

**STATE FARM LIFE INSURANCE COMPANY VARIABLE LIFE SEPARATE ACCOUNT  
(Registrant)**

**STATE FARM LIFE INSURANCE COMPANY  
(Depositor)**

**P.O. Box 2307  
Bloomington, Illinois 61702-2307  
Telephone (888) 702-2307**

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**STATEMENT OF ADDITIONAL INFORMATION  
Individual Flexible Premium Variable Universal Life Insurance Policy**

This Statement of Additional Information (“SAI”) contains additional information regarding the flexible premium variable universal life insurance policy (the “Policy”) offered by State Farm Life Insurance Company (“State Farm,” “we,” “us,” or “our”). This SAI is not a prospectus, and should be read together with the prospectus for the Policy dated May 1, 2021, and the prospectus for the Funds. You may obtain a copy of these prospectuses by writing or calling us at our address or phone number shown above. Capitalized terms in this SAI have the same meanings as in the prospectus for the Policy.

The date of this Statement of Additional Information is May 1, 2021.

**STATEMENT OF ADDITIONAL INFORMATION**

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## **ADDITIONAL POLICY INFORMATION**

### **Incontestability**

The Policy limits our right to contest the Policy as issued or as increased, for reasons of material misstatements contained in the application, after it has been in force during the Insured's lifetime for a minimum period, generally for two years from the Issue Date of the Policy or effective date of the increase.

### **Misstatement of Age or Sex**

State Farm will adjust the Death Benefit if the application misstates the Insured's Age or sex.

### **Limited Death Benefit—Suicide Exclusion**

The Policy limits the Death Benefit if the Insured dies by suicide generally within two years after the Issue Date of the Policy or effective date of the increase.

### **Assignment**

You may assign the Policy subject to its terms. We are not deemed to know of an assignment unless we receive a written copy of it at our Variable Operation Center. We assume no responsibility for the validity or effect of any assignment. In certain circumstances, an assignment may be a taxable event. See "Tax Considerations" in the prospectus.

### **Change of Owner**

When allowed by law, you may change the Owner of the Policy by sending a written request to our Variable Operation Center while the Insured is alive and the Policy is in force. The change will take effect the date you sign the written request, but the change will not affect any action we have taken before we receive the written request. A change of Owner does not change the Beneficiary designation. A change of Owner may have adverse tax consequences. You should consult a tax advisor before changing an Owner.

### **The Beneficiary**

You designate the Beneficiary(ies) when you apply for the Policy. The Beneficiary is entitled to the insurance benefits under the Policy. You may change the Beneficiary or the order of payment during the Insured's lifetime by providing a written request to the Variable Operation Center. We will effect your change on the date you sign the request or on any later date specified in the request, but the change will not affect any action we have taken before we receive the request. When the Insured dies, we will make payment in equal shares to the primary Beneficiary(ies) living when payment is made. If a primary beneficiary dies after the first payment is made, we will pay that primary beneficiary's unpaid share in equal shares to the other primaries living when payment is made. If the last primary beneficiary dies, we will make payment in equal shares to the successor beneficiaries living when payment is made. If a successor dies when receiving payments, we will pay that successor's unpaid share in equal shares to the other successors living when payment is made. If, at any time, no primary or successor is alive, we will make a one sum payment in equal shares to the final beneficiaries. If, at any time, no beneficiary is living, we will make a one-sum payment to you, if you are alive when payment is made. Otherwise, we will make a one-sum payment to the estate of the last survivor of you and all Beneficiaries.

### **Dividends**

The Policy is participating. However, we do not anticipate paying any dividends on the Policy.

## **Changing Death Benefit Options**

You may change the Death Benefit Option on your Policy subject to the following rules:

You must submit each change by written request that we receive at our Variable Operation Center, and you may only change the Death Benefit Option once in any Policy Year. We will process each change on the date we receive your written request at our Variable Operation Center. We will send you revised Policy schedule pages reflecting the new Death Benefit Option and the effective date of the change.

If you request a change from Option 1 to Option 2, the Basic Amount will be decreased by the Policy Account Value on the effective date of the change. When you make a change from Option 2 to Option 1, the Basic Amount after the change will be increased by the Policy Account Value on the effective date of the change. The minimum monthly premium for the Death Benefit Guarantee will also change when you change a Death Benefit Option. Changing the Death Benefit option may have tax consequences and you should consult a tax advisor before doing so.

## **ADDITIONAL INFORMATION**

### **The Compliance and Ethics Forum for Life Insurers**

We and State Farm Life and Accident Assurance Company are members of The Compliance and Ethics Forum for Life Insurers (CEFLI). CEFLI is an independent and voluntary organization created by the American Council of Life Insurance (ACLI) to improve customer confidence in the life insurance industry. Life insurers that are members of CEFLI agree to meet and maintain high standards of ethical conduct in their dealings with consumers for individual life insurance and annuity products.

### **Potential Conflicts of Interest**

The Funds currently sell shares to separate accounts to serve as the underlying investment for both variable life insurance policies and variable annuity contracts. We currently do not foresee any disadvantage to Owners arising from the sale of shares to support variable life insurance policies and variable annuity contracts. However, we will monitor events in order to identify any material irreconcilable conflicts that may possibly arise. In that event, we would determine what action, if any, should be taken in response to those events or conflicts. In addition, if we believe that a Fund's response to any of those events or conflicts insufficiently protects Owners, we will take appropriate action on our own, including withdrawing the Variable Account's investment in that Fund.

The Funds also may sell shares directly to certain pension and retirement plans qualifying under Section 401 of the Internal Revenue Code of 1986, as amended. As a result, there is a possibility that a material conflict may arise between the interests of Owners of this Policy or other policies or contracts (including policies issued by other companies), and such retirement plans or participants in such retirement plans. In the event of any such material conflicts, we will consider what action may be appropriate, including removing the Fund as an investment option under the Policies or replacing the Fund with another fund.

See the Funds' prospectuses for more detail.

