

**STATE OF OREGON
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES
INSURANCE DIVISION**

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS
SERVICES

In the Matter of the proposed Reorganization of the)	Order of Exemption
insurance holding company system of Farmers Insurance)	
Company of Oregon, Tigard, Oregon)	Case No. INS 07-10-013

INTRODUCTION

By letter dated August 31, 2007, Zurich Financial Services ("ZFS") and Farmers Insurance Company of Oregon filed a request for exemption from the provisions of Oregon Revised Statutes (ORS) 732.521(1) pursuant to ORS 732.521(2) with regard to a proposed reorganization of its insurance holding company system.

Farmers Insurance Company of Oregon ("Farmers-OR") is an Oregon domiciled insurance company licensed under ORS chapter 731 to transact business in Oregon as a property and casualty insurer and is wholly owned by Farmers Insurance Exchange (90%) and Truck Insurance Exchange (10%) (collectively, the "Farmers Exchanges"), which are reciprocal insurance exchanges organized under the laws of California.

Farmers Group, Inc. ("Farmers"), a Nevada corporation, and one of its subsidiaries serve as the attorneys-in-fact for the Farmers Exchanges. Farmers is owned by Zurich Group Holding (87.9%) and Allied Zurich Holdings Limited (10%). Because of the attorney-in-fact relationship between Farmers and the Farmers Exchanges, both ZFS and the Farmers Exchanges are ultimate controlling persons of Farmers-OR.

Zurich Group Holding, a Swiss corporation, is owned by ZFS (57%) and Allied Zurich Limited (43%).

Allied Zurich Holdings Limited ("Allied Zurich Holdings"), a Jersey (Channel Islands) corporation, is a wholly owned subsidiary of Zurich Group Holding.

Allied Zurich Limited, a United Kingdom corporation, is a wholly owned subsidiary of ZFS.

Zurich Insurance Company, a Switzerland insurance company, is a wholly owned subsidiary of Zurich Group Holding.

FACTS PROVIDED

(1) Farmers-OR shares are held by Farmers Insurance Exchange (90%) and Truck Insurance Exchange (10%).

(2) Farmers has three classes of shares conferring different voting rights and priorities. Currently, on a diluted basis, voting control of Farmers is 87.9% held by Zurich Group Holding, and 10% held by Allied Zurich Holdings. The remaining 2.1% of Farmers is held by several Delaware limited partnerships.

(3) The proposed Reorganization consists of the insertion of Zurich Insurance Company in the chain of direct ownership between Farmers and ZFS. Upon completion of the Reorganization, voting control of Farmers will be 87.9% held by Zurich Insurance Company and 10% held by Zurich Group Holding.

(4) The Reorganization will be accomplished as follows: (a) Zurich Group Holding will either contribute or sell its Farmers' shares to Zurich Insurance Company; (b) Zurich Group Holding will contribute its shares of Allied Zurich Holdings to Zurich Insurance Company; (c) Allied Zurich Holdings will transfer certain of its Farmers' shares to Zurich Group Holdings. The limited partnerships will continue to hold their Farmers shares. As a result, Zurich Insurance Company, directly as a direct shareholder of Farmers and indirectly as the general partner of the Limited Partnerships, will have the power to vote 90% of the Farmers voting shares; the remaining voting shares will be held directly by Zurich Group Holding.

(5) ZFS and the Farmers Exchanges will continue to be the ultimate controlling parties of Farmers-OR and no change of control will result from the Reorganization.

(6) Farmers-OR represented that the purpose of the Reorganization is to simplify the

legal ownership structure and to optimize capital efficiency by pooling capital within the ZFS group in Zurich Insurance Company. The Reorganization will also have the effect of enhancing Zurich Insurance Company's regulatory capital in Switzerland under new regulations that will apply in 2008.

(7) Farmers-OR has represented that no changes in management of Farmers-OR will occur as a result of the Reorganization. Farmers-OR will not pay any dividends or other payments to accomplish the Reorganization, nor will its financial status otherwise be affected.

(8) If amendments are made to inter-company agreements involving Farmers-OR, Farmers-OR shall file the amendments with the Director at least 30 days prior to becoming effective as required by ORS 732.574 and Oregon Administrative Rules 836-027-0001 through 836-027-0050.

On the basis of the request and in specific reliance on the representations made to the Director by ZFS and Farmers Insurance Company of Oregon, the Director makes the following:

CONCLUSION OF LAW

ZFS and the Farmers Exchanges are currently the ultimate controlling parties relative to Farmers-OR and they will remain so after the proposed Reorganization.

The proposed Reorganization does not constitute a change of control and is not a transaction contemplated within the purpose of ORS 732.521(1). The proposed Reorganization thereby meets the requirements for exemption from the provisions of ORS 732.521(1) pursuant to ORS 732.521(2)(b).

ORDER

Based on the foregoing facts provided and for good cause appearing, it is hereby ordered that an exemption from the provisions of ORS 732.521(1), pursuant to ORS 732.521(2)(b), be granted regarding the proposed Reorganization of the insurance holding company system of Farmers Insurance Company of Oregon.

Issued this 22nd day of October 2007.



CORY STREISINGER, Director
Department of Consumer and Business Services