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June 23, 2015

The Honorable Curren Price, Jr.  
Chair, Economic Development Committee  
Los Angeles City Council  
200 North Spring Street, Room 420  
Los Angeles, CA 90012

RE: Small Business Exemption (O'Farrell Motion 14-1371-S6)

Dear Council Member Price,

On behalf of the more than one thousand entrepreneurs and small business owners who are Farmers Insurance agents here in Los Angeles, we are writing to you to express our support for the motion introduced by Councilmember Mitch O'Farrell, (14-1371-S6) that would create an exemption to the increased minimum wage requirement for small businesses (50 or fewer employees). While Farmers Insurance has never taken a formal position on the Citywide Minimum Wage policy, we have a few concerns about its implementation. Specifically, our local agents provide their employees with significant benefit packages as a part of their compensation that should be taken into account when measuring compliance with the Citywide Minimum Wage.

For 87 years, Farmers Insurance has called Los Angeles home. In addition to Los Angeles being our corporate headquarters, our independent small business owner insurance agents have retail locations across many communities in Los Angeles.

While the majority of employees working for Farmers agents are paid well above the new minimum wage, we feel that an expanded definition of "wage" should be a part of the new policy. As an example, in some cases local Customer Service Representatives (CSRs) receive the current minimum wage. However, due to their work with new and existing customers, the majority of these CSRs receive commission, bonuses and other "high value" tips such as monetary compensation, trips/vacations and other gifts. These are in addition to other employee benefits such as health insurance.

In some cases, these minimum wage employees receive a large percentage of their annual income in the form of tips, bonuses and other compensation. Therefore, these items should all be taken into account when determining the actual salary of agency employees.

Furthermore, it may become necessary for some Farmers agents to declare a financial hardship and seek an exemption to the increased minimum wage in their first few years of existence due to low or non-existent profitability. Many new agencies, like all start-up businesses, take

months, even years to break even or turn a profit due to the significant initial financial investment. In some cases, Farmers agents receive a subsidy from the company as these agency-owners build their business from the ground up.

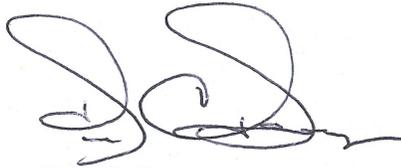
We look forward to working with you and to connecting our independent small business owner insurance agents with Members of the City Council and the Mayor to provide them with the opportunity to share their concerns. Our hope is to constructively and collaboratively work through some of the unintentional impacts of the larger minimum wage policy.

If you have questions or would like to speak with a member of the Farmers Insurance government affairs team, please feel free to reach out to Scott Toohey, our Los Angeles Government Affairs Manager, at (805) 908-1173.

Regards,



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