

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

In the Matter of the Proposed Exemption of)	
)	Docket No. 3775-EX
Farmers Insurance Exchange)	

ORDER

Now comes on for disposition the request of Farmers Insurance Exchange ("Applicant"), dated November 5, 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. ("FICO"), a Kansas-domiciled insurer. Such restructuring is to be accomplished through the sale of 20% of the shares in FICO currently owned by Truck Insurance Exchange to the Applicant, which currently owns 70% of FICO stock. All of the above parties are affiliates of Zurich Financial Services.

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 reciprocal exchange domiciled in California, whose attorney-in-fact is Farmers Group, Inc. ("FGI"), a wholly-owned indirect subsidiary of 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 Insurance Exchange, a California-domiciled entity, currently owns 70% of FICO, a Kansas-domiciled property and casualty company. The remaining 30% 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 owned by FGI.

5. On December 31, 2007, the Applicant proposes to purchase the FICO stock currently owned by Truck Insurance Exchange. This purchase will increase the Applicants ownership in FICO to 90%, which will make it possible for the Applicant and FICO to file consolidated federal income tax returns. The transfer of shares will be accomplished through a share purchase agreement between the Applicant and Truck Insurance Exchange.

CONCLUSIONS OF LAW

6. K.S.A. 40-3304(a) provides, in part:

(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.

7. K.S.A. 40-3304(e) provides, in part:

(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; . . .

8. Based upon the information enumerated in the Findings of Fact contained in paragraphs two through five above, and the representations made on behalf of Applicant, the restructuring of the holding company system whereby 20% of the stock ownership of Farmers Insurance Company, Inc. will be sold to Farmers Insurance Exchange by Truck Insurance Exchange 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. Farmers Insurance Exchange 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 restructuring of the ownership of Farmers Insurance Company, Inc., provided the restructuring is effected within ninety (90) days of the date of this Order.

2. Farmers Insurance Exchange 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

Farmers Insurance Exchange is entitled to a hearing pursuant to K.S.A. 77-537, the Kansas Administrative Procedure Act. If Farmers Insurance Exchange 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 Farmers Insurance Exchange 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 Farmers Insurance Exchange 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 __14th__ DAY OF JANUARY, 2008 IN THE CITY OF
TOPEKA, COUNTY OF SHAWNEE, STATE OF KANSAS.



_____/s/ Sandy Praeger_____
Sandy Praeger
Commissioner of Insurance
By:

_____/s/ John W. Campbell_____
John W. Campbell
General Counsel

Certificate of Service

I hereby certify that a true and correct copy of the foregoing Order was forwarded
via first class mail, postage prepaid on this __14th__ day of January, 2008 to:

Mr. Edwin A. Burgos
Corporate Counsel and Assistant Secretary
Farmers Insurance Group
4680 Wilshire Boulevard
Los Angeles, CA 90010

_____/s/ Deletria L. Nash_____
Deletria L. Nash
Assistant General Counsel