### **Addition, Deletion or Substitution of Investments**

Where permitted by applicable law, we may:

- (1) create new separate accounts;
- (2) combine separate accounts, including the Variable Account;

- (3) add new Subaccounts to or remove existing Subaccounts from the Variable Account or combine Subaccounts;
- (4) make any Subaccount available to such classes or policies as we may determine;
- (5) add new funds or remove existing Funds;
- (6) substitute new funds for any existing Fund if shares of the Fund are no longer available for investment or if we determine investment in a Fund is no longer appropriate in the light of the purposes of the Variable Account;
- (7) deregister the Variable Account under the 1940 Act if such registration is no longer required; and
- (8) operate the variable Account as a management investment company under the 1940 Act or in any other form permitted by law.

The investment policy of the Variable Account will be changed only with the approval of the insurance supervisory official of the state in Illinois, our State of domicile. The investment policy of the Variable Account is to invest in one or more investment companies. The process for such approval is on file.

### **Safekeeping of Account Assets**

We hold the Variable Account's assets physically segregated and apart from the general account. We maintain records of all purchases and sale of portfolio shares by each of the Subaccounts. A fidelity bond in the amount of \$5 million covering our directors, officers, and employees has been issued by National Union Fire Insurance Company.

### **Reports to Policy Owners**

State Farm maintains records and accounts of all transactions involving the Policy, the Variable Account, the Fixed Account and the Loan Account at its Variable Operation Center. Each year, or more often if required by law, we will send you a report showing information about your Policy for the period covered by the report. State Farm also will send you an annual and a semi-annual report (or a notice regarding the availability of such report, if permitted by applicable law) for each Fund underlying a Subaccount to which you have allocated Policy Account Value, as required by the 1940 Act. In addition, when you pay premiums (other than by pre-authorized checking account deduction) or if you take out a Policy loan, make transfers or make withdrawals, you will receive a written confirmation of these transactions.

### **Principal Underwriter**

State Farm VP Management Corp., the principal underwriter of the Policy, is located at One State Farm Plaza, Bloomington, Illinois 61710-0001. State Farm VP Management Corp. is affiliated with State Farm Life Insurance Company because each company is directly or indirectly owned by State Farm Mutual Automobile Insurance Company. State Farm VP Management Corp. received \$1,436,382 in 2020, \$1,357,661 in 2019, and \$169,183 in 2018 as commissions for serving as principal underwriter of the Policy. State Farm VP Management Corp. did not retain any commissions in 2020, 2019 and 2018.

We discontinued new sales of the Policy during the latter half of 2008; however, we will continue to administer existing Policies and will continue to accept premiums and permit transfers for such Policies.

### **Underwriting Procedures**

State Farm will follow its established insurance underwriting procedures for life insurance designed to determine whether the proposed Insured is insurable. This process may involve such verification procedures as medical examinations and may require that further information be provided about the proposed Insured before a determination can be made.

## Experts

The statutory statements of admitted assets, liabilities, and capital and surplus of State Farm Life Insurance Company as of December 31, 2020 and 2019, and the related statutory statements of operations and changes in capital and surplus, and cash flows for the years ended December 31, 2020, 2019 and 2018, included in this Statement of Additional Information have been so included in the reliance on the report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, given on the authority of said firm as experts in accounting and auditing.

As stated in their report, these financial statements were prepared by the Company in conformity with the accounting practices prescribed or permitted by the Illinois Department of Insurance (statutory basis), which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP). The effects on the financial statements of the variances between the statutory basis of accounting and GAAP, although not reasonably determinable, are presumed to be material. Therefore, their report contains an adverse opinion on the financial statements of the Company in conformity with GAAP, but an unqualified opinion in conformity with statutory basis accounting.

The statements of assets and policy owners' equity of the State Farm Life Insurance Company Variable Life Separate Account at December 31, 2020, and the statement of operations for the year then ended, and the changes in its policy owners' equity for each of the two years in the period ended December 31, 2020, included in this Statement of Additional Information have been so included in the reliance on the report of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm, given on the authority of said firm as experts in accounting and auditing.

## The Company

We are an Illinois stock life insurance company and are wholly owned by State Farm Mutual Automobile Insurance Company, an Illinois mutual insurance company. We were incorporated in 1929 and have been continuously engaged in the life insurance business since that year. We are subject to regulation by the Insurance Department of the State of Illinois, as well as by the insurance departments of all other states and jurisdictions in which we do business. We sell insurance in 47 states and the District of Columbia. We submit annual statements on our operations and finances to insurance officials in such states and jurisdictions. The Policy described in the prospectus and this SAI has been filed with and, where required, approved by, insurance officials in those jurisdictions where it is sold.

## Other Information

State Farm has filed a registration statement under the Securities Act of 1933, as amended, with the SEC relating to the offering described in the prospectus. The prospectus and SAI do not include all the information set forth in the registration statement. Statements contained in this SAI concerning the content of the Policies and other legal instruments are intended to be summaries. You may obtain the omitted information at the SEC's principal office at 100 F Street, N.E., Washington, DC 20549 by paying the SEC's prescribed fees. The omitted information is also available at the SEC's Internet site (<http://www.sec.gov>).

## Financial Statements

The audited statutory statements of admitted assets, liabilities, and capital and surplus of State Farm Life Insurance Company as of December 31, 2020 and 2019, and the related statutory statements of operations and changes in capital and surplus, and cash flows for the years ended December 31, 2020, 2019 and 2018, as well as the Report of the Independent Registered Public Accounting Firm, appears in this SAI. Our financial statements should be considered only as bearing on our ability to meet our obligations under the Policies. **They should not be considered as bearing on the investment performance of the assets held in the Variable Account.**

Statements of assets and policy owners' equity and surplus of the State Farm Life Insurance Company Variable Life Separate Account at December 31, 2020, and the results of its operations for the year then ended, and the changes in its policy owners' equity and surplus for each of the two years in the period ended December 31, 2020, also appear in the SAI.

The audits were conducted in accordance with standards of the Public Company Accounting Oversight Board (United States).

# **State Farm Life Insurance Company**

(a wholly owned subsidiary of State Farm  
Mutual Automobile Insurance Company)

**Report on Audits of Financial Statements—Statutory Basis**

**For the Years Ended December 31, 2020, 2019, and 2018**



**State Farm Life Insurance Company**  
**(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)**

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## Report of Independent Auditors

To the Board of Directors of  
State Farm Life Insurance Company

We have audited the accompanying statutory financial statements of State Farm Life Insurance Company (the "Company"), which comprise the statutory statements of admitted assets, liabilities and surplus as of December 31, 2020 and 2019, and the related statutory statements of income and changes in surplus, and of cash flows for each of the three years in the period ended December 31, 2020.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the Illinois Department of Insurance. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the Illinois Department of Insurance, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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*PricewaterhouseCoopers LLP, One North Wacker, Chicago, IL 60606*

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***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2020 and 2019, or the results of its operations or its cash flows for each of the three years in the period ended December 31, 2020.

