Swiss Re

News release

Farmers Insurance Exchange successfully renews USD 500 million surplus note facility providing an option to access capital after major cat event

New York, 17 February 2015 – Farmers Insurance Exchange ("Farmers") has successfully closed a USD 500 million contingent surplus loan note facility. This is the third time Farmers has put a facility in place which complements the capital structure of Farmers with bank and non-bank lenders participating in the transaction.

Commerzbank AG, RBS Securities Inc. and Swiss Re acted as joint bookrunners with active syndication roles on this transaction.

The overall structure of the facility, initially developed in 2007 and renewed in 2012, was further optimised for the most recent renewal. This capital management tool provides Farmers the option to quickly access capital when Farmers and its customers need it most. In addition, the structure preserves the long-term capital strength of Farmers by obtaining regulatory capital relief. Farmers now has the ability to issue 5-year surplus loan notes at pre-agreed interest levels during a two-year commitment period (followed by three annual extensions), in the event that loss claims from predefined catastrophe events reach a specific level.

"This facility would bring capital relief to Farmers in the remote event losses from a significant natural catastrophe stretches our traditional risk transfer structures. The fact that we are able to provide this relief in a unique structure which is substantially less costly than the traditional alternatives is a good deal for both Farmers and our customers," said Ron Myhan, Chief Financial Officer of Farmers. "We appreciate the multinational support we have received from the participants in this facility. The best deals are always those where both sides win, and we believe this facility is truly one of those deals."

Richard Furk, Client Executive, Commerzbank commented: "We were delighted to work again with Farmers on this unusual form of capital instrument, bringing together bank and non-bank investors to maximise the interaction between their capital requirements and risk protection."

"Despite the improvements in the credit markets since 2012, syndicating such a facility is always an interesting challenge due to its various non-standard features such as the contingent nature and the embedded catastrophe trigger which requires lenders not only to assess the credit profile but also consider the impact of natural catastrophe events," said Philipp Kusche, Director, Insurance-Linked Securities at Swiss Re. "Aligning the embedded catastrophe trigger within the facility more closely with Farmers' traditional reinsurance coverage allowed us to make the transaction more efficient for Farmers, while reducing the maturity and

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commitment period compared to the 2012 transaction made it more appealing for lenders."

Gianfranco Lot, Managing Director and Client Executive at Swiss Re added: "The excellent reputation of Farmers and use of capital markets and reinsurance technology allowed the company to obtain an efficiently priced transaction supported by a broad panel of lenders."

About Farmers

Farmers Insurance Exchange is a part of the Farmers Insurance Group of Companies®, a leading U.S. insurer group of automobiles, homes and small businesses and a provider of a wide range of other insurance and financial services products. Farmers Insurance is proud to serve more than 10 million households with more than 19 million individual policies across all 50 states through the efforts of 50,000 exclusive and independent agents and nearly 22,000 employees. For more information about Farmers Insurance, visit its website at www.farmers.com or at www.Facebook.com/FarmersInsurance.

About Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in more than 50 countries. The core markets of Commerzbank are Germany and Poland. With the business areas Private Customers, Mittelstandsbank, Corporates & Markets and Central & Eastern Europe, its private customers and corporate clients, as well as institutional investors, profit from a comprehensive portfolio of banking and capital market services. Commerzbank finances more than 30 per cent of Germany's foreign trade and is the unchallenged leader in financing for SMEs. With its subsidiaries comdirect and Poland's mBank it owns two of the world's most innovative online banks. With approximately 1,200 branches Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank boasts approximately 15 million private customers, as well as 1 million business and corporate clients. The Bank, which was founded in 1870, is represented at all the world's major stock exchanges. In 2013, it generated gross revenues of more than EUR 9 billion with an average of approximately 54,000 employees.

About The Royal Bank of Scotland

The Royal Bank of Scotland (RBS) is a UK-based banking and financial services company. Headquartered in Edinburgh, RBS provides a wide range of products and services to personal, commercial and large corporates, and institutional customers through its two main subsidiaries, The Royal Bank of Scotland and NatWest, as well as through a number of other well-known brands including Citizens, Ulster Bank and Coutts.

