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State Farm® Net Worth Drops 16 Percent To \$53.3 Billion

Nearly 90 Percent of Decline Due to Drop in Equity Values

\$6.3 Billion In Catastrophe Losses Well Above Expected Levels

Bloomington, Ill., Feb. 27, 2009 -- Net worth for the State Farm group decreased in 2008 by \$10.4 billion to end the year at \$53.3 billion. The primary reason for the decrease was the \$9.2 billion decline in the value of the property-casualty (P-C) companies' unaffiliated stock portfolio (net of deferred tax). Although this decline was driven by general market conditions, State Farm's P-C portfolio had a smaller percentage decline than the broader equity market.

The \$10.4 billion decrease in net worth comes after five consecutive years of net worth increases. In spite of the 2008 decline, the State Farm group's net worth is 68 percent higher than it was at the end of 2002, after two years of significant decline.

State Farm reported an after-tax net loss of \$542 million in 2008, compared with \$5.46 billion of net income in 2007. The after-tax net loss in 2008 was driven by the P-C companies' pretax operating loss, which was partially offset by income tax recoveries. Extraordinary levels of catastrophe losses adversely impacted operating results in 2008.

The operating loss for State Farm follows five consecutive years of net income. The average annual amount of net income for State Farm through the first nine years of this decade is \$1.6 billion.

"It is imperative in our business to achieve financial results that enable us to grow and maintain the necessary level of financial strength that ensures long-term sustainability. As a result, one should not attribute too much significance to short-term operating results without first considering the level of financial strength," said Michael Tipsord, Vice Chairman, Treasurer and Chief Financial Officer. "This concept is as relevant to 2007 when State Farm achieved record levels of profit as it is to 2008 when we experienced significant losses. The more important message is that the positive results from 2003 through 2007 enabled State Farm to endure a record level decline in net worth during 2008 and still end the year with over \$53 billion in net worth."

The P-C companies reported a pretax operating loss of \$2.1 billion in 2008, which includes the underwriting loss of \$6.3 billion, partially offset by investment and other income of \$4.2 billion. This compares with a pretax operating profit of \$5.1 billion in 2007, which included investment and other income of \$4.6 billion and an underwriting gain of \$621 million. The State Farm group's net worth is also affected by the results of operations of non-P-C affiliates, which resulted in a loss for the year of \$244 million.

Total revenue, which includes premium revenue, earned investment income and realized capital gains (losses), was \$61.3 billion for 2008 compared with the 2007 figure of \$61.6 billion.

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State Farm's insurance operations consist of eight P-C insurers and three life insurers. The P-C insurers are primarily engaged in automobile, health, homeowners and commercial multiple peril (CMP) lines of business. The net results of State Farm Mutual Automobile Insurance Company, State Farm Indemnity Company, State Farm Guaranty Company and State Farm County Mutual Insurance Company of Texas include the Auto business as well as the Health and reinsurance lines written by State Farm Mutual. The net results of State Farm Fire and Casualty Company, State Farm Lloyds, State Farm General Insurance Company and State Farm Florida Insurance Company reflect the Homeowners, CMP and other P-C lines of business. State Farm Life Insurance Company, State Farm International Life Insurance Company Ltd. and State Farm Life and Accident Assurance Company write the Life and Annuity business. The State Farm group also provides banking products and mutual funds through affiliated companies. State Farm provides insurance and financial services products to nearly 81 million policies and accounts.

Auto – State Farm's auto insurance business represents 63 percent of the P-C companies' combined net written premium. Earned premium was \$30.3 billion, an increase of 0.3 percent from 2007. The incurred claims and loss expenses were \$25.6 billion. The underwriting loss was \$2.7 billion.

Comparable 2007 figures were: earned premium, \$30.2 billion; incurred claims and loss expenses, \$24.4 billion; underwriting loss, \$659 million.

Homeowners, CMP, Other – The net written premium for State Farm Fire and Casualty Company, State Farm Lloyds, State Farm General Insurance Company and State Farm Florida Insurance Company represents 33 percent of the P-C companies' combined net written premium. Earned premium was \$16.0 billion, an increase of 0.5 percent from 2007. The incurred claims and loss expenses were \$15.1 billion. The result was an underwriting loss of \$3.9 billion.

Comparable 2007 figures were: earned premium, \$15.9 billion; incurred claims and loss expenses, \$10.9 billion; underwriting gain, \$462 million.

Health – The individual health insurance operations for State Farm Mutual reported an underwriting loss of \$14 million. Net written premium was \$744 million. Comparable figures for 2007 were: underwriting loss, \$35 million; net written premium, \$752 million.

Property-Casualty (P-C) – The combined underwriting loss was \$6.3 billion on earned premium of \$48.1 billion. This includes results from Auto, Homeowners, Health and other lines, as well as the reinsurance line provided by State Farm Mutual. These results, combined with investment and other income of \$4.2 billion, resulted in a pretax operating loss of \$2.1 billion. The after-tax net loss for the P-C companies was \$673 million.

Comparable 2007 figures were: earned premium, \$48.1 billion; underwriting gain, \$621 million; investment and other income, \$4.6 billion; auto policyholder dividends, \$78 million; pretax operating profit, \$5.1 billion; net income, \$5.0 billion.

Life – State Farm's life affiliates – State Farm Life Insurance Company, State Farm International Life Insurance Company Ltd. and State Farm Life and Accident Assurance Company – added \$28 billion of total life insurance in force during the year, bringing the companies' total insurance in force to \$713 billion on Dec. 31, 2008.

The life affiliates reported premium income of \$4.9 billion in 2008, compared with \$4.0 billion in 2007. In 2008, after-tax net income was \$185 million (\$315 million when excluding \$129 million in write-downs for impairment of invested assets). Net income was \$410 million in 2007. Results for 2008 included \$626 million in dividends to policyholders, compared with dividends of \$608 million in 2007.

Bank – State Farm Bank®, F.S.B. increased total assets to \$16.7 billion as of year-end 2008, compared with \$15.9 billion at the end of 2007. The Bank reported an after-tax net loss of \$159 million in 2008, compared with a 2007 loss of \$18 million. The 2008 results were significantly impacted by a high provision for loan losses.

Mutual Funds – Total assets under management for the retail Mutual Fund operations at the end of 2008 were \$3.5 billion, compared with \$4.6 billion at the beginning of the year. State Farm VP Management Corp. and State Farm Investment Management Corp. reported a combined after-tax net loss of \$21 million in 2008 compared with a loss of \$7 million in 2007.

State Farm Bank, Bloomington, Illinois, is a Member FDIC and an Equal Housing Lender. Insurance and securities products offered by affiliated companies of State Farm Bank are not FDIC insured, are not guaranteed by State Farm Bank and are subject to investment risk, including possible loss of principal invested.
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It is important to note that there is market risk involved when investing in mutual funds, including possible loss of principal. State Farm VP Management Corp is a separate entity from those State Farm Entities which provide banking and insurance products.

State Farm Mutual Funds are available through prospectus by registered representatives of State Farm VP Management Corp., One State Farm Plaza, Bloomington, Illinois 61710, 1-800-447-4930. Please read the prospectus and consider the investment objectives, risks, charges and expenses and other information it contains about State Farm Mutual Funds carefully before investing.

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