***Opinion on Statutory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in accordance with the accounting practices prescribed or permitted by the Illinois Department of Insurance described in Note 2.

*PricewaterhouseCoopers LLP*

February 25, 2021

**State Farm Life Insurance Company**  
(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)

**Statements of Admitted Assets, Liabilities, Capital and Surplus—Statutory Basis (in thousands)**  
**As of December 31, 2020 and 2019**

<b>ADMITTED ASSETS</b>	<b>2020</b>	<b>2019</b>
Bonds:		
United States government .....	\$ 3,046,487	\$ 3,468,800
Canadian government and subdivisions .....	18,964	23,957
Other governmental units .....	15,229,835	16,354,220
Industrial and other .....	34,359,181	32,211,201
	<u>52,654,467</u>	<u>52,058,178</u>
Stocks:		
Unaffiliated common .....	5,942,187	5,145,625
Affiliated common .....	8,400	8,404
	<u>5,950,587</u>	<u>5,154,029</u>
Mortgage loans .....	11,226,321	10,337,898
Contract loans .....	4,353,743	4,441,492
Cash (Overdraft) .....	(116,574)	(37,167)
Cash equivalents .....	1,340,232	846,139
Other invested assets .....	4,082,837	3,509,696
Accounts receivable—investment sales .....	—	393
Total cash and invested assets .....	<u>79,491,613</u>	<u>76,310,658</u>
Premiums deferred and uncollected .....	34,382	37,521
Investment income due and accrued .....	557,455	577,497
Net deferred tax asset .....	135,106	281,300
Receivables from affiliates .....	10	103
Other assets .....	17,507	19,550
Assets held in separate accounts .....	1,548,297	1,423,075
Total admitted assets .....	<u>\$81,784,370</u>	<u>\$78,649,704</u>
<b>LIABILITIES</b>	<b>2020</b>	<b>2019</b>
Aggregate reserves for life contracts .....	\$51,517,458	\$49,954,948
Liability for deposit type contracts .....	10,450,427	10,491,832
Policy and contract claims .....	412,791	281,460
Policyholders' dividends due and unpaid .....	2,771	2,905
Dividends to policyholders payable in the following year .....	570,944	568,360
Advance premiums, deposits and other policy and contract liabilities .....	28,385	27,770
Interest maintenance reserve (IMR) .....	58,141	43,405
Commissions payable .....	100,647	80,279
Federal income taxes payable to affiliates .....	114,269	92,203
Postretirement benefits .....	360,535	357,559
Agent termination benefits .....	705,203	615,853
Payable to parent, subsidiaries and affiliates .....	67,005	66,864
Other liabilities .....	340,868	275,807
Liabilities related to separate accounts .....	1,548,297	1,423,075
Asset valuation reserve (AVR) .....	2,339,386	2,006,983
Total liabilities .....	<u>68,617,127</u>	<u>66,289,303</u>
<b>CAPITAL AND SURPLUS</b>		
Common stock, \$100 par value; 30,000 shares authorized, issued and outstanding .....	3,000	3,000
Paid-in surplus .....	21,846	21,846
Unassigned surplus .....	13,142,397	12,335,555
Total capital and surplus .....	<u>13,167,243</u>	<u>12,360,401</u>
Total liabilities, capital and surplus .....	<u>\$81,784,370</u>	<u>\$78,649,704</u>

The accompanying notes are an integral part of these financial statements.

**State Farm Life Insurance Company**  
(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)

**Statements of Operations and Change in Capital and Surplus—Statutory Basis (in thousands)**  
For the Years Ended December 31, 2020, 2019, and 2018

<b>SUMMARY OF OPERATIONS</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Income:			
Premiums and annuity considerations .....	\$ 5,225,837	\$ 5,283,691	\$ 5,118,642
Net investment income .....	2,908,896	2,771,115	2,670,538
Other income .....	37,336	34,347	121,022
	<u>8,172,069</u>	<u>8,089,153</u>	<u>7,910,202</u>
Benefits and other expenses:			
Death benefits .....	2,375,010	2,027,014	1,886,438
Surrender benefits and other fund withdrawals .....	1,238,904	1,368,912	1,386,033
Other benefits and claims .....	792,630	758,462	733,098
Net transfers to or (from) separate accounts .....	(66,500)	(78,308)	(72,295)
Increase in policy and contract reserves .....	1,562,315	1,543,436	1,494,438
Commissions .....	386,717	364,804	356,436
General insurance expenses .....	692,265	625,390	645,368
Taxes, licenses and fees .....	103,635	113,830	106,560
	<u>7,084,976</u>	<u>6,723,540</u>	<u>6,536,076</u>
Net gain from operations before dividends to policyholders and federal and foreign income taxes .....	1,087,093	1,365,613	1,374,126
Dividends to policyholders .....	564,778	559,237	558,883
Net gain from operations before federal and foreign income taxes .....	522,315	806,376	815,243
Federal and foreign income taxes incurred (excluding capital gains) .....	106,626	177,869	174,355
Net gain from operations before net realized capital gains or (losses) .....	415,689	628,507	640,888
Net realized capital gains (losses), net of transfers to the IMR less capital gains tax .....	(87,659)	2,809	35,808
Net income .....	<u>\$ 328,030</u>	<u>\$ 631,316</u>	<u>\$ 676,696</u>
<b>CAPITAL AND SURPLUS ACCOUNT</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Common stock: Balance at beginning and end of year .....	\$ 3,000	\$ 3,000	\$ 3,000
Paid-in Surplus: Balance at beginning and end of year .....	21,846	21,846	21,846
Unassigned surplus:			
Balance at beginning of year .....	12,335,555	11,499,143	10,879,858
Net income .....	328,030	631,316	676,696
Change in net unrealized capital gains (losses) .....	813,565	903,771	(216,467)
Change in net deferred income tax .....	70,071	89,890	23,087
Change in nonadmitted assets .....	(18,261)	81,618	(48,485)
Change in reserve on account of change in valuation basis, (increase) decrease .....	(210)	—	—
Change in asset valuation reserve .....	(332,403)	(779,847)	157,611
Other changes in surplus in separate accounts statement .....	11	—	(394,614)
Dividends to stockholder (parent company) .....	(480)	(480)	(480)
Additional liability for termination benefits .....	(53,481)	(89,856)	84,040
Balance at end of year .....	<u>13,142,397</u>	<u>12,335,555</u>	<u>11,499,143</u>
Total capital and surplus .....	<u>\$13,167,243</u>	<u>\$12,360,401</u>	<u>\$11,523,989</u>

The accompanying notes are an integral part of these financial statements.

