

**BEFORE THE COMMISSIONER OF INSURANCE
OF THE STATE OF KANSAS**

In the Matter of the Proposed Exemption of)
)
Zurich Insurance Company) **Docket No. 3763-EX**

ORDER

Now comes on for disposition the request of Zurich Insurance Company ("Applicant"), dated September 6, 2007, for an Order, pursuant to K.S.A. 40-3304(e) (1), exempting Applicant from the filing and approval requirements of K.S.A. 40-3304(a), as said statute may be construed to apply to the restructuring of the insurance holding company system of Farmers Insurance Company, Inc., a Kansas-domiciled insurer. Such restructuring is to be accomplished through a change in the ownership of Farmers Group, Inc., a holding company subsidiary of Zurich Financial Services, the ultimate controlling person for all of the above parties.

This Order shall become effective as a Final Order, without further notice, upon the expiration of the fifteen (15) day period if no request for hearing is made, pursuant to K.S.A. 77-542.

FINDINGS OF FACT

1. The Commissioner of Insurance has jurisdiction over this matter pursuant to K.S.A. 40-103 and K.S.A. 40-3301, *et seq.*
2. Applicant is a property and casualty insurance company domiciled in Switzerland. They are a wholly-owned subsidiary of Zurich Group Holding and will continue to be so after the reorganization. Zurich Financial Services owns Zurich Group Holding (with 57% being held directly and 43% indirectly through Allied Zurich Limited, a United Kingdom corporation, owned 100% by Zurich Financial Services).
3. Applicant has requested an exemption from the acquisition and approval requirements of the Kansas Insurance Holding Companies Act, specifically those requirements stated in K.S.A. 40-3304(a).

4. Farmers Group, Inc. (“FGI”) is a Nevada-domiciled corporation acting as attorney-in-fact for Farmers Insurance Exchange.

5. Farmers Insurance Exchange, a California-domiciled entity, owns 70% of Farmers Insurance Company, Inc. (“FIC”), a Kansas-domiciled property and casualty company. The remaining 30% of FIC is owned by Truck Insurance Exchange (20%), a California-domiciled entity, and Fire Insurance Exchange (10%), also a California-domiciled entity, whose attorneys-in-fact (i.e., Truck Underwriters Association and Fire Underwriters Association, respectively) are also owned by FGI.

6. On December 31, 2007, the following transfers of FGI stock will serve to insert the Applicant into the holding company system as the direct parent of FGI, rather than an affiliate. FGI has three classes of shares conferring different voting rights and priorities in distributions, which will be transferred as stated below.

a) Zurich Group Holding will either contribute or sell its FGI A shares and C shares to the Applicant.

b) Zurich Group Holding will contribute its Allied Zurich shares to the Applicant.

c) Allied Zurich will transfer its FGI B shares to Zurich Group Holding.

7. Applicant is the general partner in four limited partnerships, who together own 2.1% of the C shares of FGI.

8. As a result of the restructuring of the insurance holding company system of Farmers Insurance Company, Inc., the Applicant will, through direct and indirect control, have the power to vote 90% of the FGI voting shares.

CONCLUSIONS OF LAW

9. K.S.A. 40-3304(a) provides, in part, as follows:

(a) No person other than the issuer shall . . . enter into any agreement to exchange securities, or, seek to acquire, or acquire, in the open market or otherwise, any voting security of a domestic insurer if, . . . at the time . . . any such agreement is entered into, . . . such person has filed with the commissioner of insurance and has sent to such insurer, a

statement containing the information required by this section and such . . . agreement . . . has been approved by the commissioner of insurance in the manner hereinafter prescribed.

10. K.S.A. 40-3304(e) provides

(e) The provisions of this section shall not apply to:

Any offer, request, invitation, agreement or acquisition which the commissioner of insurance by order shall exempt therefrom as: (1) Not having been made or entered into for the purpose and not having the effect of changing or influencing the control of a domestic insurer; . . .

