

Farmers[®] Press Release

For Immediate Release

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FARMERS REACHES AGREEMENT IN PRINCIPLE TO ACQUIRE ZURICH NORTH AMERICA COMMERCIAL'S SMALL BUSINESS SOLUTIONS BOOK

LOS ANGELES, CA — March 5, 2008 — Farmers Insurance Group,[®] the nation's third-largest personal lines property and casualty insurance group, announced today that an agreement in principle has been reached whereby Truck Insurance Exchange (the "Exchange"), which is one of the Farmers Exchanges, will purchase the rights to access renewals on Zurich North America Commercial's Small Business Solutions (SBS) book of business. In addition, the management of the SBS book of business will transfer to Farmers Group, Inc.

The approximate \$800 million SBS book consists of three primary lines of business: business owner's policy (BOP) for property, general liability and umbrella, first- and third-party auto and workers' compensation — and is sold in 49 states plus the District of Columbia. Farmers Small Business Insurance unit, which writes through the Exchange, is licensed to operate in 41 states — a "core" 29 serviced by Farmers exclusive agents and an additional 12 states (mainly in the East) serviced by independent agents. The Farmers Exchanges underwrite more than 250,000 small business customers across three major lines of business: commercial multi-peril, commercial auto and workers' compensation. In 2007, Farmers Small Business Insurance unit produced \$1.6 billion in gross



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written premium. This transaction will make the Exchange one of the top-five carriers in the U.S. small business market.

The first exercise of rights to access renewals on this book is estimated to occur within 18-to-24 months after the transaction closes, although timing will vary by state and product/line of business. In the interim, Zurich companies that underwrite the SBS book and the Exchange will enter into a reinsurance arrangement at the closing of the transaction, through which SBS premium will continue to be written on its current paper, but fully ceded to the Exchange. Other terms of the proposed transaction were not disclosed.

"Farmers Business Insurance and Zurich Small Business will create an enhanced distribution capability that competes even more effectively in both the exclusive agent and independent agent channels," said Paul N. Hopkins, chief executive officer of Farmers Group, Inc. "The added small business capabilities will benefit our entire organization and, most importantly, our customers."

Mhayse Samalya, president of Farmers Business Insurance, added, "This is another important step in expanding and accelerating the profitable growth trends we have created in the last few years. It is a strong example of our commitment to align operational transformation efforts with our profitable growth initiatives. With this deal, we are creating not only a distinctive organization with unique capabilities, but also a significant one with \$2.4 billion in premium. We'll be a top-five player in the small business space."

Subject to the approval of the relevant insurance regulatory authorities, and agreement on final terms and conditions, this transaction is expected to close in the second quarter of 2008.

Farmers Group, Inc. is a wholly owned subsidiary of Zurich Financial Services, an insurance-based financial services provider with a global network of



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subsidiaries and offices in North America and Europe as well as in Asia Pacific, Latin America and other markets. Farmers[®] is the nation's third-largest Personal Lines Property & Casualty insurance group. Property and casualty products are underwritten and issued by the Farmers Exchanges and their subsidiaries, which Farmers Group, Inc. manages but does not own. Headquartered in Los Angeles and doing business in 41 states, the Farmers insurers provide Homeowners, Auto, Business, Life insurance and financial services to more than 10 million households. For more information about Farmers, visit our Web site at www.farmers.com.

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