**State Farm Life Insurance Company**  
(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)

**Statements of Cash Flows—Statutory Basis (in thousands)**  
**For the Years Ended December 31, 2020, 2019, and 2018**

CASH FLOW	2020	2019	2018
Cash from operations:			
Premiums collected net of reinsurance	\$ 4,918,613	\$ 4,983,566	\$ 4,810,956
Net investment income	2,779,638	2,627,758	2,533,168
Miscellaneous income	15,225	14,917	14,323
Benefits and loss related items	(3,295,235)	(2,953,631)	(2,864,063)
Net transfers from Separate Accounts	66,449	77,234	71,670
Commissions, expenses paid and other deductions	(1,079,552)	(1,064,769)	(1,077,730)
Dividends paid to policyholders	(46,844)	(45,664)	(44,168)
Federal and foreign income taxes paid	(134,657)	(322,711)	(218,958)
Net cash from operations	<u>3,223,637</u>	<u>3,316,700</u>	<u>3,225,198</u>
Cash from investments:			
Proceeds from investments sold, matured or repaid:			
Bonds	6,085,631	4,476,578	3,800,215
Stocks	198,595	205,508	224,361
Mortgage loans	759,592	590,796	378,987
Other invested assets	582,169	257,324	279,115
Miscellaneous proceeds	1,886	10,204	16,398
Total investment proceeds	<u>7,627,873</u>	<u>5,540,410</u>	<u>4,699,076</u>
Cost of investments acquired (long term only):			
Bonds	6,714,283	5,142,961	4,280,689
Stocks	204,963	224,368	230,458
Mortgage loans	1,648,015	1,715,667	1,746,915
Other invested assets	911,615	718,458	771,710
Total investments acquired	<u>9,478,876</u>	<u>7,801,454</u>	<u>7,029,772</u>
Net increase (decrease) in contract loans and premium notes	(249,915)	(149,239)	(116,864)
Net cash from investments	<u>(1,601,088)</u>	<u>(2,111,805)</u>	<u>(2,213,832)</u>
Cash from financing and miscellaneous sources:			
Net deposits on deposit-type contracts and other insurance liabilities	(1,226,463)	(1,147,395)	(1,154,818)
Other cash provided (applied)	19,080	(838)	340,670
Dividends to stockholder paid	(480)	(480)	(480)
Net cash from financing and miscellaneous sources	<u>(1,207,863)</u>	<u>(1,148,713)</u>	<u>(814,628)</u>
Net change in cash, cash equivalents, and short-term investments	414,686	56,182	196,738
Cash, cash equivalents, and short-term investments, beginning of year	808,972	752,790	556,052
Cash, cash equivalents, and short-term investments, end of year	<u>\$ 1,223,658</u>	<u>\$ 808,972</u>	<u>\$ 752,790</u>
Supplemental disclosures of cash flow information for non-cash transactions:			
Deposit type contracts and interest credited	\$ 917,480	\$ 1,085,463	\$ 1,101,924
Dividends held or used to pay premiums	515,484	515,202	515,344
Bond exchanges	491,448	318,643	409,055
Mortgage principal refinanced	223,500	95,285	163,988
Capitalized loan interest	173,979	171,041	170,217
Waived premium	60,028	61,296	48,333
Common stock exchanges	21,560	33,504	24,624
Premiums temporarily applied by the Company	5,093	—	—
Separate Account Net Gain From Operations	—	—	72,500

The accompanying notes are an integral part of these financial statements.

**State Farm Life Insurance Company**  
(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)

**Notes to Financial Statements—Statutory Basis (in thousands)**

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**1. Nature of Business Operations**

State Farm Life Insurance Company (the Company), domiciled in Illinois, is a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company (SFMAIC). The Company is licensed in 47 states, as well as the District of Columbia. The Company primarily markets individual life and annuity products through an exclusive independent contractor agency force and by phone and internet. Individual life insurance products include traditional whole life, universal life, term insurance and variable universal life contracts which together account for approximately 95%, 91%, and 91% of premium revenue in 2020, 2019, and 2018, respectively. Individual annuity products including variable annuity contracts account for an additional 4%, 8%, and 8% in 2020, 2019, and 2018, respectively. The Company also writes a small amount of employee group life.

The Company is the parent company of the wholly owned State Farm Health Insurance Company (SFHIC).

The insurance industry is highly regulated and deals in contractual obligations. As such, the industry is subject to the risk of changes resulting from legislative enactments, legal interpretations and regulatory actions not anticipated in pricing the product.

**2. Summary of Significant Accounting Practices**

The financial statements of the Company are presented on the basis of accounting practices prescribed or permitted by the Illinois Department of Insurance.

The Illinois Department of Insurance recognizes only statutory accounting practices prescribed or permitted by the state of Illinois for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Illinois insurance law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual (NAIC SAP) has been adopted as a component of prescribed practices by the state of Illinois. During 2020, 2019, and 2018, the Company did not have any permitted practices.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates. Certain amounts applicable to prior year have been reclassified to conform to the current year presentation. Management has evaluated subsequent events for recognition or disclosure through February 25, 2021, the date these financial statements were available for issuance.

The following discussion describes significant accounting practices and highlights the significant differences between statutory accounting practices followed by the Company and generally accepted accounting principles (GAAP). The effect of these differences has not been determined, but is presumed to be material.

**A. Investments**

Bonds and stocks are stated at values prescribed by the NAIC. Bonds not backed by other loans, except those in or near default (i.e., NAIC 6), are stated at amortized cost using the scientific method. Bonds not backed by other loans that are in or near default are stated at the lower of amortized cost using the scientific method or fair value. Loan-backed securities, except those in or near default, are stated at amortized cost using the scientific method including anticipated prepayments at the date of purchase. Loan-backed securities that are in or near default are stated at the lower of amortized cost using the scientific method or fair value.

