-digit Allstate agent number. This number, e.g. (012345), will be used when processing new Allstate business, service request forms, and ordering supplies.

For List 60, production and commission statements, and agent commission inquiries, the prefix will be changed to a two-digit agent type, i.e. agent type 41.

ALSTAR usage requires that you use A0 as the leading letters followed by the 5-digit agent number, e.g. (A012345).

Additional agent numbers are required for Lincoln Benefit Life (excludes New York), American Heritage Life (excludes New York), Lincoln Financial [formerly known as Jefferson Pilot (New York only)], John Hancock (New York only), Allstate Financial Services, LLC\(^\text{17}\), Prudential, mutual fund business, and other third party products (i.e. CBIZ, Crump).

\(^{17}\) LSA Securities in the states of PA and LA.
Lease Negotiations

If you should decide to change your office location, you must select a location within a geographical area specified by the Company that is subject to Company approval. All lease agreements executed by you must be solely in your name or agency name. Allstate’s name must not appear in the lease. The following disclaimer should be included in the lease:

“The obligations under this lease are the obligations of the Lessee personally and not that of any insurer with which Lessee may be affiliated. Lessor agrees that this agreement is solely between itself and the Lessee personally and Lessor hereby waives any claims, rights of action, or liabilities whatsoever against any insurance company with which Lessee may be affiliated which may arise out of this lease.”

The following language should also be added to any lease form:

**Lessor responsible for common areas, lessee responsible for leased premises:**

“Lessor shall be responsible for any changes necessary to comply with any federal or local disability discrimination laws and regulations in the common areas of the building or project. Lessee shall be responsible for any changes required to the Leased Premises necessary to comply with such laws and regulations, and any requirements which may impose any duty upon Lessor or Lessee applicable to the Lessee’s use or occupancy of the Leased Premises. Lessor agrees to indemnify and hold Lessee harmless against all claims and liability for Lessor’s failure to comply with Title III of the Americans with Disabilities Act with respect to the common areas of the building or project or improvements to the Leased Premises constructed by Lessor.”

A provision of the Americans with Disabilities Act of 1990 (ADA) requires that facilities be made accessible to qualified applicants and employees with disabilities as a reasonable accommodation, unless this would cause undue hardship. Accessibility must be provided to enable a qualified applicant to participate in the job application process, to enable a qualified individual to perform the essential functions of a job and to enable an employee with a disability to enjoy benefits and privileges of employment available to other employees. Places of public accommodation and commercial facilities, including insurance offices, are required to provide accessibility for disabled persons in both new construction or when making alterations to existing structures. You should seek to lease space in an office building that has met this requirement. As you add agency staff, you will want to make certain that your office space also provides accessibility for disabled applicants and personnel.

Subleasing Allstate Space

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18 Refer to the section on [Relocating Your Office](#) in this reference guide for additional information.
R3001 Agents who would like to lease an existing office leased by Allstate may do so, subject to Company approval. We have included the sublease agreement (Exhibit N) that must be signed by you if you have received approval to sublease space in a Company leased building. This form is called the Assignment and Assumption of Lease. By signing this form, you will assume all responsibility for the lease with Allstate’s consent.

**Review Process for “Company Initiated” Terminations of R3001 Agreements**

The Company has a review process in place with respect to all “Company Initiated” terminations of R3001 Agreements. The process requires that requests for termination of agreements be submitted for a review by an EA steering committee. The role of the EA steering committee is to make sure that the proposed termination is appropriate.
Sale of Agency

Valuing an Agency

There are numerous accepted methods used to value an agency and the value will vary depending on the method chosen. The sale value is generally tied to market conditions at the time of sale and is determined by what an approved buyer is willing to pay. If the agency is being valued based on earned premium, please keep in mind that the earned premium appearing in the CSRP report includes earned premium on policies that have terminated and that Plus Policies are paid at a different commission amount.

Sale of an Ivantage Expanded Market Book of Business

As stated in the Exclusive Agent Independent Contractor Manual, Sale Processing, and the R3001 Supplement, Chapter 5, an Exclusive Agent may not have ownership rights to the business written in the Ivantage expanded markets programs except as specifically provided. However, an Exclusive Agent may request the transfer of the expanded markets policies to the approved purchaser of his or her economic interest. The expanded market book of business will automatically transfer to the purchasing agent on the effective date of the Allstate book of business transfer.

All Ivantage expanded market programs prohibit the practice of splitting books among agencies.

The selling agent must provide written notification of his or her intent to terminate as an Allstate agent to Ivantage and each respective program vendor to which the agent has been appointed. When commissions are processed through Ivantage, any commissions earned by the selling agent within 30 days prior to termination will be paid to the buying agent, if there is one. Otherwise, all such commissions will be retained by Ivantage.

Any purchasing agent who receives an expanded market policy(ies) must enroll with each Ivantage expanded market program prior to the completion of the transfer of the policy(ies). The purchasing agent is eligible to receive commission for the expanded market book of business on the effective date of the transfer. Commission details may be found in the R3001 Supplement.

Audit of the Book of Business Serviced by a Selling Agent

Prior to the sale of your agency, an audit should be run. (A Commercial book of business audit must be requested from the RCC.) The audit will be helpful to a buyer to verify that policies which were identified as eligible for sale have been transferred to the buying agent’s number.

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19 Any reference in this Reference Guide to the sale of an agency or the sale, transfer, or purchase of a 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. Please refer to the EA Manual for additional information on this topic.
Note: By selecting the limiting field “Buyout Indicator”, ALSTAR’s General All Purpose audit will provide a list of policies written under the R3000 and R3001 Agreements. Also, by selecting the limiting field “Plus Policies”, ALSTAR’s General All Purpose audit will provide a list of Plus Policies and by selecting the limiting field “Requested Agent Policies”, ALSTAR’s General All Purpose audit will provide a list of Requested Agent policies.

Outside Buyer Approval

If you elect to sell your economic interest in the book of business serviced by your agency to an outside buyer, the following process should be followed:

<table>
<thead>
<tr>
<th>STEP</th>
<th>PROCEDURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>You must secure a buyer candidate sufficiently in advance to allow the Company time to determine whether the buyer is qualified and to give the candidate time to obtain the appropriate resident (and non-resident) licenses, read the Form U-4 (Uniform application for Securities Industry Registration or Transfer, read and sign the appropriate Letter of Understanding, and complete the education requirements.</td>
</tr>
<tr>
<td>2</td>
<td>You must submit the buyer candidate to sales leadership for approval along with a completed R4018 - Agency Purchase Approval Request (Exhibit M).</td>
</tr>
<tr>
<td>3</td>
<td>If the candidate is not approved, you may want to submit another buyer candidate. If approved, all remaining terms of the sale should be finalized between you and the approved buyer. The purchase must be effective on the first calendar day of the month and all transfers of the book of business will be done as described in Sale Processing. The following education must be completed by the buyer prior to the sale becoming final:</td>
</tr>
<tr>
<td></td>
<td>• New Agency Owner Education in a local Allstate office</td>
</tr>
<tr>
<td></td>
<td>• Allstate University</td>
</tr>
<tr>
<td></td>
<td>• Other education as designated by the Company</td>
</tr>
<tr>
<td>4</td>
<td>Your R3001 Agreement should be terminated pursuant to the termination provision in the agreement. Although your agreement has been terminated, your agent number will remain active on SAP until the eligible policies have been transferred to the new agent number. The buying agent should execute a new agreement effective the first calendar day of the month. (See Timeline for Transferring an R3001 Exclusive Agent’s Book of Business to an Approved Buyer).</td>
</tr>
</tbody>
</table>

Sale Processing

The PP&C and Commercial Non-Fleet Auto book of business will be transferred on the system during the first workweek following the effective date of the sale and all other commercial and

20 Agency owner candidates must have their P&C licenses before beginning education.

21 Sale of Agency as a result of permanent incapacity or death of Agent/Key Person – Documentation must be provided that demonstrates that the seller of the economic interest in the book of business has authority to act on behalf of the Agent/Key Person (e.g. legal guardianship, conservatorship, durable power of attorney) or on behalf of the estate of the Agent/Key Person (e.g. letters of administration or letters testamentary). This documentation must be forwarded to Rick Comm in Home Office for review and approval before the sale can take place.
Allstate Financial policies\(^{22}\) beginning in the second workweek. Once the policies have been transferred, the buying agent will be able to access them on ALSTAR. If the buying agent cannot access the transferred policies, he should contact the ALSTAR Support Unit (ASU) at the National Support Center (NSC) for a refresh of the book of business. It should be noted that it might take at least two refreshes before all the transferred policies are accessible on ALSTAR.

Note: Even though the physical transfer may not occur on the first day of the month, commissions on all premium transactions processed under your (selling agent’s) number after the effective date of the sale and prior to the transfer will be paid to the buying agent.

The buying agent will receive multiple CSRP reports, including: 1) the EA Primary Only report, 2) the EA Purchased report, and 3) the EA Combined Business Summary report. The EA Primary report is the buying agent’s CSRP. The EA Purchased report is the CSRP for the purchased book, which includes the selling agent’s name and agent number. The EA Combined Business Summary report is a combination of the EA Primary report and the EA Purchased report. Please note that if an agent has purchased more than one book, the buying agent will receive CSRP reports for each book purchased.

