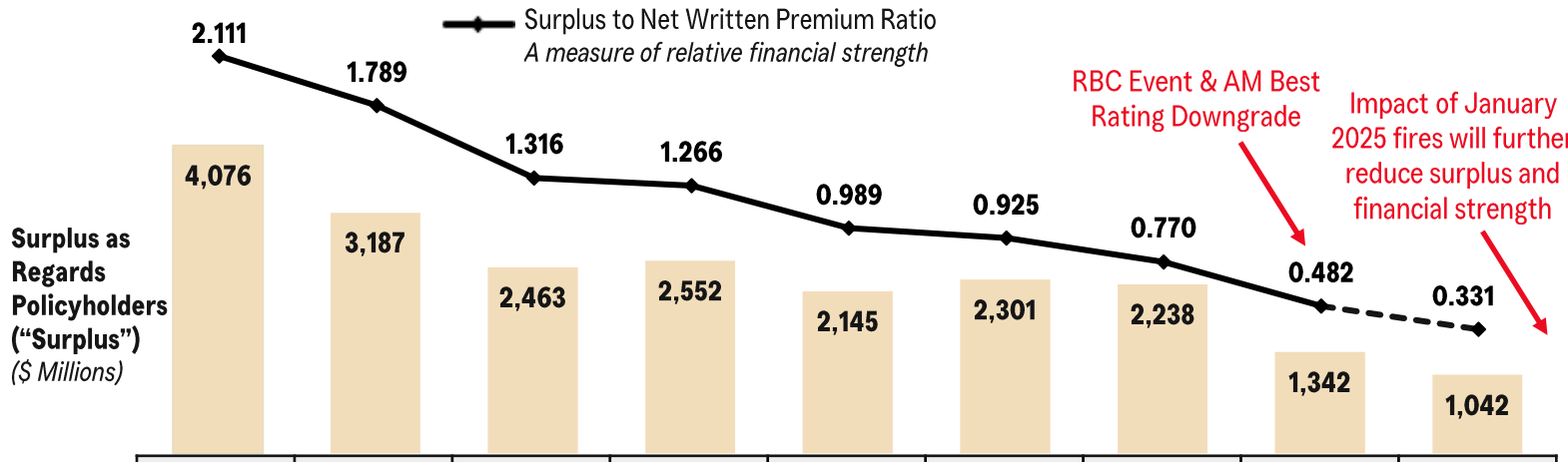
State Farm General Insurance Company

Financial Results 2016 – 2024[1]



	2016	2017	2018	2019	2020	2021	2022	2023	2024[1]
Combined Ratio	103.4	184.5	160.8	102.8	127.2	101.0	108.9	137.4	119.2

[1] Year-end 2024 represents a preliminary result. All other values sourced from annual financial statements filed with insurance regulators on or by March 1 of each year. The combined ratio is based on net results and calculated by taking incurred losses plus incurred expenses and dividing that sum by earned premium (a number above 100 represents an underwriting loss with the underwriting gain/loss calculated by subtracting incurred losses and incurred expenses from earned premium).

Financial Strength Deterioration

State Farm General (SFG) is almost exclusively a California insurer, with homeowners insurance being its largest line of business.

The surplus of SFG continued to deteriorate in 2024. SFG's already stressed financial position will be further weakened by the financial impact of the January 2025 fires, including SFG's participation in FAIR Plan losses. This is even after accounting for the billions of dollars in anticipated recoveries from a prudently robust reinsurance program that includes State Farm Mutual Automobile Insurance Company ("State Farm Mutual") as the primary reinsurer.

Year-end 2024 surplus is estimated at $1.04 billion **– a quarter of its value compared to year-end 2016 and less than half its value since just year-end 2022.** The year-end 2024 surplus to net written premium ratio is estimated to be 0.331 with the first quarter 2025 ratio expected to fall below the NAIC range provided by the Insurance Regulatory Information Systems (IRIS) manual.

The cumulative underwriting loss for 2016 – 2024 is $5.3 billion with a cumulative combined ratio of 125.7% – meaning SFG will pay $1.26 in claims and expenses for every $1 of premium collected. While this underwriting loss was partially offset by investment income, SFG's after-tax net loss totals $2.8 billion over this same nine-year period ending December 31, 2024, and is clearly not sustainable.

Risk Based Capital (RBC) – RBC is a uniform capital standard prescribed by the National Association of Insurance Commissioners (NAIC) and used by insurance regulators, including the California and Illinois Departments of Insurance. The RBC framework requires various corrective actions on the part of the insurer and its domestic regulator should the insurer's capital fall below certain defined trigger points. As a result of SFG's 2023 financial position, the **company triggered a Company Action Level Event after failing to meet the NAIC's RBC ratio requirements**, which dictated that a plan be filed with the Illinois Department of Insurance ("IDOI" is SFG's domestic financial solvency regulator) specifying corrective actions that would address the event. Based on the further deterioration in surplus during 2024, SFG expects to again fail to meet the RBC standard and will be required to file an another / updated RBC Plan with the IDOI. The net (after-reinsurance) impact of the January 2025 fires, along with SFG's participation in FAIR Plan losses, puts further strain on an already strained financial position resulting in the expectation of further deterioration of the company's RBC. The NAIC is considering inclusion of wildfire catastrophe risk into RBC as it is not currently included – its inclusion will put even greater pressure on the SFG RBC ratio. SFG must meet solvency and regulatory requirements, including RBC requirements, on an individual entity basis without regard to the solvency or financial condition of any other affiliated entity.

AM Best Financial Strength Rating – In March 2024, credit rating agency AM Best **downgraded** SFG's Financial Strength Rating (FSR) to B (Fair) and its Long-Term Issuer Credit Rating (ICR) to bb+ (Fair). AM Best noted the following in its release[2]: "The Credit Ratings (ratings) reflect State Farm General's balance sheet strength, which AM Best assesses as weak, as well as its marginal operating performance…The continuation of the negative outlook on the Long-Term ICR reflects the uncertainty of the company's ability to stabilize and strengthen its risk-adjusted capitalization given ongoing challenges regarding profitability and internal capital generation…and the challenging regulatory environment within California's marketplace that have constrained the ability of State Farm General (as well as its industry peers) to increase premium rates in a timely fashion."

[2] See March 2024 AM Best news release - https://news.ambest.com/pr/PressContent.aspx?refnum=34559&altsrc=2