

**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 Sale of Shares)	Order of Exemption
of Farmers Insurance Company of Oregon by)	
Farmers Insurance Exchange to Truck Insurance)	
Exchange)	Case No. INS 08-08-005

INTRODUCTION

By letter dated July 18, 2008, Farmers Insurance Exchange (“FIE”) and Truck Insurance Exchange (“Truck”), 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 the sale of shares of Farmers Insurance Company of Oregon (“FICO”) by FIE to Truck.

FICO is an Oregon domiciled stock insurance company, authorized under ORS chapter 731 to transact property, casualty including workers compensation, surety, and marine & transportation insurance business in Oregon since September 15, 1970.

FIE is a California reciprocal exchange authorized under ORS chapter 731 to transact property, casualty including workers compensation, health, surety, and marine & transportation insurance since April 1, 1930.

Truck is a California reciprocal exchange authorized under ORS chapter 731 to transact property, casualty including workers compensation, surety, and marine & transportation insurance since December 2, 1935.

Zurich Financial Services is a publicly traded Swiss holding company and is the ultimate controlling entity of FICO, FIE and Truck.

FACTS PROVIDED

FIE currently owns 90% of the issued and outstanding shares of FICO. Truck currently owns 10% of the issued and outstanding shares of FICO. FIE intends to sell to Truck a certain number of FICO shares equal to 10% of all the issued and outstanding FICO shares pursuant to a

share purchase agreement. After the consummation of the share purchase, FIE will own 80% of the issued and outstanding shares of FICO and Truck will own 20% of the issued and outstanding shares of FICO.

The purpose of the proposed sale is to accomplish a rebalancing of ownership among the companies in the reinsurance pool. Since 1985, FIE, Truck and Fire Insurance Exchange (collectively "the Exchanges") have pooled their business, with participation percentages in the pool based on their respective capital basis. The respective capital positions of the Exchanges have changed considerably since inception of the pooling arrangement and the parties desire to rebalance their respective positions within the pool to once again match pooling percentages with their respective capital position. The rebalancing will be accomplished in part through FIE's sale of FICO shares to Truck. In addition, to complete the rebalancing objective, share sales/transfers will occur with five other subsidiaries of the Exchanges, none of which are Oregon domiciled insurers.

The parties stated the proposed sale of shares will not result in a change in ultimate control of FICO nor will it result in a change in the management of FICO.

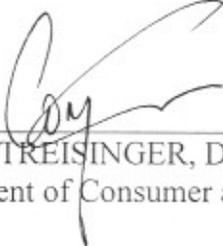
CONCLUSION OF LAW

The proposed sale of shares will not have the effect of changing or influencing the control or ownership of a domestic insurer since FIE, Truck and Zurich Financial Services will remain controlling parties of FICO as before the sale. The proposal transaction thereby meets the requirements for exemption from the provisions of ORS 732.521(1) pursuant to ORS 732.521(2).

ORDER

Based on the foregoing facts provided and conclusion of law, it is hereby ordered that the proposed sale of shares submitted by Farmers Insurance Exchange is exempt from the provisions of ORS 732.521(1).

Issued this 15th day of September 2008.



CORY STREISINGER, Director
Department of Consumer and Business Services