**State Farm Life Insurance Company**  
(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)

**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

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Prepayment assumptions for loan-backed securities are obtained from ICE Data Pricing & Reference Data, LLC and Bloomberg. Changes in estimated cash flows from the original purchase assumptions are accounted for using the retrospective adjustment method. There have been no changes from the retrospective adjustment method to the prospective method of valuing loan-backed securities. Stocks, other than investments in subsidiaries, are stated at fair value. Prices published by the Securities Valuation Office (SVO) of the NAIC or prices from pricing vendors are used to calculate fair value. Where a price is not available from the SVO or pricing vendors, management's best estimate of fair value is used. Under GAAP, equity securities that have readily determinable fair values would be classified into two categories: trading and available-for-sale. Debt securities would be classified into three categories: held-to-maturity, trading and available-for-sale. Held-to-maturity securities would be reported at amortized cost. Trading securities would be reported at fair value, with unrealized gains and losses included in earnings. Available-for-sale securities would be reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of unassigned surplus.

Registered money market mutual funds are reported as cash equivalents and are stated at fair value.

Short-term investments, which represent investments with maturities of less than one year, are stated at amortized cost.

Mortgage loans on real estate are stated at either the outstanding principal balance for loans originated by the Company or amortized cost for loans purchased by the Company. Cash receipts and interest income on impaired loans are deposited and accounted for as they are received. Impaired loans and accrued interest income on restructured impaired loans are evaluated to determine if the accrued interest is collectible. If deemed collectible, accrued interest on impaired loans is recorded as investment income due and accrued.

All mortgage loans are placed on non-accrual status when a loan is past due greater than 90 days or earlier if concerns exist as to the ultimate collectability of principal or interest. Loans remain in non-accrual status until full repayment of remaining contractual principal and interest is expected, the loan is current and there has been six months of sustained payment performance. Any due and accrued investment income that is 180 days past due and collectible is also reported as a non-admitted asset. If the accrued interest is not collectible, it is written-off and no further interest is accrued. The Company had no voluntary reserves for mortgage loans, in excess of those established for the asset valuation reserve, at December 31, 2020 or 2019.

Contract loans are stated at the aggregate of unpaid loan balances, which are not in excess of cash surrender values of related policies. Any loans in excess of cash surrender value are non-admitted in accordance with Statement of Statutory Accounting Principles (SSAP) No. 49.

The Company's other invested assets are comprised of ownership interests in joint ventures, partnerships, and limited liability companies. The Company carries these interests based on the underlying audited GAAP equity of the investee. Under SAP, changes in these values are reflected in Surplus, whereas in GAAP these changes may be reflected in Income. Investments without audited GAAP financial statements are non-admitted with a book/adjusted carrying value of zero. No impairments were recorded during 2020 and 2019.

The underlying audited statutory equity method is used for valuing its interest in the U.S. insurance subsidiary. Under GAAP reporting, all majority-owned subsidiaries would be consolidated.



**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

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The Company's interest in the State Farm Liquidity Pool, LLC (the Pool), is carried at its underlying audited GAAP equity, and is reported as a cash equivalent.

Investment income is recorded when earned. Due and accrued investment income that is over 90 days past due or when collection is in doubt is excluded from surplus. There were no material amounts excluded from surplus in 2020 and 2019. Realized gains and losses on sale of investments are determined by the specific identification method. Net realized gains and losses are shown net of federal income tax. Unrealized gains and losses are recorded to unassigned surplus net of deferred income tax.

For any decline in the fair value of a bond, stock, or mortgage loan that is considered to be other-than-temporary, a valuation adjustment is made and recognized as a realized capital loss.

**B. Premiums Deferred and Uncollected**

Premiums deferred and uncollected represent modal premiums, either due directly from policyholders and uncollected or not yet due, where policy reserves have been provided on the assumption that the full premium for the current policy year has been collected. Also, where policy reserves have been provided on a continuous premium assumption, premiums uncollected are similarly defined.

**C. Aggregate Reserves for Life Contracts**

Policy reserves are based on statutory requirements and are computed using formulaic or principle-based methods. Policy reserves are at least as large as those computed using minimum statutory requirements. Each year the Appointed Actuary performs asset adequacy analysis to determine whether the Company's reserves, when considered in light of Company assets, make adequate provision for the anticipated cash flows required by the contractual obligations and related expenses of the Company. Under GAAP, reserves are based on mortality, lapse, withdrawal and interest rate assumptions that are based on Company experience.

**D. Policyholders' Dividends**

All of the Company's individual and group life insurance business is written on the participating basis. Subject to the provisions of law regarding return of excess premiums, the Board of Directors may authorize such dividends to policyholders upon such terms and conditions as may, in their judgment, be proper, just and equitable. The amount of dividends to be paid to policyholders is determined annually by the Company's Board of Directors. Amounts declared and estimated to be payable to policyholders in the forthcoming year have been included in the accompanying financial statements as a liability based on approved dividend scales. Under GAAP, dividends are anticipated and may be considered as a planned contractual benefit when computing the value of future policy benefits. For the years ended December 31, 2020, 2019, and 2018, premiums under individual and group life participating policies were \$5,037,595, \$4,860,188, and \$4,712,960 or 100% of total individual and group life premiums earned. The Company's Statements of Operations for 2020, 2019, and 2018 includes \$564,778, \$559,237, and \$558,883 of policyholder dividends, respectively.

The Company absolutely and irrevocably commits and guarantees that, of the total dividends apportioned for the period beginning January 1, 2021 and ending December 31, 2021, it will pay or cause to be applied during 2021, in all events, annual dividends for participating individual life and annuity policies issued after December 31, 1983, in an amount not less than \$213,000. This guarantee covers policies in the aggregate only and does not confer a dividend guarantee on any specific policy.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

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**E. Federal and Foreign Income Taxes**

The Company files a consolidated federal income tax return with the following companies:

State Farm Mutual Automobile Insurance Company	State Farm Investment Management Corp. (SFIMC)
State Farm Fire and Casualty Company	State Farm VP Management Corp.
State Farm General Insurance Company	State Farm Bank, FSB
State Farm Life and Accident Assurance Company	State Farm International Holding Company
State Farm Health Insurance Company	Plaza One Realty Co.
State Farm Lloyds	Insurance Placement Services, Inc.
State Farm Indemnity Company	State Farm Realty Investment Company
State Farm Guaranty Insurance Company	Oglesby Reinsurance Company
State Farm Florida Insurance Company	Dover Bay Specialty Insurance Company
State Farm International Services, Inc.	HiRoad Assurance Company
State Farm Lloyds, Inc.	Green Bay Merger Corp.

