

UNIT ONE

THE STATE FARM INSURANCE COMPANIES GROUP

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The State Farm Insurance Group includes:

- State Farm Mutual Automobile Insurance Company
- State Farm Life Insurance Company
- State Farm Fire and Casualty Company
- State Farm Life and Accident Assurance Company
- State Farm General Insurance Company
- State Farm Lloyds
- State Farm County Mutual Insurance Company of Texas

State Farm Mutual is the parent company which owns and/ or controls the other companies. State Farm Mutual elects directors and officers, makes policy and business decisions, and exercises complete control over each of these subsidiary companies. With two exceptions, all are capital stock companies wholly owned by State Farm Mutual. This means the capital stock of these companies are assets of the parent company. One exception is State Farm County Mutual Insurance Company of Texas. The other exception is State Farm Lloyds.

A. What does the term "parent company" mean? _____

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B. Who owns the assets of the capital stock companies? _____

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C. Which subsidiaries are not capital stock companies? _____

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STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY

State Farm Mutual, widely referred to as the "Auto Company," was founded June 7, 1922, by George J. Mecherle (pronounced Ma-herl), an Illinois farmer. Initially, the Company concentrated on meeting the auto insurance needs of farmers in that state through a mutual organization owned by the policyholders—hence, the name State Farm Mutual. Today, State Farm Mutual's scope of operations has expanded to all corners of the U.S. and to Canada.

The Company's principal product

is *automobile* insurance. Since 1942, State Farm Mutual has been the nation's largest automobile insurer.

State Farm Mutual is a "preferred risk" company, which means that, in general, State Farm Mutual policyholders have met rather stringent underwriting standards. Of course, like all insurance companies, State Farm Mutual must insure its share of "other than preferred risks" as part of various state residual market programs. Such mandated residual market programs make insurance available for risks which cannot be insured through regular channels.

Historically, State Farm Mutual writes and has written General Liability (Farm and Residence Liability) policies to fill the need for such coverage of its farm and small town automobile policyholders. Today, however, most such coverages are provided by the State Farm Fire and Casualty Company.

Since 1965, State Farm Mutual has been writing *Accident and Health* insurance through a specialized Health Department. This is a fast growing department and the health insurance business is already a significant segment of the Company's total writings, ranking with the top ten writers of individual health policies in the U.S.

The Health Department markets a