MediaRoom

Zurich Announces Settlement of U.S. Class Action Litigation

ZURICH, October 7, 2010 -- Zurich Financial Services Group (Zurich) announced today that it and its wholly-owned subsidiary, Farmers Group, Inc. (FGI), have agreed in principle to a proposed comprehensive settlement in the matter of *Fogel vs. Farmers Group, Inc.,* a purported nationwide class action lawsuit pending in Superior Court in Los Angeles, California. The proposed settlement will resolve all claims, dating back to 1999, in a complaint originally filed in August 2003. In the lawsuit, the plaintiff challenged the management services fees paid by the Farmers Exchanges (Exchanges) to FGI and certain of its affiliates, which under policyholder subscription agreements act as the attorney-in-fact for policyholder subscribers of the Exchanges.

Zurich and FGI do not accept that there is any basis for the plaintiff's claims regarding the management services fees that FGI charged to the Exchanges.

Under the terms of the settlement, a sum of USD 455 million will be made available to up to 13 million policyholders who may qualify for a distribution under the settlement, with any residual amount going to the Exchanges owned by their respective policyholder subscribers. While the allocation plan for payments to class members has not yet been determined, and while actual individual payments may vary considerably, this averages to an estimated USD 35 per class member or policyholder subscriber. Zurich also will pay attorneys' fees to class action counsel of up to USD 90 million. As part of the settlement, the plaintiff has agreed to dismiss the case and drop all claims against FGI and its parent Zurich. All terms of the proposed settlement are subject to execution of a formal settlement agreement and court approval.

Zurich has decided to bring this matter to a close by settling this case in order to provide certainty to its shareholders and clarity to customers as well as to avoid the risks and significant expense of continued litigation.

Because the case would have depended in part on events dating from years or even decades ago, the ability to mount a vigorous defense would have been constrained by the passage of time, the turnover of Farmers' customers and agency force and the challenge of retrieving subscription agreements on policies, many of which expired long ago.

In addition, as part of the proposed settlement Zurich is announcing today a number of initiatives at FGI to further raise standards of customer communication. These include providing welcome packs and additional disclosures to Exchange policyholder subscribers and providing additional training to Farmers agents and front-line employees regarding the subscription agreement and related procedures. Zurich believes the financial settlement and these additional measures put to rest the issues raised in the suit and will allow Farmers to focus on continuing to deliver industry-leading services at fair and competitive rates to its customers.

This settlement will not affect the insurance coverage for current policy-holders. After court approval, policyholder subscribers entitled to participate in the proposed settlement will receive written notification, which will provide further details of the settlement. Customers can contact Farmers regarding this matter by visiting http://www.farmers.com/media_center.html or calling 1-888-538-5785 or their Farmers agent.

Zurich remains excited about Farmers' prospects and the continued contribution of Farmers to the Group. The proposed settlement and related costs will be fully funded by internal resources. This settlement and related costs will neither impact the strength of Zurich's balance sheet nor the stated policy of paying a sustainable and attractive dividend. An amount of USD 295 million, net of tax and previous accruals, will be charged to net income and recorded in the third quarter 2010.

The total after tax charges related to this settlement impact the shareholders' equity by approximately CHF 2.40 per share. The nine-months results 2010 are due to be released on November 4, 2010.

Note to Editors:

There will be a telephone conference with Q&A session for analysts and investors hosted by Martin Senn and Dieter Wemmer today at 10:00 a.m. CEDT. Please dial-in to register approximately 3 to 5 minutes prior to the start of the conference.

Dial-in numbers:

- Europe
  +41 (0)91 610 56 00
- UK
  +44 (0)203 059 58 62

- USA

  +1 (1) 866 291 41 66

There will be a podcast of the conference call available on our web site www.zurich.com after 12:00 a.m. CEDT.

Background on Farmers:

Farmers Group, Inc. (FGI) manages the third largest personal lines insurance company in the U.S., which has been serving customers for nearly 83 years and currently services approximately 10.5 million customers. Headquartered in Los Angeles, California, FGI is a management and holding company and along with its subsidiaries, is wholly owned by the Zurich Financial Services Group.

The Farmers Exchanges (Exchanges), namely Farmers Insurance Exchange, Fire Insurance Exchange and Truck Insurance Exchange, are three inter-insurance exchanges owned by their policyholders and organized under the laws of the State of California and provide a variety of insurance coverage directly to consumers. The Exchanges, directly or through their subsidiaries, offer homeowner insurance, auto insurance, commercial insurance and other insurance lines throughout the U.S. FGI and its subsidiaries provide management services for the Exchanges. The Exchanges do not hold an ownership interest in FGI, and FGI does not hold an ownership interest in any of the Exchanges.

When policyholders buy insurance via an Exchange, they are asked to sign a "subscription agreement" appointing FGI or one of its affiliates as the attorney- in-fact to manage certain operations of the Exchanges on behalf of the applicant. The agreement specifies a management services fee to be paid to FGI for these services. The fee is part of the total premium charged by the Exchanges and one of the many expenses paid by the Exchanges in conducting operations. As such it is reflected in rate filings to the regulators who, where required, ultimately approve the respective insurance rates.

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.

Farmers is a trade name and may refer to Farmers Group, Inc. or the Farmers Exchanges, as the case may be. Farmers Group, Inc., a management and holding company, along with its subsidiaries, is wholly owned by the Zurich Financial Services Group. The Farmers Exchanges are three reciprocal insurers (Farmers Insurance Exchange, Fire Insurance Exchange and Truck Insurance Exchange), including their subsidiaries and affiliates, owned by their policyholders, and managed by Farmers Group, Inc. and its subsidiaries. For more information about Farmers, visit our website www.farmers.com or www.facebook.com/FarmersInsurance.

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Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predications of or indicate future events, trends, plans or objectives of Zurich Financial Services Ltd or the Zurich Financial Services Group (the "Group"). Forward-looking statements include statements regarding the Group's targeted profit improvement, return on equity targets, expense reductions, pricing conditions, dividend policy and underwriting claims improvements, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Financial Services Ltd or the Group to differ materially from those expressed or implied in the forward looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of the global economic downturn and a downturn in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates;

(v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; and (viii) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Financial Services Ltd and its Group and on whether the targets will be achieved. Zurich Financial Services Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

It should be noted that past performance is not a guide to future performance.

Persons requiring advice should consult an independent adviser.

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/PRNewswire -- Oct. 7/

SOURCE Zurich Financial Services Group

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