An outside buyer should be issued a new agent number a minimum of 15 days prior to the effective date of the purchase and the new agent number should be transmitted for BOAT deck purposes a minimum of 15 days prior to the end of the month. (The effective date for setting up a new agent number on the SAP/BOAT deck has to be the first of the month, but it can be processed prior to the sale date).

An outside buyer will start fresh for Agency Development Bonus (if eligible), Agency Development Bonus I (if eligible), Agency Development Bonus II (if eligible), Incentive Agency Development Bonus (if eligible), and Assets Captured Bonus purposes. The buying agent will not be eligible for any awards that have been credited to the selling agent or any Agency Development Bonus, Agency Development Bonus I, Agency Development Bonus II, Incentive Agency Development Bonus, or Assets Captured Bonus that the selling agent may be receiving under the R3001 Agreement.

For List 60 purposes, an outside buyer will start fresh for PP&C, flood, motor club lines, and Allstate Financial production credit\(^{23}\). However for Resources for Growth, an outside buyer will receive credit for Emerging Businesses lines sold by the selling agent. Credit for these Emerging Businesses lines will not be reflected on the List 60, but will instead be reflected on the Resources for Growth Emerging Businesses Report (RFG EB Report).

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\(^{22}\) If the buyer does not obtain a securities license or variable Lincoln Benefit Life agent number 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.

\(^{23}\) Allstate Financial production credit chargebacks that occur after the sale will be reflected on the buying agent’s List 60.
For purposes of the Agency Bonus, an outside buyer will be eligible to receive credit for all Agency Bonus measurements that were earned by the seller during the bonus year in which the sale is effective. For purposes of Expected Results, an outside buyer will be eligible to receive credit for the seller’s results for Expected Results during the calendar year in which the sale is effective.

**Commissions Applicable to Purchased Book of Business**

A sale of agency audit will be run (which is different from the ALSTAR audit the agent runs) that will change the old agent number on active eligible policies to the new agent number. Any positive or negative activity recorded after the sale of agency effective date regarding policies (selling agent’s active and terminated policies) will be recorded under the new agent number, e.g. endorsements, charge backs, etc. Consequently, the buying agent may receive a charge back on a policy where the commission on the policy was paid to the selling agent. Both the selling and buying agents may want to take this into consideration when structuring the sale.

If there are any Plus Policies in the book of business serviced by the selling agent, the policies will remain as Plus Policies and the Plus Policy commission amount will be in effect for five (5) full annual renewal periods after the policies are transferred to the buying agent. Any completed portion of the five annual renewal periods, in which the Plus Policy commission amounts were in effect for the selling agent, will not apply to the buying agent.

**Impact of Purchase on Buying Agent’s Earned Premium and Loss Ratio on CSRP**

Even though the new agent number will appear as the Agent of Record on the policies once the sale of agency audit is completed, the earned premium applicable to the policies will only begin to be used in the earned premium calculation for CSRP purposes under the buying agent’s agent number when the premium is recorded for the next policy renewal period.

For example, if the buying agent adds a car effective 4/1 of the current year to a policy that renews 1/1 the following year, the premium for the add car will be included for CSRP purposes as the premium is earned.

Note: For six-month auto policies, the earned premium calculation assumes that policies renew on the 15th of the month and, therefore, earn 1/12 the first month, 1/6 for the next five months and 1/12 for the last or seventh month. Hence, it takes one six-month policy period before the premium is fully earned for CSRP purposes. The earned premium calculation for add cars also assumes that the car was added mid-month and earns 1/12 for that month, etc.

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24 Agency must be securities licensed at the time the policy is written to receive production credit for registered products.

25 In split sale/purchase situations, the buying agent will only receive Agency Bonus measurements on transferred P&C policies, however, Emerging Businesses new issued items written by the selling agent and the selling agent’s AF production credit on transferred AF policies will not be transferred to the buyer.

26 Requested Agent policies (the customer has requested another agent) are included in the agency sale when the selling agent is coded as the Agent of Record (AOR).
The Combined Business Summary CSRP will be used in all instances (excluding Emerging Businesses new issued items) for results measurement, awards and recognition, and the Agency Bonus. Measurements for Emerging Businesses new issued items will be acquired from the List 60.

**Assigning Sub-Producer Codes to Purchased Book of Business**

In a sale of agency situation, the buyer has three options with regard to sub-producer codes:

1. Assign a single sub-producer code to the entire PP&C book transferred from the selling agent. This will allow the buyer to distinguish the book transferred from the selling agent from his existing book via List 60 and the Sub-Producer Report.

2. Retain existing sub-producer codes. This will allow a buyer, who is retaining the selling agent’s sales producers, to identify the business written by these sales producers.

3. Do nothing and the existing sub-producer codes will be reset to zero.

If the buying agent wants to either add a sub-producer code to the book transferred from the selling agent or retain the existing sub-producer codes on the book transferred from the selling agent, he must contact local Human Resources at least 5 days PRIOR to the effective date of the sale. The sub-producer codes will be mechanically assigned to these policies at the time of transfer.

**Timeline for Transferring the Economic Interest in an R3001 Exclusive Agent’s Book of Business to an Approved Buyer**

Below is the timeline to transfer the eligible book of business to the buying agent:

**At least 15 work days prior to the effective date of the sale:**
The effective date for setting up a new agent number on the SAP/BOAT deck has to be the first of the month, but it can be processed prior to the sale date. The buying agent, if an outside buyer, should be issued a new agent number and the new agent number should be transmitted for BOAT deck purposes a minimum of 15 days prior to the end of the month.

**Approximately 10 work days prior to the effective date of the sale:**
You (selling agent), or your legal representative, must provide a letter stating that a sale agreement has been executed by both parties and notifying the Company of the effective date of the sale.

**Approximately 7 work days prior to the effective date of the sale:**
Upon receipt of the above letter, the buying agent should execute the R3001S Agreement effective the date of the sale. **An Allstate representative should not sign the agreement until the book has been transferred.** (See below.)

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27 The R3001S Agreement is not available in Montana.
At least 5 work days prior to the effective date of the sale:
Human Resources in the region should provide the Sales Support Team in the Human Resources Service Center (HRSC) via an e-mail to EASUPPORT a completed Sale of Agency Request form. Sale of Agency Request forms are due to EASUPPORT no later than 12:00 p.m. (CST) 5 business days prior to the last business day of the month.

If the office is a new border location, the Non-Resident License Request form should be submitted at this time to the Sales Support Team in the HRSC.

The Sales Support Team in the HRSC will contact the business units to transfer the book of business that is eligible for transfer and mechanically assign the sub-producer code, when applicable.

NOTE: ALL SALES MUST BE EFFECTIVE THE FIRST CALENDAR DAY OF A MONTH.

Existing R3001 Agent Buying the Book of Business Serviced by Another R3001 Agent

If the buyer is another R3001 Agent\(^{28}\), and the Company has approved the sale, the Company should get a letter from you (selling agent) at least 10 days prior to the effective date of the sale stating that a sale agreement has been executed by both parties and notifying the Company of its effective date.

Home Office Notification of Sale after Its Effective Date

Please note the Sales Support Team in the HRSC and local Human Resources should work closely to help ensure that the transfer of the book is completed as agreed upon in the sale agreement. However, if the Sales Support Team in the HRSC is notified of a sale after its effective date, the Company will be unable to process the transfer of the book of business until the first calendar day of the following month regardless of the terms set forth in the sale agreement.

Splitting a Book of Business

You can request approval from sales leadership to split the book of business serviced by your agency so that you can sell your economic interest in the book to multiple buyers. If sales leadership approves the splitting of the book of business, the book will only be split by zip code. The Company will not allow the splitting of policies within individual zip codes.

All Ivantage expanded market programs prohibit the practice of splitting books among agencies.

\(^{28}\) In some markets, sales between agents will not be approved unless the buying agent sets up a Satellite Agency or Enhanced Satellite Agency for the purchased agency.
To assist the seller, the regional Controller Department will, upon request, create a report using the CSRP report by zip code information or by using a Brio audit. This report lists policies (P&C only) by zip code, and includes policy number, line code, written premium, earned premium, and incurred losses. Listings of Allstate Financial policies can be obtained via Client File, Agency Business Results (ABR), or ALSTAR, Commercial policies from the RCC and Motor Club policies by contacting the AMC Hotline at 1-800-347-5001.

The entire book of business, except for securities policies, must be transferred. In other words, except as noted, you cannot transfer some policies and not others. Therefore, you cannot transfer some policies and take the Termination Payment on others. All sales must be finalized and policies transferred on the first day of the same month.

Note: The buying agent must be a registered representative with Allstate Financial Services, LLC and have the appropriate state life insurance license, where required, in order to purchase the securities book of business serviced by the selling agent. If the buying agent is not registered and appropriately licensed and the selling agent still wants to proceed with the sale, the securities book of business serviced by the selling agent would become unrepresented.

Approval to Split a Book of Business

You must present the business case to sales leadership on the proposed split of the book of business and, as noted above, obtain sales leadership approval prior to selling your economic interest in the book to multiple buyers. The business case must include the proposed zip codes that would be sold to a potential buyer. Customers must be within a reasonable distance from any potential buying agent’s existing or proposed location in order to provide a proper level of customer service and to help ensure customer satisfaction and retention of the book of business.

