



April 3, 2008

Dear agents and brokers:

This letter is part of our ongoing efforts to keep you up-to-date about the pending transaction involving Zurich Small Business Solutions and Farmers that we first communicated to you on March 5. We are committed to keeping you informed as the transaction progresses and will address questions as they surface.

First, we want to clearly state that Zurich and Farmers are, and will continue to be, committed to independent agents. Farmers has worked with independent agents since 2000, when Farmers acquired Foremost Insurance Group. In addition, Farmers has been developing independent agent relationships organically – primarily through expansion to the East Coast. Most recently, Farmers further expanded its independent agent footprint with the acquisition of Bristol West Insurance Group in 2007. Farmers wrote in excess of \$2 billion in gross written premium during 2007 through independent agents.

When finalized, this transaction's intent is to offer independent agents more options. If you are contracted with Zurich Small Business you will have a new company – with a new product suite – working with your agency. At a time when independent agents have access to fewer companies than they once did, Farmers will be a new option. This will increase your access to a broader range of innovative, competitive products and services for small business customers. These products will enhance the value that you and the Farmers organization collectively bring to your marketplace.

We know there are questions about Farmers' current structure of writing primarily through exclusive agents and its West-Coast focus. Farmers recognizes fully the importance to its future growth strategies of expanding its capabilities to do business with independent agents nationwide. We recognize that independent agents place 60%-70% of commercial small business today. Farmers' aspiration is to be the number-one small business insurer, and knows that your support is needed to do so. Farmers' financial size and strength can readily support both its independent agent and exclusive agent channels, thus creating an environment and value proposition where all can succeed.

We also understand there is some concern about renewal rights for existing business. We know independent agents own their renewal rights. Zurich and Farmers do not have the right to sell those renewals and never intended to do so. What would be conveyed to Farmers in this transaction are the rights to access renewal information so independent agents can exercise their renewal rights with Farmers. The choice of where to renew business rests with you and your customers. Our goal is to convince you that renewing with Zurich in the short-term and Farmers in the longer-term is the smart business decision for you and your customers.

You should not be concerned about the sharing of information about your business. Information concerning renewal rights will be secure and not shared with other agents. Farmers has used a multi-agent distribution model for a number of years and built appropriate data security.



Finally, there have been questions about what is involved in the transition process we referenced in our previous communication. Various state insurance departments are currently reviewing related documents. The transaction would only close after all required regulatory authorizations are secured.

So, what does this all mean for you? At this point, you should operate as you always have. Zurich staff will continue to work with you to retain customers and attract new ones. As previously communicated, continue to submit new business and renewals as you currently do. Policy offerings, claims service, and agency and compensation agreements all remain in place through Zurich. When the time comes to make decisions about signing a Farmers contract, you will be given adequate lead-time and information to help you make your decision.

To provide you with additional information, we prepared responses to other questions we received since the March 5 announcement. Please review the enclosed FAQs and share them within your organization. If you have additional questions, contact your local Zurich representative. We will continue to communicate with you throughout this process and welcome the opportunity to share updates with you.

We are all very excited about this announcement. Small commercial business remains one of the high-potential opportunities in the United States, and independent agents remain the primary insurance advisers for these customers. For Farmers to realize the potential this market segment brings, independent agents will continue to be a crucial cornerstone of its success.

Thank you for your business.

Sincerely,

Mike Foley, CEO
Zurich North America Commercial

Mhayse Samalya, President
Farmers Business Insurance