The consolidated federal income tax liability is apportioned to each company in accordance with an agreement authorized by each Company's Board of Directors or Underwriters. The allocation is based upon separate return calculations after consolidating adjustments with current credit for net losses and tax credits used by the consolidated group. Intercompany federal income tax balances are settled as follows: 1) intercompany federal income tax receivables and payables which relate to the current tax year will be settled within ninety (90) days; 2) any refunds of federal income tax will be settled within thirty (30) days of receipt of the refund; and 3) any payments of federal income tax due will be settled within thirty (30) days of payment of the tax due.

Under NAIC SAP, the deferred tax assets (DTAs) are reduced by a valuation allowance if it is more likely than not that some portion of the DTAs will not be realized. In addition, the gross DTAs are subject to an admissibility test. The admissibility test has three parts. The first part of the admissibility test determines the loss carryback potential for temporary differences that reverse corresponding to Internal Revenue Service (IRS) tax loss carryback provisions, not to exceed three years. The second part of the admissibility test applies reversal periods and adjusted capital and surplus limitations based upon risk-based capital (RBC) thresholds to determine the admitted portion of DTAs expected to be realized during a period not to exceed three years. The third part of the test permits admission of gross DTAs to the extent of gross deferred tax liabilities (DTLs). Any changes in DTAs and DTLs are recognized as a separate component of the change in unassigned surplus.

The change in the net DTA/ DTL, including any valuation allowance, is reflected as a separate component of capital and surplus under NAIC SAP. Under GAAP, the change in DTA/DTL, including any valuation allowance, is generally reported as a component of net income. The movement in any non-admitted DTA is reported with the change in non-admitted assets, a separate component of capital and surplus.

Under NAIC SAP, the calculation of state income taxes incurred is limited to taxes due on the current year's taxable income and any adjustments due to changes in prior year returns. State income tax is reported as a component of taxes, licenses, and fees and is an element of pre-tax book income; deferred state income taxes are not recorded.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

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For any uncertain tax positions, the Company complies with the applicable income tax reporting and disclosure requirements pursuant to SSAP No. 101. SSAP No. 101 requires that tax loss contingencies, including the related interest and penalties, for current and prior years be computed in accordance with SSAP No. 5R, as modified for income taxes. A tax loss contingency is recorded only if it is more likely than not that such a loss has been incurred. If the Company determines that no tax loss contingency should be recorded, then analysis is completed to determine if a disclosure within the financial statements is appropriate. Additionally, under SSAP No. 101, a disclosure is made when it is reasonably possible that the total liability for the income tax loss contingency will significantly increase within 12 months of the reporting date.

The provision for federal income taxes is based on the Internal Revenue Code of 1986, as amended.

**F. Interest Maintenance Reserve and Asset Valuation Reserve**

The Interest Maintenance Reserve (IMR) and Asset Valuation Reserve (AVR) are maintained in accordance with requirements prescribed by the NAIC. Realized investment gains and losses, net of tax, attributable to interest rate changes on short-term and long-term fixed income investments are deferred and held in the IMR account. Such gains and losses are then amortized over the remaining original maturity of the investment sold and the amortization is reflected in the Company's Statements of Operations.

The AVR provides a reserve for credit-related and equity risks in a broad range of invested assets including bonds, stocks, mortgage loans, real estate, and other invested assets. Changes in the AVR are charged or credited directly to the unassigned surplus. The IMR and AVR are not calculated under GAAP.

**G. Separate Accounts**

The Company has established individual variable life and individual variable annuity separate accounts as unit investment trusts registered with the Securities and Exchange Commission under the Investment Company Act of 1940 and has issued individual variable universal life and individual variable annuity contracts as supported by Illinois Insurance Code 215 ILCS 5/245.21. A separate account is an accounting entity segregated as a discrete operation within an insurance company. Deposits received in connection with these contracts are placed in the Company's separate accounts and general account within certain limits.

Assets held in separate accounts under variable life and variable annuity contracts are invested as designated by the contract holder in units of the subaccounts of the separate accounts. The subaccounts invest those assets in shares of mutual funds.

Separate account assets are reported at Net Asset Value (NAV) and liabilities are recorded at amounts equal to contract holder assets. Contract holders are the only persons having rights to any assets in the separate accounts or to income arising from such assets. The Company withdrew all surplus of the separate account during 2018. Refer to Note 4 for additional disclosures.

The Company does not engage in security lending transactions within the separate accounts.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

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**H. Recognition of Premiums and Annuity Considerations and Related Expenses**

Scheduled life premiums are recognized as revenue over the premium paying period of the related policies. Flexible and single premiums and annuity considerations are recognized as revenues as received. Premiums received prior to the date of the financial statement which are due on or after the next modal premium date are recognized as a liability on the balance sheet. Acquisition costs, such as commissions and other costs related to the new business are expensed as incurred. Contracts that permit the insured to change the amount and timing of premium payments, such as universal life products are recorded as revenue when received. Under GAAP, the premiums for universal life contracts are recorded as increases to liabilities and revenue is recognized as mortality and other assessments are made to the policyholders. Additionally, acquisition costs under GAAP are capitalized and amortized over the policy period.

**I. Non-admitted Assets**

Certain assets designated as “non-admitted” assets aggregating \$32,218 and \$13,957 at December 31, 2020 and 2019, respectively, are not recognized by statutory accounting practices. These assets are excluded from the balance sheet, and the net change in such assets is charged or credited directly to unassigned surplus. There is no such concept under GAAP.

**J. Stockholder Dividends**

The maximum amount of dividends which can be paid by state of Illinois insurance companies to shareholders without the prior approval of the Insurance Commissioner is subject to restrictions relating to statutory surplus and net income.