Note: Policies will be transferred from the seller to the buyer by zip code except for Allstate Financial, Commercial (except line 11), and Motor Club. Therefore, the business case must include a listing of individual policies for Allstate Financial, Commercial (except line 11), and Motor Club indicating which agent will be servicing each policy.

Buying a Split Book of Business

Existing R3001 Agents who have been approved to purchase the economic interest in a split book of business may either merge the split book with the existing book of business serviced by the agency (referred to as “mergers”) or set up a second agency at a separate location (as either a Satellite Agency or Enhanced Satellite Agency). In order to operate Satellite Agency locations and Enhanced Satellite Agency (ESA) locations, R3001 Agents must be under the R3001S Agreement at both locations. In addition, an ESA must sign the appropriate Letter of Understanding. Split books of business purchased by outside buyers must be set up as separate locations.

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29 LSA Securities in the states of PA and LA.
30 In some markets, sales between agents will not be approved unless the buying agent sets up a Satellite Agency or Enhanced Satellite Agency for the purchased agency.
31 The R3001S Agreement is not available in Montana.
Split by Zip Code

As stated above, the books can only be split by zip code. The Company will not allow the splitting of policies within individual zip codes. Consequently, if there are two buyers, one buyer may purchase more policies than the other buyer.

Example – Size of book of business serviced by the selling agent is 2000 policies divided as follows:

<table>
<thead>
<tr>
<th>Zip Code Number</th>
<th>Policies Within Zip Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>800</td>
</tr>
<tr>
<td>2</td>
<td>400</td>
</tr>
<tr>
<td>3</td>
<td>500</td>
</tr>
<tr>
<td>4</td>
<td>200</td>
</tr>
<tr>
<td>5</td>
<td>100</td>
</tr>
</tbody>
</table>

Buyer “A” purchases 1200 policies as follows:

<table>
<thead>
<tr>
<th>Zip Code Number</th>
<th>Policies Within Zip Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>800</td>
</tr>
<tr>
<td>2</td>
<td>400</td>
</tr>
</tbody>
</table>

Buyer “B” purchases 800 policies as follows:

<table>
<thead>
<tr>
<th>Zip Code Number</th>
<th>Policies Within Zip Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>500</td>
</tr>
<tr>
<td>4</td>
<td>200</td>
</tr>
<tr>
<td>5</td>
<td>100</td>
</tr>
</tbody>
</table>

The entire book of business, except for securities policies, must be transferred. In other words, you cannot transfer some policies and not others. Therefore, you cannot transfer some policies and take the Termination Payment on others.

R3001 Agents Going into Sales Leadership

R3001 Agents who go into sales leadership have the option to either sell their interest in their entire book of business upon presenting a qualified buyer who has been approved by the Company, or elect the termination payment or alternate termination payment (if applicable), subject to the terms and conditions of the R3001 Agreement. You should be aware of the following key points if you are interested in going into sales leadership.
If you elect to sell your economic interest in the book of business serviced by your agency:

- The buyer can be an outside buyer, including a family member, if the buyer meets the established qualifications and if approved by the Company.
- The buyer can be another existing R3001 Agent if he meets the established qualifications. The book may be merged into the existing book of business serviced by the buyer, or the buying agent may operate the location as a Satellite Agency or Enhanced Satellite Agency, if approved.  

Note: If you are operating as a corporation under the R3001C (or A) Agreement and as part of the sale transaction, the buying agent obtains the right to use your corporation, the Company will enter into a new R3001C Agreement with that corporation which designates the buying agent as the Key Person. In this situation, the buying agent may use the corporation’s existing TAX ID number. If the name of the corporation or d/b/a being sold includes your name, then the corporation or d/b/a name will have to be changed to one that is acceptable to the Company.

You cannot go into sales leadership until the Company has approved the new buyer and the sale of the agency has been completed.

The effective date of sale must be the first calendar day of a month.

If the buyer is a family member, you will not be allowed to:

- Work as a Sales Leader in the market where the agency is located.
- Maintain any involvement in the running of the agency operation.
- Participate in any day-to-day business activities of the agency, including, but not limited to, financial or personnel matters.
- Be located in the same building as the agency.

Please note that if you go into sales leadership, you will still receive one more commission check after your termination as an agent.

Also, you may receive the following bonuses, if eligible, even though you would not be an agent for the entire bonus period.

- **Assets Captured Bonus**

  To receive the Assets Captured Bonus payout, you must complete the calendar year under the R3001 Agreement. If you completed the calendar year under the R3001 Agreement and you go into sales leadership prior to the bonus payout, you will receive the regular payout amount from the prior year’s pool. The Tenure Interest provision would apply if your R3001 Agreement has been in force for five years or longer.

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32 In some markets, sales between agents will not be approved unless the buying agent operates the location as a Satellite Agency or Enhanced Satellite Agency.
• **Commercial Partnership Programs:** To receive Commercial Partnership Program incentives, you must have met the necessary eligibility requirements. Refer to the Supplement for further information on the Commercial Partnership Programs.

• **Agency Bonus** To receive the Agency Bonus, you must complete the calendar year under the R3001 Agreement. If you qualified for a bonus at the end of the calendar year, but go into sales leadership prior to the bonus payout, you will receive the bonus payment.

**Note:** The Controller Department should contact the Comp and Recognition Team regarding the Allstate Financial bonus and the RCC for the Commercial Partnership Program bonus. Any bonus due will be paid to you as 1099 income at the time the bonus is calculated.

Prior to appointment to a field sales leader position, new leaders must adhere to the following guidelines: obtain all required security license designations including: Series 6, 26, and 51 securities licenses as well as Series 63 license if required in their state; obtain variable authority; and successfully complete Phase I Education. Note: securities licenses are not required prior to appointment to FSA; however, the appropriate licenses are required prior to appointment to FSL, TSL, SDL, SAL, FSC, RFSL, or RSL.

**Access to Insurance**

Allstate has always had a strong policy promoting fairness and consistency in its dealings with customers and prospective customers regardless of race, color, religion, national origin, sex, family status or disability. In order to eliminate any incorrect perceptions that Allstate is engaged in improper sales practices, when speaking to prospective customers we recommend that your agency:

• Use the same process to quote business. Example: If your practice is not to provide proposals over the phone, apply this practice consistently.

• Qualify business in a consistent manner. Example: Be consistent in asking questions related to prior insurance and claim history. Also, be consistent in explaining any restrictions we may face due to our efforts to reduce our catastrophe exposure.

• Take the time to explain why a particular piece of information is needed. Example: Inspections and consumer reports.

• Handle business with similar risk characteristics consistently so there are no unsubstantiated differences in the policy form selected or the coverage offered.

• Convey consistent information regarding the requirements for issuance of a policy to all potential customers. Example: The need for an inspection prior to binding coverage, if applicable.

• Use a consistent sales presentation when discussing available products and coverages, as well as the Company’s underwriting guidelines, policies and procedures.
• Have a process in place to ensure that all calls are returned by a licensed sales professional the same day if possible (if not, within 24 hours).

• Use the same follow-up procedure for all callers. Example: If your practice is to mail the proposal or to call back within 24 hours, it should be done in all cases.

• Treat all potential customers courteously and professionally.

Office Security/Acceptance of Cash Payments

As you know, most businesses accept cash and a certain segment of the population prefers that method of payment. Our customers are no different. Although we want to meet our customers’ requirements, we understand the safety concerns associated with taking cash payments. Therefore, we have developed some helpful tips.

In a number of studies, authorities have determined some of the factors that make businesses most vulnerable to robberies. These factors include: keeping large amounts of cash at hand, a single agency staff member working alone after dark, an obstructed view of the location where cash is kept, inattentive agency staff members, poor outdoor lighting, and easy escape routes.

In incorporating safety awareness into your professional life, you should keep those factors in mind. This can be done by evaluating your business practices and taking the necessary precautions for your safety and that of your agency staff. If this is an issue in your market, here are some preventive strategies you may wish to consider:

• Consult with other local merchants and building landlords on joint safety/security programs, including a “Neighborhood Watch” program.

• Don’t keep excessive cash in your office. Make frequent bank deposits during the day at peak daylight hours, but vary your schedule for deposits every day to avoid being predictable.

• Keep cash payments and any other money out of view, but keep it in a location that is visible from almost all of the office.

• If the location in which cash is kept is not easily visible from the rest of the office, consider using mechanisms that permit you and your agency staff to have a complete view of the office surroundings, such as convex mirrors.

• If within your control, maintain an unobstructed view of the office from the street. If necessary, consider clearing shrubbery, trees, or any form of clutter.

• If within your control, maintain adequate outdoor lighting of the parking area and approach to the office during nighttime hours, as well as adequate indoor lighting at all times.

• Consider locking your doors to screen customers, especially after dark. If you or a member of your agency staff is alone in the office near closing or at any time other than normal business hours in the area, keep the door locked.