About Swiss Re

The Swiss Re Group is a leading wholesale provider of reinsurance, insurance and other insurance-based forms of risk transfer. Dealing direct and working through brokers, its global client base consists of insurance companies, mid-to-large-sized corporations and public sector clients. From standard products to tailor-made coverage across all lines of business, Swiss Re deploys its capital strength, expertise and innovation power to enable the risk-taking upon which enterprise and progress in society depend. Founded in Zurich, Switzerland, in 1863, Swiss Re serves clients through a network of about 70 offices globally and is rated "AA-" by Standard & Poor's, "Aa3" by Moody's and "A+" by A.M. Best. Registered shares in the Swiss Re Group holding company, Swiss Re Ltd, are listed in accordance with the Main Standard on the SIX Swiss Exchange and trade under the symbol SREN. For more information about Swiss Re Group, please visit: www.swissre.com or follow us on Twitter @SwissRe.

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Certain statements and illustrations contained herein are forward-looking. These statements (including as to plans, objectives, targets, and trends) and illustrations provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to a historical fact or current fact.

Forward-looking statements typically are identified by words or phrases such as "anticipate", "assume", "believe", "continue", "estimate", "expect", "foresee", "intend", "may increase", "may fluctuate" and similar expressions, or by future or conditional verbs such as "will", "should", "would" and "could". These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the Group's actual results of operations, financial condition, solvency ratios, liquidity position or prospects to be materially different from any future results of operations, financial condition, solvency ratios, liquidity position or prospects expressed or implied by such statements or cause Swiss Re to not achieve its published targets. Such factors include, among others:

- instability affecting the global financial system and developments related thereto;
- deterioration in global economic conditions;
- the Group's ability to maintain sufficient liquidity and access to capital markets, including sufficient liquidity to cover potential recapture of reinsurance agreements, early calls of debt or debt-like arrangements and collateral calls due to actual or perceived deterioration of the Group's financial strength or otherwise;
- the effect of market conditions, including the global equity and credit markets, and the level and volatility of equity prices, interest rates, credit spreads, currency values and other market indices, on the Group's investment assets;
- changes in the Group's investment result as a result of changes in its investment policy or the changed composition of its investment assets, and the impact of the timing of any such changes relative to changes in market conditions;
- uncertainties in valuing credit default swaps and other credit-related instruments;
- possible inability to realise amounts on sales of securities on the Group's balance sheet equivalent to their mark-to-market values recorded for accounting purposes;
- the outcome of tax audits, the ability to realise tax loss carryforwards and the ability to realise deferred tax assets (including by reason of the mix of earnings in a jurisdiction or deemed change of control), which could negatively impact future earnings;
- the possibility that the Group's hedging arrangements may not be effective;
- the lowering or loss of one of the financial strength or other ratings of one or more Swiss Re companies, and developments adversely affecting the Group's ability to achieve improved ratings;
- the cyclicality of the reinsurance industry;
- uncertainties in estimating reserves;
- uncertainties in estimating future claims for purposes of financial reporting, particularly with respect to large natural catastrophes, as significant uncertainties may be involved in estimating losses from such events and preliminary estimates may be subject to change as new information becomes available;
- the frequency, severity and development of insured claim events;

- acts of terrorism and acts of war;
- mortality, morbidity and longevity experience;
- policy renewal and lapse rates;
- extraordinary events affecting the Group's clients and other counterparties, such as bankruptcies, liquidations and other credit-related events;
- current, pending and future legislation and regulation affecting the Group or its ceding companies and the interpretation of legislation or regulations;
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- changes in accounting standards;
- significant investments, acquisitions or dispositions, and any delays, unexpected costs or other issues experienced in connection with any such transactions;
- changing levels of competition; and
- operational factors, including the efficacy of risk management and other internal procedures in managing the foregoing risks.

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