

# Farmers Group to acquire three brokerages and flood program of Farmers Exchange

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Zurich, through its wholly-owned subsidiary, Farmers Group (FGI), has agreed to acquire three brokerages and the flood program servicing arm of the Farmers Exchanges, for \$760 million.

According to the announcement, “ownership of the brokerages will ensure FGI maintains and broadens its position in supporting the Exchanges in meeting customers’ needs while generating an additional capital-light stream of earnings for FGI.”



The brokerages involved include: Kraft Lake Insurance Agency, Western Star Insurance Services and Farmers General Insurance Agency.

Waller Helms Advisors, who acted as the exclusive financial advisor to the Farmers Exchanges, stated: “[The brokerages] will enable the Farmers Exchanges to create a more attractive customer proposition with a broader and more compelling range of products and services which are expected to improve customer retention and new customer acquisition.

“The brokerages offer alternative insurance options for the more than 7 million Farmers Exchanges quotes that are currently not taken up by customers.”

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The agreed purchase price of \$760 million represents approximately 18 times EBITDA for the existing business, an additional payment for the value of the tax attributes and a further payment related to the fee stream on the new alternative insurance options.

Farmers Exchanges and Zurich are to experience a positive impact derived from this transaction, which is subject to regulatory probal.

This would mean Farmers Exchanges' would see a surplus ratio of 3 percentage points upon closing, while Zurich's SST ratio would go down by 4 percentage points.