• Consider locking your doors and permitting access only to those who ring a buzzer, as long as such a system meets fire code requirements.
• Take note of suspicious looking individuals lurking or congregating outside the office.
• Post emergency numbers (including police and ambulance services) near each telephone.
• Make sure that you and the members of your agency staff keep each other informed of irate customers, former agency staff members, spouses or former spouses, etc.
• If you or a member of your agency staff becomes a victim of a crime, do not resist. Cooperate fully, remain calm, and try to focus on the criminal’s distinguishing features. Do not try to be a hero!
• Obtain incident report forms, which may be available from your local police, to write down information about any crime that occurs. The incident report forms should prompt the victim to write down the criminal’s distinguishing features (such as sex, height, build, age, and race) and should be completed immediately after any crime occurs. In the event of a burglary, robbery or theft, you should immediately contact the police and file a police report. Failure to do so may result in your being held responsible for the missing funds.

You may also want to consider counseling your customers on risks associated with taking cash payments. Please understand, however, that if a customer still wants to pay in cash, you must accept the payment, unless it is prohibited by Company policy. If you believe it would help deter robberies or other criminal activity, you may want to go one step further and post a “No Cash on Premises” sign with the approval of Company leadership.

Your safety is very important to us. The preceding strategies are not an exhaustive list. You are in the best position to determine what steps, including some of those listed above, are appropriate to deter crime at your office. Of course, any other steps you consider to deter crime at your office must comply with Allstate’s policies and not create other risks.

Referral of Attorneys for Estate, Retirement and Business Planning

In many situations, agents and financial specialists may be asked by customers for names of attorneys to refer questions about estate, retirement, and business planning strategies, particularly those that make use of life insurance and annuity products. There are other situations where you would like to have a relationship with a local attorney pre-established in order to facilitate mutually beneficial arrangements between your customers and attorneys, whereby you can continue your role as an insurance professional and be included as a member of your customer’s planning team.

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33 For traditional life insurance products, you may accept cash from customers, but a money order must be used for submitting payments to Allstate Financial. Or, if you have a Premium Fund Account (PFA), you may deposit the cash in the PFA for remittance to Allstate Financial. (See the Life Processing Guide for further information on payments for traditional life insurance products.) For securities products, no cash payments are allowed. (See the Compliance section of the Phase I Education training materials for further information on unacceptable forms of payment for securities products.)
We agree with this concept and ask that you keep the following guidelines in mind as you work toward these relationships:

- Where possible, have a list of several licensed attorneys with their areas of specialization (e.g., estate planning) to offer your customers.
- In remote locations where only one attorney is available in close proximity, also provide a list of some additional attorneys located within a reasonable geographic area.
- Advise your customers that these are not recommendations, but rather a list of attorneys for consideration.
- Advise your customers to visit with several attorneys and to develop a relationship with the attorney of their choice.

Because legal representation is necessary in many of these planning scenarios, it makes a great deal of sense for agents and financial specialists to forge relationships with local attorneys. Some customers may feel strongly that they know how best to manage their affairs, yet still need an attorney to draft the required documents. Others would like access to an attorney to help offer suggestions. Often these advisors require assistance from insurance agents to fund the strategies created to meet their customers’ needs. Once again, the importance of this issue rests in our method of communicating how these attorneys were referred. It should be your intent to provide a list of possible resources that your customers can use as a stepping stone in their attorney selection process.

**Representation in the Event of Death or Permanent Incapacity**

If you should die, the interest in your book of business can be a valuable asset that you may have overlooked in your estate planning. You should consider planning your estate so that you have a will that names a legal representative that can immediately make important decisions about the disposition of your book of business within the required time period, without the necessity of court administration. If the legal representative is not in a position to act quickly, it can have a serious adverse impact on the value of your business since it will become more difficult to retain customers.

You should also consider taking steps to make sure that someone can act on your behalf if you become permanently incapacitated and don’t have the mental capacity to make decisions about your business.

**Legal Compliance**

As an independent contractor, it is your responsibility to ensure that your agency's operations are in compliance with the law.
Compliance

Deloitte & Touche has validated Allstate’s SOX control assessments regarding the financial reporting of agency compensation as part of its audit of Allstate’s financial statements. The Audit Committee has overseen a review and revalidation of agency compensation reports and payment. The review determined that payments have been correctly made and compensation correctly reported to agencies and in Allstate’s financial statements.

As part of Allstate’s due diligence in regards to agency compensation Internal Audit reviews agency compensation processes on an ongoing basis and reports any issues. Additionally, Internal Audit validates all resolution activities prior to the release of bonus payments to agencies.

Satellite Agencies, Enhanced Satellite Agencies, and Local Agency Extensions (LAEs)

The information contained in this section is not intended as legal advice, and if you have any questions concerning state and federal law requirements, you should consult with your independent legal advisor. It is important to note that there may be additional state law requirements of which the Company is not currently aware and legal requirements can change at any time. Further, while the Company may notify you of significant changes in the law that may impact the operation of a Satellite Agency, Enhanced Satellite Agency (ESA), or LAE, you remain responsible for your agency’s legal compliance.

The following is some general information about certain state law requirements, particularly relevant to the operation of Satellite Agencies, ESAs, and LAEs that the Company has become aware of:

Florida - A primary licensed sales professional responsible for the Satellite Agency, ESA, or LAE must be designated, and the name of that primary licensed producer must be filed with the Department of Insurance. If the primary licensed producer is changed, notice of the change must be filed with the Department of Insurance within the 30 days following the change.

Georgia – An annual license must be obtained from the Insurance Department for each Satellite Agency, ESA and LAE operated by a corporation or LLC. In addition, this requirement could be construed as applying to a Satellite Agency, ESA or LAE operated by an individual. The current fee for such a license is $10.00. If you do not plan to obtain such a license, then you should be prepared to demonstrate, to the Company’s satisfaction, that such a license is not required.

Maine - An agency must obtain an agency branch registration for each Satellite Agency, ESA and LAE from the Department of Insurance.

Missouri - Each Satellite Agency, ESA and LAE must be the principal office of at least one licensed sales professional.
Montana - The address of each Satellite Agency location, ESA and LAE must appear on the agency’s insurance license.

New York - An agency must provide written notice of the location of each Satellite Agency, ESA or LAE and the licensed sales professionals responsible for it to the Superintendent of Insurance within 10 days of establishing the Satellite Agency location, ESA or LAE. An LAE must be open to the public for the same hours as the business in which the LAE is located. The notice to the Superintendent of Insurance should include the hours of the underlying business and the hours that the responsible person will be physically present, as well as the plan to cover the other hours with telephone availability or otherwise as applicable. At least one of the licensed sales professionals responsible for the Satellite Agency, ESA or LAE must be present during all, or a substantial part, of the business hours each day.

Texas – An agency must furnish the State Board of Insurance with a certification (Form LDTL) identifying the location of a Satellite Agency location, ESA or LAE. There is a fee associated with the filing of this certification.

Washington - An agency must obtain a duplicate insurance license from the Department of Insurance for each Satellite Agency, ESA or LAE. The full licensing fee is charged for each duplicate license. In addition, each Satellite Agency, ESA and LAE must be under the “charge” of an individual properly licensed for the insurance transactions being conducted at the Satellite Agency, ESA or LAE. The licensed sales professional “in charge” of the Satellite Agency, ESA or LAE must be physically present in the Satellite Agency, ESA or LAE during the times the Satellite Agency, ESA or LAE is open for business to the same extent as would be expected of an agent operating at a single location.

Office Locations within a Financial Institution

If you want to open an LAE in a financial institution such as a bank, there are legal requirements that may apply. The sale of insurance in financial institutions is regulated by certain states, and, if the bank is nationally chartered, the Office of the Comptroller of the Currency. Generally speaking, the purpose behind that regulation is to prohibit the “tying” of providing financial services to the sale of insurance. As always, you are strongly encouraged to seek independent legal assistance, however, the state and federal law requirements that the Company has been made aware of relating to the operation of an LAE in a financial institution are set forth below:

Arkansas – Arkansas regulates insurance sold by financial institutions and, depending on the nature of the agreement between the financial institution and the agency, that regulation could be construed to apply to an LAE. Among other things, that regulation requires a written disclosure to customers and obtaining the customer’s signed statement that they understand the disclosure. Insurance sales activities are to be physically located so that it is distinct from the area where retail deposits occur, with easily distinguishable and appropriate signage separate and distinct from deposit activities of the financial institution.

California – California regulates insurance sold by financial institutions and, depending on the nature of the agreement between the financial institution and the agency, that regulation could be construed to apply to an LAE. Among other things, that regulations requires physical segregation between the area where retail deposits are handled and insurance is sold,
identification of the area where insurance products/annuity sales activities occur, and separate, distinguishable signage. Customer referrals from the person who accepts deposits from the public to the insurance business are subject to additional regulations.

Colorado – Colorado regulates insurance sold by financial institutions and, depending on the nature of the agreement between the financial institution and the agency, that regulation could be construed to apply to an LAE. Among other things, that regulation requires, to the extent practicable, insurance sales activities are to be physically located so that it is distinct from the area where retail deposits occur. Unlicensed employees of financial institutions shall not sell insurance or annuities but may direct customers to licensed sales professional. There are additional disclosure requirements for the sale of annuities.

Georgia – Georgia regulates insurance sold by, or located on the premises of, financial institutions and, depending on the nature of the agreement between the financial institution and the agency, that regulation could be construed to apply to an LAE. Among other things, that regulation requires written disclosures to customers and the customer’s signed statement that the customer understands those disclosures.