11. Based upon the information enumerated in the Findings of Fact contained in paragraphs one through eight above, and the representations made on behalf of Applicant, the restructuring of the holding company system whereby the stock ownership of Farmers Group, Inc. will be transferred from Zurich Group Holding to Zurich Insurance Company is not made for the purpose of, and will not have the effect of changing or influencing the control of, Farmers Insurance Company, Inc., a Kansas-domiciled insurer.

IT IS THEREFORE, BY THE COMMISSIONER OF INSURANCE, ORDERED THAT:

1. Zurich Insurance Company shall be exempt from the application of the formal filing and approval requirements of K.S.A 40-3304(a) as it may be deemed to apply to the reorganization of Zurich Financial Services, the holding company for Farmers Insurance Company, Inc., provided the reorganization is effected within ninety (90) days of the date of this Order.

2. Zurich Insurance Company shall comply with all of the provisions and requirements of K.S.A. 40-3301, *et seq.*, in the future.

3. The Commissioner of Insurance retains jurisdiction over this matter to issue any and all further Orders deemed appropriate or to take such further action as necessary to dispose of this matter.

Notice of Rights

Zurich Insurance Company is entitled to a hearing pursuant to K.S.A. 77-537, the Kansas Administrative Procedure Act. If Applicant desires a hearing, they must file a written request for a hearing with:

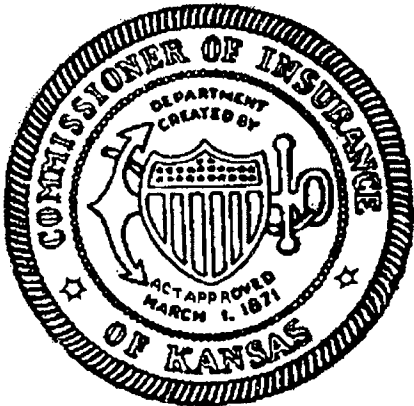
John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

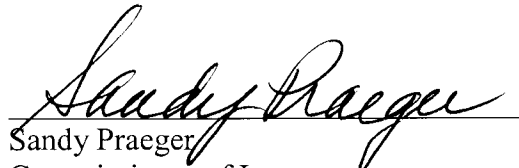
This request must be filed within fifteen (15) days from the date of service of this Order. If Applicant requests a hearing, the Kansas Insurance Department will notify them of the time and place of the hearing and information on the procedures, right of representation, and other rights of parties relating to the conduct of the hearing, before commencement of same.

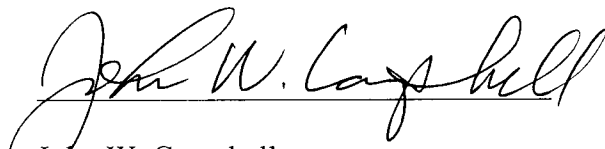
If a hearing is not requested in the time and manner stated above, this Order shall become effective as a Final Order upon the expiration of time for requesting a hearing, pursuant to K.S.A. 77-613. In the event Applicant files a petition for judicial review, pursuant to K.S.A. 77-613(e), the agency officer to be served on behalf of the Kansas Insurance Department is:

John W. Campbell, General Counsel
Kansas Insurance Department
420 S.W. 9th Street
Topeka, Kansas 66612

IT IS SO ORDERED THIS 6 DAY OF NOVEMBER, 2007 IN THE CITY OF
TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



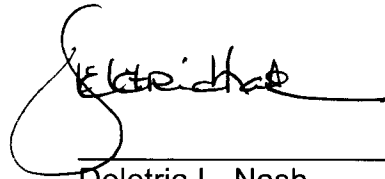

Sandy Praeger
Commissioner of Insurance

By: 
John W. Campbell
General Counsel

Certificate of Service

I hereby certify that a true and correct copy of the above order was forwarded via first class mail, postage prepaid, on this 9th day of November, 2007 to:

John S. Pruitt
Dewey & Lebeouf LLP
125 West 55th Street
New York, New York 10019-5389

A handwritten signature in black ink, appearing to read "Deletria L. Nash", written over a horizontal line.

Deletria L. Nash
Assistant General Counsel