**K. Guaranty Fund Assessments**

As of December 31, 2020 and 2019, liabilities of \$17,994 and \$17,998, respectively, have been recorded for guaranty fund assessments. These amounts, when recorded, represent liabilities recorded for all states in which the Company operates. Guaranty fund assessments are paid when called by the state guaranty fund associations, generally within a one to three year period. Premium tax offset assets for guaranty fund payments, as shown in the table below, are realized within five years of the payment of the guaranty fund assessment in most states.

Assets recognized from paid and accrued premium tax offsets and policy surcharges prior year-end	\$14,965
Decreases current year:	
Premium tax offset applied to 2020 annual returns	472
Increases current year:	
Premium tax offset accrual adjustment	
Premium tax offset applied to 2019 annual returns (over accrual)	19
Assets recognized from paid and accrued premium tax offsets and policy surcharges current year-end	\$14,512

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

On September 3, 2019, the Senior American Insurance Company was placed into liquidation. This company wrote primarily long-term care business. As of December 31, 2020, a liability of \$180 was established for estimated retrospective premium-based guaranty fund assessments related to this insolvency.

As of December 31, 2020, the undiscounted and discounted amount of the guaranty fund assessments and related assets by insolvency were as follows:

<u>Name of the Insolvency</u>	<u>Guaranty Fund Assessment</u>		<u>Related Assets</u>	
	<u>Undiscounted</u>	<u>Discounted</u>	<u>Undiscounted</u>	<u>Discounted</u>
Senior American Insurance Co. . . . .	\$180	Not Applicable	\$4,566	Not Applicable

At December 31, 2020, the number of jurisdictions, ranges of years used to discount, and weighted average number of years of the discounting time period for payables and recoverables by insolvency were as follows:

<u>Name of the Insolvency</u>	<u>Payables</u>			<u>Recoverables</u>		
	<u>Number of Jurisdictions</u>	<u>Range of Years</u>	<u>Weighted average number of years</u>	<u>Number of Jurisdictions</u>	<u>Range of Years</u>	<u>Weighted average number of years</u>
Senior American Insurance Co. . . . .	3	1	1	11	1-976	235.68

**3. Changes in Accounting Principle**

In 2016, the NAIC adopted a principle-based reserving method for life insurance products allowing for a three-year phase in period, a period the Company chose to utilize. This newly prescribed method of determining reserves considers additional risks associated with life insurance products that may not have been reflected in the prior formula-based reserving methodology. Due to the utilization of the three-year phase in period, principle-based reserving for life insurance only impacts Company business issued in 2020 and later.

In 2019, the NAIC adopted a new framework for computing reserves for variable annuity contracts, which is applicable to business retrospectively. The Company elected to continue to utilize the Alternative Methodology previously allowed by Guideline XLIII and now defined in VM-21 to calculate the aggregate reserve for its variable annuity contracts. The revisions to the requirements for computing policy reserves constitute a change in valuation basis due to the change in the reserving method as outlined in SSAP No. 51R. The alignment with VM-21 instructions resulted in an increased aggregate reserve and is reported as a cumulative change in accounting principle which decreased unassigned funds by \$210 as of January 1, 2020.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

**4. Investments**

**A. Bonds and Other Debt Securities**

The statement value and estimated fair value of investments in debt securities, including short-term investments, were as follows:

	<b>December 31, 2020</b>			
	<b>Statement Value</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
U.S. governments .....	\$ 3,046,487	\$ 250,231	\$ (39)	\$ 3,296,679
All other governments .....	46,414	3,385	—	49,799
States, territories and possessions (direct and guaranteed) .....	796,384	96,103	—	892,487
Political subdivisions of states, territories and possessions (direct and guaranteed) .....	1,937,786	145,915	(110)	2,083,591
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions .....	12,468,215	1,079,318	(3,022)	13,544,511
Industrial and miscellaneous .....	34,359,181	2,931,273	(20,213)	37,270,241
Totals .....	<u>\$52,654,467</u>	<u>\$4,506,225</u>	<u>\$(23,384)</u>	<u>\$57,137,308</u>

  

	<b>December 31, 2019</b>			
	<b>Statement Value</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
U.S. governments .....	\$ 3,468,800	\$ 127,965	\$ (2,702)	\$ 3,594,063
All other governments .....	57,540	1,368	(53)	58,855
States, territories and possessions (direct and guaranteed) .....	1,044,912	72,719	—	1,117,631
Political subdivisions of states, territories and possessions (direct and guaranteed) .....	2,579,105	102,611	(3,268)	2,678,448
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions .....	12,696,620	469,215	(9,784)	13,156,051
Industrial and miscellaneous .....	32,211,201	1,392,268	(29,952)	33,573,517
Totals .....	<u>\$52,058,178</u>	<u>\$2,166,146</u>	<u>\$(45,759)</u>	<u>\$54,178,565</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

The statement value and estimated fair value of debt securities by expected maturity are shown below. The expected maturity may differ from the contractual maturity for certain securities and, where applicable, is based on assumed prepayment rates, payment schedules, and known calls.

	<b>December 31, 2020</b>	
	<b>Statement Value</b>	<b>Fair Value</b>
Due in one year or less . . . . .	\$ 4,018,176	\$ 4,116,270
Due after one year through five years . . . . .	21,040,375	22,566,146
Due after five years through ten years . . . . .	22,857,799	25,324,152
Due after ten years . . . . .	4,738,117	5,130,740
Totals . . . . .	<u>\$52,654,467</u>	<u>\$57,137,308</u>

Gross proceeds and realized gains and losses, including other-than-temporary impairments, on bonds sold for the years ended December 31, consisted of:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Proceeds . . . . .	\$808,816	\$559,212	\$329,747
Gross gains . . . . .	41,179	20,182	20,035
Gross losses . . . . .	(50,991)	(29,647)	(2,380)

**B. Restricted Assets**

Certain assets owned by the Company and reported as admitted assets in the financial statements are not under the exclusive control of the Company. These investments are held at depository institutions for the benefit of policyholders and other beneficiaries.