Illinois - Illinois regulates the sale of insurance by financial institutions or by any registered firm. Signs concerning the availability of insurance products offered by the financial institution or by any registered firm shall be clearly displayed in the same area where applications for loans or other extensions of credit are being taken or closed and shall include appropriate disclosures.

Indiana - Indiana regulates insurance sold by financial institutions and, depending on the nature of the agreement between the financial institution and the agency, that regulation could be construed to apply to an LAE. Certain written disclosures are required before a sale of insurance, as well as written acknowledgement by the customer (or with limited exceptions, a record of verbal disclosure).

Louisiana – Louisiana regulates the sale of insurance by financial institutions. If the financial institution solicits the purchase of insurance from a customer who is applying for a loan or extension of credit, the insurance solicitation shall be conducted in an area physically separate and distinct from the loan transaction, unless the size of the facility is too small to make the physical separation possible.

Maine – Maine currently regulates the operation of an LAE located in a financial institution. Among other things, Maine requires signage, written disclosures, and physical separation of the insurance operation.

Mississippi – An agency may pay no more than a $20 referral fee to an unlicensed financial institution employee. The referral fee may not be tied to a product being sold. Mississippi law also imposes certain duties upon financial institutions when insurance is sold in connection with their activities.

New Hampshire – New Hampshire currently regulates the operation of an LAE located in an unlicensed financial institution including many aspects of the lease. Among other things, New Hampshire requires that the lease contain a clause which obligates an agency to provide
customers with a written disclosure (as defined by the law) which must be signed by the customer, and requires physical separation of the insurance operation if possible.

New Mexico – New Mexico regulates the sale of insurance by (or located within) financial institutions. Certain aspects of that regulation could be construed as applying to the operation of an LAE located on the premises of a financial institution. For example, one aspect which could be construed as applying to an LAE is the requirement that the location for the sale of insurance on the premises of a financial institution be physically located so that it is distinct from the lending activities of the financial institution and clearly and conspicuously signed in order to be easily distinguishable from lending activities.

New York – New York regulates the sale of insurance located within a financial institution. An insurance agency may lease space from the bank, and the rental amount may be calculated as a function of the level of the total sales the agency makes at the location. However, the rental amount may not be calculated as a function of the level of sales made based upon referrals made by the financial institution or its employees.

Pennsylvania – Pennsylvania regulates the operation of the sale of annuities and life insurance on the physical premises of a financial institution. Written disclosure is required to be provided at or prior to the time of application for the life insurance or annuity. Sales of annuities or life insurance, except credit insurance, by a financial institution or by a licensee employed by or affiliated with the financial institution shall take place in a location distinct from the area where deposits are taken and loan applications are accepted. Signs or other means must be used to distinguish the insurance sales area. The commissioner may exempt a financial institution from certain requirements if number of staff or size of facility prevents compliance.

West Virginia – West Virginia regulates any person soliciting or selling insurance on the premises of a financial institution. Written disclosure is required and a separate acknowledgement is to be received from the customer. Signage for the solicitation/sales of insurance is to be readily distinguishable by the public as separate and distinct from the financial institution’s lending and deposit-taking activities. Waiver of requirements by the commissioner may be granted in certain circumstances if the size of the facility prevents compliance.

If you lease office space for an LAE in a bank or any other business that provides settlement services in connection with real estate transactions (e.g. real estate offices, mortgage brokerage offices, or title insurance offices), you should also familiarize yourself with the requirements of the federal Real Estate Settlement Procedures Act (RESPA).

* - Please note: Additional restrictions may apply for insurance sold by a financial institution and/or an affiliate of a financial institution.

Office Locations within Other Businesses

If you lease space in another business to operate an LAE there may be state laws that apply to the way the lease is structured. In the past, many states prohibited the sharing of commissions with an unlicensed person or entity. Under their older licensing laws, a number of states found that
calculating rent based on the amount of insurance business sold at the location is an unlawful commission split. While this practice may be permitted under many of the recently enacted licensing laws, the Company is not yet aware of any states which have specifically addressed this issue. Also, the prohibitions contained in the federal Real Estate Settlement Procedures Act (RESPA) should be considered. Before entering into this type of lease arrangement, you should consult with your legal advisor to determine whether it would be legally permissible under state and federal law.

**Referrals of Business in Connection with Real Estate Transactions (RESPA)**

If you receive referrals from, or make referrals to, real estate agents, mortgage brokers, representatives of title insurance companies, or other businesses which provide services in connection with residential real estate transactions, you need to be sure you understand and comply with the requirements of the federal Real Estate Settlement Procedures Act (“RESPA”). **RESPA prohibits certain referral fee arrangements.** It provides:

“No person shall give and no person shall accept any fee, kickback, or other thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a settlement service involving a federally related mortgage loan shall be referred to any person.”

There are five components which together constitute a violation of the law:

1. **Transfer of a fee, kickback, or thing of value:** A “thing of value” is very broadly defined. It includes, but is not limited to: money, things, discounts, salaries, commissions, fees, stock, special loan terms, services at special rates, sales or rentals at special prices or rates, trips, lease or rental payments based on the amount of business referred, payment of another person’s expenses, and agreements to refer business back and forth.

2. **The transfer is pursuant to an agreement or understanding:** The agreement or understanding need not be formal to be prohibited; it can be oral or written and includes a practice, pattern, or course of conduct pursuant to which the parties could be said to understand that the payment or other consideration is in return for the referral of business. When a thing of value is received repeatedly and is connected in any way with the volume or value of the business referred, the receipt of the thing of value is evidence that it is made pursuant to an agreement or understanding for the referral of business.

3. **The agreement or understanding relates to the referral of business:** In addition to its commonly understood meaning, “referral” is defined to include any oral or written action directed to a person which has the effect of affirmatively influencing the selection by any person of a provider of settlement services (or business incident to or part of a settlement service).

4. **The business is incident to or a part of a settlement service:** Generally, “settlement” refers to the process of creating a lien on property with a federally related mortgage
loan. It’s sometimes also referred to as “closing” or “escrow.” A “settlement service” includes any service provided in connection with a prospective or actual real estate settlement, including, but not limited to: title insurance; home warranties; life insurance required by the lender; homeowners or property insurance; mortgage insurance; services rendered by a real estate agent or broker, mortgage broker, or attorney; property surveys; pest and fungus inspections; and the making, origination, processing or funding of a federally related mortgage loan, including home equity loans.

5. **The settlement service is performed in connection with a federally related mortgage loan:** Most loans made on residential real property are federally related mortgage loans. Residential real property is property upon which there is located, or will be constructed or placed using the proceeds of the loan, a structure designed principally for the occupancy of from one to four families, including individual units of condominiums and cooperatives, or a manufactured home.

**RESPA also regulates fee-splitting arrangements.** It provides:

“No person shall give and no person shall accept any portion, split, or percentage of any charge made or received for the rendering of a settlement service in connection with a transaction involving a federally related mortgage loan other than for services actually performed.”

The law restricts fee-splitting to situations where services are actually performed. The amount paid must not exceed the reasonable value of the services rendered, and the payment must not be for services which, even without the payment, the person would normally perform as part of his regular services or duties.

**Note:** The insurance laws in most states prohibit compensation/commission splitting with unlicensed entities or individuals.

**RESPA does not prohibit:**

1. Normal promotional and educational activities that are not conditioned on the referral of business and that do not involve the defraying of expenses that otherwise would be incurred by persons in a position to refer settlement services or business incident thereto. For example, it would be permissible to give free insurance seminars on insurance matters to professionals, or to distribute calendars and other promotional material of a nominal value, provided they are not conditioned on the referral of business and do not defray expenses that would otherwise be incurred by persons in a position to refer settlement services or business incident thereto; or

2. Payment to any person of a bona fide salary or compensation or other payment for goods or facilities actually furnished or for services actually performed. The services must be real, substantial, valuable and legitimate. They cannot duplicate services that are performed by others and they must be necessary to the process. To the extent that the amount of payment exceeds the reasonable value of the goods or services provided, the excess may be considered a kickback or referral fee, which is prohibited. In determining whether the payment is reasonable, the value of referrals is not to be taken into account.
If you have another business which provides settlement services, you need to be familiar with RESPA’s affiliated business arrangement provisions. Prior to referring a person to one of your businesses for settlement services, you must disclose, in writing, the affiliation of the businesses and the charges which are likely to be made by the referred company. You cannot, in most instances, require the use of that company and you cannot receive any thing of value for your referral other than things permitted under RESPA or a return on your ownership interest (e.g., a dividend based on your ownership percentage of the business and not on the amount of business you refer). Finally, HUD has broadly construed what “your business” encompasses. Thus, you cannot avoid the law by putting ownership of the business in the name of your spouse or children, and you must make disclosure even if you refer services to a business owned by your partner or employer. The rules on affiliated businesses are quite complex. The foregoing is only a very general description. **If you are engaged in this type of activity, you should consult with your legal advisor on the steps required to be in compliance with the law.**

The Secretary of Housing and Urban Development and the Attorney General or Insurance Commissioner of any state may bring actions to enjoin violations of RESPA. There are criminal penalties for violating RESPA, which include fines up to $10,000 and/or imprisonment for up to one year. In addition, civil damages may be recovered in an amount equal to three times the amount of any charges paid for the settlement service involved, plus court costs and reasonable attorney’s fees.

