



Zurich to convey its North America Commercial Small Business unit to Farmers

Zurich, March 5, 2008 – Zurich Financial Services Group (Zurich) announced today that an agreement in principle has been reached to convey the rights to access renewals on its North America Commercial Small Business Solutions (SBS) book of business to Truck Insurance Exchange (the “Exchange”), which is one of the Farmers Exchanges. In addition, the management of the SBS book of business will transfer to Farmers Group, Inc.

The approximate USD 800 million SBS book consists of three primary lines of business – business owner's policy (BOP) for property, liability and umbrella, 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 USD 1.6 billion in gross written premiums. This transaction will make the Exchange one of the top-five carriers in the US small business market.

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. 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. Other terms of the proposed transaction were not disclosed.

"The transaction will create an enhanced distribution capability in both the exclusive agent and independent agent channels, and will enhance the market position of Farmers Group, Inc. and the Exchange. Combining Zurich's innovative small business product capabilities with Farmers' distribution breadth and the Exchange's underwriting capacity will benefit Farmers Group, Inc., the Exchange, Zurich and, most importantly, our valued customers," said Paul N. Hopkins, Chief Executive Officer (CEO) of Farmers Group, Inc.

"Zurich considers the small commercial segment to be a critical component of the US market. Bringing together the small commercial books from North America Commercial and the Exchange will create opportunities for better service to our customers and agents, while enhancing the competitive strengths of the Exchange and Zurich," said Mike Foley, CEO of North America Commercial. "In this scale-intensive segment of the industry, this transaction will better position Zurich and the Exchange to win in the market."

Dieter Wemmer, Chief Financial Officer for Zurich, said, "In addition to increasing our scale in this important market, this transaction will eliminate the need to duplicate investments in technology, product development, service operations and talent, optimize the use of our capital in the US and generate stable fee income from this book of business."

Farmers Group, Inc., a subsidiary of Zurich, manages – but does not own – the Farmers Exchanges, which are owned by Farmers' policyholders. 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.

Zurich Financial Services Group (Zurich) is an insurance-based financial services provider with a global network of subsidiaries and offices in North America and Europe as well as in Asia Pacific, Latin America and other markets. Founded in 1872, the Group is headquartered in Zurich, Switzerland. It employs approximately 60,000 people serving customers in more than 170 countries.

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