

Outstanding US Law-Governed USD LIBOR Instruments Planned to Transition to Term SOFR

WOODLAND HILLS, Calif., Aug. 29, 2024 /PRNewswire/ -- Farmers Insurance Exchange, Truck Insurance Exchange and Fire Insurance Exchange (collectively, the "**Exchanges**") today announced the following:

On March 5, 2021, the UK Financial Conduct Authority (the FCA) announced that all USD LIBOR settings will either cease publication or no longer be representative after June 30, 2023 (the "**Cessation Date**").

Farmers Exchange Capital II issued \$335 million of 6.151% Trust Surplus Notes Securities due 2053 and invested the proceeds thereof in an equivalent amount of surplus notes (collectively, the "**2053 Notes**") issued by the Exchanges and Farmers Exchange Capital III issued \$500 million of 5.454% Trust Surplus Notes Securities due 2054 and invested the proceeds thereof in an equivalent amount of surplus notes (collectively, the "**2054 Notes**" and together with the 2053 Notes, the "**Surplus Notes**") issued by the Exchanges that:

- i. use USD LIBOR as a benchmark (i.e., as a reference for calculating or determining one or more valuations, payments or other measurements),
- ii. did not mature before the Cessation Date and
- iii. are governed by U.S. law or the law of a U.S. state.

The Exchanges are issuing this press release to provide notice that the Three-Month USD LIBOR rate in each series of Surplus Notes will be replaced with the CME Term SOFR Reference Rate published for the three-month tenor corresponding to the relevant USD LIBOR rate as administered by CME Group Benchmark Administration, Ltd. (or any successor administrator thereof) ("**Term SOFR**") plus a tenor spread adjustment.

Non-workable contractual fallbacks

Each of the 2053 Notes and the 2054 Notes fall into the non-workable contractual fallback category. Pursuant to the Adjustable Interest Rate (LIBOR) Act (the "**LIBOR Act**"), which was enacted by Congress on March 15, 2022, the Surplus Notes will, by operation of law, transition to three-month Term SOFR plus a tenor spread adjustment of 0.26161%.

The contractual fallbacks in the Surplus Notes identify neither: (i) a specific benchmark replacement that is not based in any way on any USD LIBOR value nor (ii) a determining person with the authority to determine a replacement for USD LIBOR.

The LIBOR Act provides that, for instruments such as these, the replacement benchmark rate selected by the Board of Governors of the Federal Reserve System (the "**Board**") will replace USD LIBOR. The Board has adopted final rules providing that, on and after the first London banking day after the Cessation Date (the "**LIBOR replacement date**"), in place of one-, three- or six-month tenors of USD LIBOR, the benchmark replacement for instruments such as these (the "**Board-selected benchmark replacement**") shall be Term SOFR for the corresponding tenor plus the applicable tenor spread adjustment. (See "**Tenor Spread Adjustment**" below.)

Tenor Spread Adjustment

The tenor spread adjustment for each tenor listed below, as set forth in the LIBOR Act and in final rules adopted by the Board, is:

Currency	Tenor	Tenor Spread Adjustment
USD	1 Month	0.11448 %
USD	3 Months	0.26161 %
USD	6 Months	0.42826 %

Conforming Changes

The Board's final rules also provide for certain conforming changes described in further detail in **Annex 1**.

This press release applies only to the Surplus Notes.

The Surplus Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act"), or any state securities law and may not be offered or sold in the United States absent registration or an applicable exemption from registration under the Securities Act and applicable state securities laws. The Surplus Notes were offered in the United States only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act.

About Farmers Insurance Exchange

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Annex 1

Conforming changes

Conforming changes

Under the LIBOR Act, if the Board-selected benchmark replacement becomes the benchmark replacement for an instrument, all benchmark replacement conforming changes will become an integral part of the instrument. Benchmark replacement conforming changes are technical, administrative or operational changes, alterations or modifications that

- i. the Board determines, in its discretion, would address one or more issues affecting the implementation, administration and calculation of the Board-selected benchmark replacement in LIBOR contracts; or
- ii. in the reasonable judgment of a person responsible for calculating or determining any valuation, payment or other measurement based on a benchmark (a "**calculating person**"), are otherwise necessary or appropriate to permit the implementation, administration and calculation of the Board-selected benchmark replacement under or with respect to a LIBOR contract after giving due consideration to any benchmark replacement conforming changes implemented by the Board.

The Board has adopted final rules providing that the following benchmark replacement conforming changes will become an integral part of instruments:

- (1) Any reference to a specified source for USD LIBOR (such as a particular newspaper, website, or screen) shall be replaced with the publication of the applicable Board-selected benchmark replacement (inclusive of the relevant tenor spread adjustment) by either the relevant benchmark administrator for the applicable Board-selected benchmark replacement or any third party authorized by the relevant benchmark administrator to publish the applicable Board-selected benchmark replacement.
- (2) Any reference to a particular time of day for determining USD LIBOR (such as 11:00 a.m. London time) shall be replaced with the standard publication time for the applicable Board-selected benchmark replacement (inclusive of the relevant tenor spread adjustment), as established by the relevant benchmark administrator.
- (3) Any provision of a LIBOR contract requiring use of a combination (such as an average) of LIBOR values over a period of time that spans the LIBOR replacement date shall be modified to provide that the combination shall be calculated consistent with that contractual provision using (i) the applicable LIBOR for any date prior to the LIBOR replacement date and (ii) the applicable Board-selected benchmark replacement rate for any date on or following the LIBOR replacement date, respectively.
- (4) To the extent a Board-selected benchmark replacement is not available or published on a particular day indicated in the LIBOR contract as the determination date, the most recently available publication of the Board-selected benchmark replacement will apply.

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Additional assets available online:  [Photos](#) (1)

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