**OSHA Requirements for Your Office**

When you have agency staff, you may fall under the regulation of the Occupational Safety and Health Administration (OSHA). OSHA has developed rules and regulations regarding the conditions under which the workplace is to be maintained.

1. All workplaces, including passageways, store rooms, and service rooms should be kept clean, orderly and in a sanitary condition.
2. Floors should be kept clean and as dry as possible.
3. Floors should be kept free from protruding nails, splinters, holes, or loose boards.
4. Covers and/or guardrails must be provided to protect against the hazards of any open pits, ditches, etc.
5. It is unlawful to place or permit to be placed, on any roof or floor of a building, a load greater than that for which such floor or roof is approved by the building official.
6. A railing or some type of floor hole cover must guard floor openings.
7. Where doors or gates open directly on a stairway, a platform is required.
8. Wall openings or open sided floors from which there is a drop of more than four feet must be guarded.
9. Every flight of stairs having four or more risers must be equipped with standard chair railings of hand railings as specified in the OSHA regulations.
10. Exits must be sufficient to permit prompt escape in case of fire or other emergency.

11. Portable fire extinguishers should be maintained in operable condition.

12. All electrical systems must comply with design safety standards and be free from recognized hazards.

In addition, workplaces must be free from all “recognized” hazards -- those that are known, or could have been known, with the exercise of reasonable diligence.

**Fair Employment**

One of your most important responsibilities in staffing and managing your support organization is to make sure that you comply with state and federal fair employment laws. The following pages provide you with a brief summary of the four primary federal equal employment laws.

**Equal Employment Opportunity Laws**

**Title VII: Civil Rights Act of 1964**

The Civil Rights Act of 1964 is intended to eliminate any form of discrimination in employment based on an individual’s race, color, religion, sex, or national origin.

Specifically, Title VII states that “it shall be an unlawful employment practice for an employer:

1. to fail or refuse to hire, or to discharge any individual or otherwise to discriminate against any individual with respect to compensation, terms, conditions, or privileges of employment because of such individual’s race, color, religion, sex, or national origin; or

2. to limit, segregate or classify employees (or applicants for employment) in any way which would deprive or tend to deprive any individual of employment opportunities or otherwise adversely affect his or her status as an employee because of such individual’s race, color, religion, sex, or national origin.”

It is important to note that Title VII prohibits discrimination not just in hiring, but also with respect of any of the terms and conditions of employment, including compensation. In addition, Title VII addresses sexual harassment in the work place.

**Sexual Harassment**

Sexual harassment has become a business issue because of its potentially devastating impact on the work environment. Both men and women need to be aware of how their actions can contribute to harassment. The law states that unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature are violations of this act. The law protects individuals under the following conditions:

- When submission to such conduct is made either explicitly or implicitly a term or condition of an individual’s employment.

- When submission to or rejection of such conduct by an individual is used as the basis for employment decisions affecting that individual.
• When such conduct has the purpose or effect of unreasonably interfering with an individual’s work performance or creating an intimidating, hostile, or offensive work environment.

In addition, when an individual gains employment opportunities or benefits from an employer’s sexual activities, the employer may be held liable for unlawful sexual discrimination against other employees who were qualified, but denied a particular opportunity or benefit.

The costs of sexual harassment fall into three categories:

• Physical ailments and psychological stress: An individual may find the situation intolerable enough that he leaves.
• The costs to your business in expense from absenteeism, poor work performance, and a decrease in productivity.
• Civil suits can be brought against the individual and you.

Title VII prohibits an employer from retaliating against an applicant or employee from asserting his rights under Title VII. The Equal Employment Opportunity Commission administers title VII, which is an independent agency of the Federal Government.

**The Age Discrimination in Employment Act of 1967**

The Age Discrimination In Employment Act of 1967 prohibits discrimination in employment on the basis of age, against individuals who are 40 years of age or older.

**Equal Pay Act of 1963**

The Equal Pay Act of 1963 prohibits the payment of lower wages because of the sex of the worker.

Basically, the act makes it illegal to discriminate on the basis of sex by paying lower wages to persons of one sex who, within the same establishment, perform equal work on a job requiring equal skill, effort and responsibility. Differences in payment are permitted where payment is based on:

1. A seniority system
2. A merit system
3. A system that measures earnings by quantity or quality of production
4. A differential based on any factor other than sex (or race, color, religion, or national origin which are prohibited under Title VII)

**The Americans with Disabilities Act of 1990 (ADA)**

The Americans with Disabilities Act of 1990 makes it unlawful to discriminate in employment against a qualified individual with a disability. The ADA makes it unlawful to discriminate in all employment practices such as:
• Recruitment
• Pay
• Hiring
• Firing
• Promotion
• Job assignments
• Training
• Leave
• Lay-off
• Benefit
• All other employment related activities

The ADA prohibits an employer from retaliating against an applicant or employee for asserting his rights under the ADA. The Act also makes it unlawful to discriminate against an applicant or employee, whether disabled or not, because of the individuals family, business, social or other relationship or association with an individual with a disability.

You may request additional information on ADA by contacting the:

U.S. Equal Employment Opportunity Commission
1801 L Street NW
Washington, DC 20507
(202) 663-4900

In addition to these federal laws, there are many state laws that are intended to accomplish essentially the same purpose. These laws may be broader and may prohibit discrimination on the basis of additional factors such as handicap, sexual preference, or marital status.

**State and Local Taxes**

As a business owner, you, as an Exclusive Agent (EA) have responsibility for all state and local taxes imposed on your agency business. Some of these taxes, such as personal property taxes, were previously imposed on Allstate Insurance Company as the legal owner of furniture and fixtures located in employee-agents’ offices. Other taxes, such as business license taxes, did not generally apply to agencies managed by employee agents, but are often required to be paid by independent contractor agents. Following is a discussion of these taxes and their applicability to Exclusive Agency businesses.
Personal Property Taxes
All but six states impose tax on the value of tangible personal property. This tax is legally owing by the owner of the property, and is determined based on the value, ownership, and location of such property on a particular date, called the “assessment date.” Typically, owners must file a return and list all of the property owned at a particular location with a value reported for each property. The value is generally based on cost, less applicable depreciation. Assessors are authorized to review ownership and purchase documentation to support the taxable items and values listed on the returns. Penalties may be imposed for failure to file returns, or for filing false returns.

Upon employee agents becoming R3001 Exclusive Agents, all office furniture, fixtures, and equipment, with the exception of certain signs and computers, were “sold” by the Company to the agents through the inclusion of the value of such property in taxable compensation reported to the agent and the IRS. Accordingly, the Company removed all of the transferred assets from its accounting records. Subsequent to this transfer, any required personal property tax filings and payments are the legal obligation of the agent, as owner of the property. Office property records which are needed by EAs to document depreciation and related business expense deductions for income tax purposes can also be used to support personal property tax filings. The cost of any property transferred to an agent becoming an R3001 Exclusive Agent is the amount of income imputed. Of course, the Company will continue to report and pay tax on the property which it still owns, including signs. Agency desktop computers that are not provided free of charge by the company should be reported on the personal property tax listings as “leased equipment,” for informational purposes.

If you have questions in this matter, please contact your Regional Office.

Business License Taxes
Many local governments impose various types of taxes on businesses located within their jurisdictions. These charges are commonly referred to as business license fees, business license taxes, business privilege taxes, mercantile taxes, or business occupation taxes. Though the laws vary by state, insurance companies are often exempt from such local taxes, due to the fact that they are regulated exclusively at the state level and the state retains sole authority to tax them, usually in the form of a tax on gross premiums. As a result, sales offices operated by employee agents were often exempt from local taxes. Where no exemption was available, amounts paid by employee agents were eligible for reimbursement through their office expense allowances.

However, the businesses of independent contractor agents are separate from that of the insurance company. Local tax exemptions applicable to employee agent-operated locations will not be available upon an agent becoming an R3001 Exclusive Agent. Note, however, business taxes based on gross receipts should be imposed only on sales commissions generated by your office. If a municipality attempts to collect tax on premiums written, such tax may be challenged as the premiums represent receipts of the insurance company, not the independent contractor agent.

We recommend you consult with your tax adviser regarding any state and local business taxes and personal property taxes which may be due related to your business, to avoid potential penalties.
Setting up Your Office

Introduction

A properly equipped office that is comfortable, attractive and efficient is important to the overall success of your business. New agents should plan their office layout both for operational efficiency and for aesthetic appeal to the public. We recommend setting up your office according to the guidelines of the Allstate Branded Retail Environment. Converting agents or purchasers of an existing R3001 Agency will be working in a more established office environment with the furniture you need, the supplies in stock and the signs in place. Over time, you may want to change some things around or upgrade your office furniture. This chapter will serve as a guide to help you make these changes. It tells you about the signs that are available, the supplies that we provide for you, and a website to find items and furnishings to brand your office.

Supplies

As an R3001 Agent, Allstate currently provides you with the following supplies:

- Point of sale support materials
- Applications
- Personalized imprint materials

Descriptions of these forms and procedures for ordering them are contained in the following pages.

If you are buying an R3001 Agency, you should review this section carefully. If you are a converting agent, you probably already know about these materials, so you may want to move on to the next section. However, you should be aware that as an R3001 Agent, you are responsible for all of your office supplies, except those listed above.

You may order office supplies (pens, pencils, paper clips, stationery, etc.) at your own expense, through OfficeMax.

Allstate Print Communication Center (APCC)

Most of the materials you will need are printed or stocked at APCC in Wheeling, Illinois. In addition to warehouse and shipping facilities, APCC also maintains printing facilities.

After receiving your supply request as placed through the Material Ordering and Distribution (MOD) application, APCC will ship the printed supplies directly to your sales location.

A Quick Link to MOD can be found on Gateway. To create a permanent quick link to the MOD application on Gateway:

- Select “Edit” under “My Quick Links”
- Locate and highlight Materials Ordering and Distribution (MOD) in the list under “Helpful Quick Links”
• Click the “Add” button
• Click the “Save” button

Your Stock Keeping

When you receive your supplies and forms, we recommend that you make a note of each item’s stock form number, quantity received and the date received. Then, when reordering, you can easily determine how many were used between each order. Don’t overstock any item because it may become obsolete and be replaced by a more current item.

Stock Numbering Control

Ordering supplies is a simple process because you will use MOD to order routinely stocked items directly from APCC. The Product Catalog on MOD allows you to view supply items and order “on-line.” All other supplies must be ordered from OfficeMax.

To walk you through the supply ordering process, the Placing an Order on MOD job aid, along with other job aids, Quick Tips, FAQ’s, and a demo, is available on the MOD Home Page on Gateway. You may follow up on the status of your supply order directly through MOD.

Stock Numbering

With a basic knowledge of the forms and supplies and their numbering system, you can order quickly without any errors, by entering the form number in the Quick Search box within the Product Catalog, which means you will get your order promptly.

All Allstate supply items are identified by stock form numbers. The form number is usually printed in the lower left-hand corner on the first or last page of the form.

Forms

The form numbers printed on Allstate items consist of a prefix letter, for the basic category, followed by a number. Whenever a form is revised, a revision number, preceded by a dash, is added as a suffix to the basic form number on the printed item.

For example:

The current item shows the form number as: DXXXX-14.

The previous version of this form was DXXXX-13. The digits after the dash (-) indicate the number of times a form has been changed. In this case, there have been 14 revisions to the DXXXX since it was first printed.

If you are using the previous version of any form, check with APCC to find out how a revision to a form affects you. It may be a minor change made for “the agent’s convenience,” and you can continue using the older version of the form. But, it might be a change required by law, in which case you must discontinue using that version of the form and use the proper revision.

You may also print form letters off the MOD system. Check your letter directory for specific product lines or service.
Please note that each state has specific requirements regarding the forms that Allstate uses when servicing customers and completing insurance transactions. In order to satisfy these requirements, Allstate provides you with approved forms to be used throughout the insurance transaction process. Subtle changes to these forms, even altering things such as type size, could mean that they no longer meet the state regulatory requirements. This could jeopardize not only your state insurance license and your relationship with Allstate, but also expose you and the Company to potential compliance violations. As a result, desktop tools, such as Word, Excel, Outlook, and PowerPoint, should not be used to recreate or alter any Allstate approved forms. It is imperative that only approved forms be used.

**Requisitions**

Here is the information you need to prepare requisitions for ordering office supply items. Please be sure the correct item numbers are on your requisition.

The main requisition that you will be using is:

1. **The R1902 Office Max Workspace Requisition** - used to order office supplies.

   All other routinely stocked, form numbered supplies, including personalized imprint supplies (e.g. envelopes, reply cards, and prospecting mailers) can be ordered from APCC on MOD. Imprinted items will include your name or approved agency name, location, telephone number and fax number, if applicable/available.

**Office Supplies**

Office supplies (pens, paper clips, rubber bands, etc.) can be ordered through OfficeMax.

OfficeMax will accept Mastercard, Visa, American Express, Diners Club, OfficeMax, and Discover credit cards for the purchase of supplies, but not checks. UPS or contract truckers will be utilized depending on the size of the order. Freight is prepaid and free of charge.
Allstate Business Cards

A link to the Allstate Business Card Online Ordering Site is located on Gateway. To access the link from Gateway, click on the Reference tab, under the Agency heading click on the Office Equipment & Supplies link, and then click on the Order Business Cards link in the Featured Links box.

Your Personal Business Card

Allstate business cards have been designed to reflect quality, and to ensure that the Company and its representatives are presented to the public in the appropriate manner. Unauthorized additions, such as hand stamps, to your business cards are not permitted.

Agency Staff Business Cards

Due to the importance of your agency staff, we encourage their name recognition in the community along with your name and/or your approved agency name. Allstate currently provides approved Sales Producers with standard Allstate business cards. These cards will be provided at no cost to you. Allstate will also provide business cards for Office Staff. However, you will be charged for your Office Staff business cards.

The following are examples of Sales Producer cards:

1. Staff Person’s Name  John Doe  Line 1
   Agent’s Name  Sales Producer for Mary Smith  Line 2
2. Staff Person’s Name  John Doe, Associate Sales Producer  Line 1
   Agent’s Name  Mary Smith Agent  Line 2
3. Agent’s Name  Mary Smith, Agent  Line 1
   Staff Person’s Name  John Doe, Sales Producer  Line 2

These options were developed to protect the Company and you. By handling the business card in this manner, the staff member’s name will always appear with your name, never alone. This will help establish the relationship for your customers and can result in additional name recognition for you.

When ordering cards for Sales Producers, you may want to consider using another title in place of “Sales Producer.” The following are some examples:

- Assistant Sales Producer  
- Associate Sales Producer  
- Senior Sales Producer  
- Sr. Customer Service Representative  
- Customer Service Representative  
- Account Representative  
- Office Support Manager  
- Sales Support Representative  
- Office Manager

Note that the business card formats have certain spacing requirements.

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34 Special business card requirements for Personal Financial Representatives (PFRs) apply. Refer to the PFR Marketing Tool Kit for more information.
Agency Staff Business Cards – Texas

To meet the guidelines established by the Texas Department of Insurance, Sales Producer business cards should not contain your name.

Personalized Imprint Materials

Imprinted materials currently available via MOD are:

- **Envelopes (return and business reply)** – imprinted with name and location address
- **Multi-line business reply cards** – imprinted with name, location address, telephone number, and license number (if applicable)
- **Prospecting mailers with detachable business reply cards** – imprinted with name, location address, telephone number, and license number (if applicable)

Note:

- Envelopes and business reply cards must be ordered in increments of 500.
- Imprinted business reply materials require zip+4 for Allstate’s Permit #157. Your CAESAR Code must be set up with the correct zip+4 prior to placing your order.

Miscellaneous Supplies

In addition to the printed forms and office supplies covered in the preceding sections, other supply items are currently available to you. These include rubber stamps with your name and address, name panels, pocket badges, and other items. If you need any of these items, either new or replacement, you can order them online through Gateway by going to the Agency page and clicking on the Office Equipment & Supplies link or you can notify the local sales leader.

Relocating Your Office

In most cases, once you become an R3001 Agent or purchase an R3001 Agency, you will continue to operate from the same office in which your agency is currently doing business. However, you do have the right as an R3001 Agent to change your office location, subject to Company approval. This section will give you an idea of what things to look for if and when you decide to relocate your office.
Site Selection

Establishing an office is extremely important to the success of your business. A well-located office, which is easily accessible, will be most inviting to your customers.

Analyzing Geographic Areas

Your first step in site selection is to focus on a general geographical area. Here are some suggestions to help you do that:

- Have the local sales leader provide you with market demographics. He will direct you to future growth areas and give you information regarding our present penetration of the area.
- Locate other Allstate and competitor insurance locations.
- Talk to city planners about the area you’re considering; they may provide you with helpful information.
- Drive through the market area to observe the auto/property/commercial risks.

Guidelines on Site Selection

Once you and sales leadership agree on a general area, you can select your own office location, subject to Company approval. Here’s some information to help you make the best decision. First, what to avoid:

- You can’t share primary office space with doctors, lawyers, insurance brokers, agents of other insurance companies, representatives of other companies offering competing financial products or services, or with individuals engaged in certain other occupations as determined by the Company.
- Successful, established shopping centers have the potential for generating good leads. However, some shopping centers require a percentage of sales as a condition of the lease. You should not accept a lease of this type as it may be in violation of state insurance laws.
  - Even if a shopping center has an acceptable lease, determine the stability of the tenants. If the potential exists that key tenants, such as a department store or a supermarket, may relocate, the shopping center may experience a decrease in activity.

Now, here’s what to look for:

- An office in a shopping center with an acceptable lease and stable tenants, of course. An office in such a place affords:
  - A ground floor location
  - Easy public access
  - Good parking facilities
  - Good exterior advertising possibilities, such as window lettering and illuminated signs.
• A commercial office building and office parks. However, your use of signs as a means of identification will be limited.

In addition, carefully consider the location and the prestige of the building, the character of the other offices in the building, neighboring businesses, and the building management. It’s preferable to have a small office in a first-class building than a larger office in a second- or third-class building.

• Local real estate agents. Real estate agents can help you find a commercial site.

Site Approval

The Field Vice President must approve any site you select, including a building you own. The major considerations in approval of a site are:

• Suitability for the Allstate image
• Proximity to existing Company locations
• Future market penetration potential

Lease and Lease Negotiations

The Type of Lease to Use

Generally, you will sign one of two types of leases:

• The lease the landlord provides, or
• The lease developed by the Home Office Real Estate and Construction Department.

The latter, form number U7423, is available through the regional Property Manager.

If the landlord uses his own lease, be aware of the following:

• In a full-service lease, rent, taxes, utilities and janitorial services are all included in the cost per square foot.
• In a “triple net” lease, taxes, utilities, and janitorial service are in addition to the cost per square foot.
• Some leases charge extra for common area maintenance.

What the Lease Should Contain

Here’s what the lease should contain:

• Effective and termination dates
• The monthly rent amount
• The date the rent is due and to whom it is to be paid
• Additional services, if applicable, such as utilities, janitorial use, snow removal, parking facilities, or decorating
• Any landlord improvements, if you sign the lease prior to their completion
• A subleasing provision, if applicable
• The lease should contain this disclaimer: “The obligations under this lease are the obligations of the Lessee personally and not that of any insurance company with which Lessee may be affiliated. Lessor agrees that this agreement is solely between itself and the Lessee personally and lessor hereby waives any claims, rights of action, or liabilities whatsoever against any insurance company with which Lessee may be affiliated which may arise out of this lease.”

What the lease must never contain is the word “Allstate.” Never mention Allstate in any part of the lease.

In addition to the standard disclaimer that should be added to any lease form submitted by a landlord, the following language should be added:

**Lessor responsible for common areas, tenant responsible for leased premises:**

“Lessor shall be responsible for any changes necessary to comply with any federal or local disability discrimination laws and regulations in the common areas of the building or project. Lessor shall be responsible for any changes required to the Leased Premises necessary to comply with such laws and regulations, and any requirements which may impose any duty upon Lessor or Lessee applicable to the Lessee’s use or occupancy of the Leased Premises.

Lessor agrees to indemnify and hold Lessee harmless against all claims and liability for Lessor’s failure to comply with Title III of the Americans with Disabilities Act with respect to the common areas of the building or project or improvements to the Leased Premises constructed by Lessor.”

A provision of the Americans with Disabilities Act of 1990 (ADA) requires that facilities be made accessible to qualified applicants and employees with disabilities as a reasonable accommodation, unless this would cause undue hardship. Accessibility must be provided to enable a qualified applicant to participate in the job application process, to enable a qualified individual to perform the essential functions of a job and to enable an employee with a disability to enjoy benefits and privileges available to other employees. Places of public accommodation and commercial facilities, including insurance offices, are required to provide accessibility for disabled persons in both new construction or when making alterations to existing structures. You should seek to lease space in an office building that has met this requirement. As you add agency staff, you will want to make certain that your office also provides accessibility for disabled applicants and personnel.
Subleasing Allstate Space

If you would like to lease an existing office occupied by Allstate you may do so, subject to Company approval. The sublease agreement that you must sign if you have received approval to sublease space in a Company leased building is included as Exhibit N. This form is called the Assignment and Assumption of Lease. By signing this form, you will assume all responsibility for the lease with Allstate’s consent.

Negotiating the Lease

It’s perfectly acceptable and even preferable to negotiate the terms of the lease with the landlord. Here are some things you might want to negotiate in your favor:

• Attempt to get leasehold improvement costs amortized over the length of the lease.

• Review lease restrictions for signs. Determine the type of signs that you can use and their positioning.

• Negotiate a subleasing provision, to provide yourself with the flexibility you may need at a later date.

• Make sure any Consumer Price Index increases have a cap.

• Ascertain the authority of the person executing the lease on behalf of the landlord.

• Make sure that there are no provisions in the lease that give the landlord a right to cancel the lease for reasons other than default.

If you negotiate these last two points in your favor, it’s unlikely that anything will arise that will interfere with your right to occupy the premises.

Before You Sign

When the lease is, as you want it, don’t sign it yet. Here’s what you need to check first:

• that the lease is dated and the full name of the lessor is on it

• that if the lessor is a corporation, limited liability company, or partnership, it’s clearly stated on the lease

• that specific exterior and interior signs allowed by the lessor or the signs that you’ll be using are described in the clauses added to the lease

Remember that Allstate’s name must never appear anywhere on the lease.
## Selecting a Site - Checklist

### 1. Location

<table>
<thead>
<tr>
<th>EXCELLENT</th>
<th>GOOD</th>
<th>AVERAGE</th>
<th>BELOW AVERAGE</th>
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<td>Type of development in the immediate area</td>
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<td>Access to the entire city/town</td>
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<td>Access to the market area</td>
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<td>Access to streets in the immediate area</td>
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<td>Comparison to other buildings in the city/town</td>
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<td>Comparison to other buildings in the area</td>
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### 2. Quality of Building and Improvements

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<th>AVERAGE</th>
<th>BELOW AVERAGE</th>
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<td>Amount of parking in relation to total rentable area</td>
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<td>Layout/design of parking area and drives</td>
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<td>Maintenance and physical condition of parking area and drives</td>
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<td>Amount of landscaping provided</td>
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<td>Quality and maintenance of the landscaping</td>
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<td>Amount and quality of the identification of the building</td>
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<td>Amount and quality of the signs available for the tenants</td>
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<td>Quality of the lobby and common areas</td>
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<td>Cleanliness of the lobby and common areas</td>
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<td>Exterior design of the building</td>
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<td>Quality of the work done to presently occupied tenant spaces</td>
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<td></td>
<td></td>
<td>Cleanliness and upkeep of the leased areas</td>
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<td>Quality and number of elevators</td>
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3. Other Tenants

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<th>EXCELLENT</th>
<th>GOOD</th>
<th>AVERAGE</th>
<th>BELOW AVERAGE</th>
<th>Type of business of major tenant</th>
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<th>EXCELLENT</th>
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<th>AVERAGE</th>
<th>BELOW AVERAGE</th>
<th>Type of business of other tenants</th>
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<th>EXCELLENT</th>
<th>GOOD</th>
<th>AVERAGE</th>
<th>BELOW AVERAGE</th>
<th>Satisfaction of tenants with landlord</th>
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4. Ownership/Management

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<th>EXCELLENT</th>
<th>GOOD</th>
<th>AVERAGE</th>
<th>BELOW AVERAGE</th>
<th>Reputation of owner/manager -- nationally</th>
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<th>BELOW AVERAGE</th>
<th>Reputation of owner/manager -- locally</th>
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<th>EXCELLENT</th>
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<th>AVERAGE</th>
<th>BELOW AVERAGE</th>
<th>Financial strength of owner</th>
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As a final check, ask yourself:

1. Can I afford the location?
2. Who will be my next-door neighbors? Being next to a restaurant can be a problem with bugs and odors.
3. What improvements are needed to make the site usable for my needs?
4. Who will pay for improvements?
5. Can I get an option to renew with a cap on rental increase?

Remember:

1. You may not share space with:
   a. Doctors
   b. Lawyers
   c. Insurance brokers
   d. Agents of other insurance companies
   e. Representatives of other companies offering competing financial products or services
   f. Individuals engaged in certain other occupations as determined by the Company

2. Successful, established neighborhood shopping centers have the potential for gathering good lead sources for sales offices. If you are considering a shopping center, take care to check out the stability of the tenants. If key tenants such as a department store or supermarket relocate, the shopping center could become a ghost town.
Signs

Information on the Allstate Exclusive Agent office signage standards can be found on the Allstate Brand Central website: http://allstatebrandcentral/. To access the signage standards, go to the Allstate Brand Central homepage and click on the Brand Guidelines box. Then click on the Signage and retail link located on the left side of the page.

This site contains information on:
- Primary signage options
- Standards exterior signs
- Secondary Signage
- Requesting a sign and decal
- Non-standard signs and decals
- Signage order forms

Allstate Branded Retail Environment

Allstate recommends that the agent office be branded in accordance with the guidelines provided in the Brand Your Agency catalog or the Information Guide found on the http://brandyouragency.com/ website. Both information pieces are located on the website. The catalog can also be obtained from your Agency Establishment Manager or ordered through the MOD site.

Allstate recommends a specific blue and yellow paint be used on the walls, neutral gray carpeting and a welcome area to greet your customers. Specific furnishings are available for purchase on the http://brandyouragency.com/ website which promotes the Allstate brand.

All visitors to the http://brandyouragency.com/ website are required to register with your agent number or if you have not received your agent number, to use the Site Access Code – T112007 to complete your registration.

Items included in this site for purchase:
- Welcome Suite Plus packages for the Welcome area of your office which includes:
  - 2 lounge chairs
  - Lobby table
  - Choice of blue screen or beacon sign
  - 2 poster frames
  - Brochure rack
  - Wall lettering
  - Medium wall graphic
  - Logo mat
  - Choice of reception desk and chair or agent desk and chair or conference table with 4 side chairs
- Reception desks and chairs
- Allstate wall letters and graphics
- Additional Allstate branded items
The bulleted items above can be purchased as part of a package or individually.

**Marketing**

Information regarding marketing can be found on the Allstate Brand Central website: [http://allstatebrandcentral/](http://allstatebrandcentral/). To access the marketing information, go to the Allstate Brand Central homepage and click on the Agency Owners Express box.

This site contains information on:
- ALSTAR letter catalog
- Collateral marketing materials
- Co-op Advertising
- Prime²
- Yellow Pages
- Online marketing