	<b>2020</b>	<b>2019</b>
Bonds on deposit with regulatory authorities . . . . .	\$2,325	\$ 2,314
Bonds pledged as collateral . . . . .	—	18,013
Bonds held for special purposes . . . . .	—	225
Cash account held for special purposes . . . . .	—	5,000
Totals . . . . .	<u>\$2,325</u>	<u>\$25,552</u>

**C. Mortgage Loans**

Credit quality of the mortgage portfolio is evaluated through a variety of quantitative and qualitative loan factors. The factors are used to measure weakness and assess risk levels in individual loans. Loan-to-value (“LTV”) and debt service coverage (“DSC”) ratios are two of the key quantitative factors used to identify loan risk and potential loss. LTV is the ratio of the amortized cost of a loan to the estimated value of the underlying collateral. DSC is the ratio of the cash flows from the underlying collateral to the principal and interest payments of the loan. Credit quality indicators are updated and evaluated at least annually.

The Company invests in commercial mortgage loans secured primarily by industrial, multi-family, office, and retail properties. Each loan in the portfolio is reviewed at least annually for potential impairment, delinquency, non-accrual status and ultimate collectability. During these reviews the collateral financial results, occupancy, and physical condition, as well as guarantor financial position, where applicable, and current market conditions are evaluated.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

The Company's recorded investments by property type and credit quality indicator were as follows:

(in thousands)	DSC ratio				LTV ratio			
	Greater than 1.25	1.00-1.25	Less than 1.00	Total	Less than 80%	80%-less than 90%	90% or greater	Total
December 31, 2020:								
Apartment . . . . .	\$4,032,137	\$ 292,290	\$ 61,383	\$ 4,385,810	\$ 4,332,441	\$29,348	\$24,021	\$ 4,385,810
Retail . . . . .	1,156,756	128,953	50,834	1,336,543	1,336,543	—	—	1,336,543
Office . . . . .	992,622	88,803	24,893	1,106,318	1,086,961	—	19,357	1,106,318
Industrial . . . . .	3,212,664	667,420	7,089	3,887,173	3,887,173	—	—	3,887,173
Mixed Use . . . . .	156,596	7,346	—	163,942	163,942	—	—	163,942
Other . . . . .	346,535	—	—	346,535	346,535	—	—	346,535
Total . . . . .	<u>\$9,897,310</u>	<u>\$1,184,812</u>	<u>\$144,199</u>	<u>\$11,226,321</u>	<u>\$11,153,595</u>	<u>\$29,348</u>	<u>\$43,378</u>	<u>\$11,226,321</u>
December 31, 2019:								
Apartment . . . . .	\$3,768,007	\$ 288,442	\$ 31,385	\$ 4,087,834	\$ 4,069,415	\$18,419	\$ —	\$ 4,087,834
Retail . . . . .	1,055,922	224,627	20,244	1,300,793	1,300,793	—	12,924	1,313,717
Office . . . . .	925,874	160,853	13,259	1,099,986	1,087,061	—	—	1,087,061
Industrial . . . . .	2,791,133	523,990	66,322	3,381,445	3,381,446	—	—	3,381,446
Mixed Use . . . . .	116,210	27,342	—	143,552	143,552	—	—	143,552
Other . . . . .	321,694	2,594	—	324,288	324,288	—	—	324,288
Total . . . . .	<u>\$8,978,840</u>	<u>\$1,227,848</u>	<u>\$131,210</u>	<u>\$10,337,898</u>	<u>\$10,306,555</u>	<u>\$18,419</u>	<u>\$12,924</u>	<u>\$10,337,898</u>

As of December 31, 2020 and 2019, the weighted average DSC ratios for the portfolio were 2.26 and 2.18, respectively. The weighted average LTV ratios for the portfolio were 50.4% and 50.6% as of December 31, 2020 and 2019, respectively.

The maximum lending rate for commercial mortgage loans was 3.83% and 4.64% for 2020 and 2019, respectively. The minimum lending rate for commercial mortgage loans was 2.13% and 3.10% for 2020 and 2019, respectively.

The maximum percentage of any one loan to the value of security at the time of the loan in 2020 and 2019, exclusive of insured or guaranteed mortgages or purchased money mortgages, was 69.51% and 72.70%, respectively.



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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

The Company's mortgage loan age analysis and interest rate reduction summaries were as follows:

	Commercial	
	Insured	All Other
<b>2020</b>		
1. Recorded investments (all)		
(a) Current . . . . .	\$ —	\$11,226,321
(b) 30-59 days past due . . . . .	\$ —	\$ —
(c) 60-89 days past due . . . . .	\$ —	\$ —
(d) 90-179 days past due . . . . .	\$ —	\$ —
(e) 180+ days past due . . . . .	\$ —	\$ —
2. Accruing interest 90-179 days past due		
(a) Recorded investment . . . . .	\$ —	\$ —
(b) Interest accrued . . . . .	\$ —	\$ —
3. Accruing interest 180+ days past due		
(a) Recorded investment . . . . .	\$ —	\$ —
(b) Interest accrued . . . . .	\$ —	\$ —
4. Interest reduced		
(a) Recorded investment . . . . .	\$ —	\$ —
(b) Number of loans . . . . .	—	—
(c) Percent reduced . . . . .	0.00%	0.00%
5. Participant or co-lender in a mortgage loan agreement		
(a) Recorded investment . . . . .	\$ —	\$ —
<b>2019</b>		
1. Recorded investments (all)		
(a) Current . . . . .	\$ —	\$10,337,898
(b) 30-59 days past due . . . . .	\$ —	\$ —
(c) 60-89 days past due . . . . .	\$ —	\$ —
(d) 90-179 days past due . . . . .	\$ —	\$ —
(e) 180+ days past due . . . . .	\$ —	\$ —
2. Accruing interest 90-179 days past due		
(a) Recorded investment . . . . .	\$ —	\$ —
(b) Interest accrued . . . . .	\$ —	\$ —
3. Accruing interest 180+ days past due		
(a) Recorded investment . . . . .	\$ —	\$ —
(b) Interest accrued . . . . .	\$ —	\$ —
4. Interest reduced		
(a) Recorded investment . . . . .	\$ —	\$ 62,800
(b) Number of loans . . . . .	—	1
(c) Percent reduced . . . . .	0.00%	0.12%
5. Participant or co-lender in a mortgage loan agreement		
(a) Recorded investment . . . . .	\$ —	\$ —

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

	Commercial	
	Insured	All Other
<b>2018</b>		
1. Recorded investments (all)		
(a) Current	\$ —	\$9,213,035
(b) 30-59 days past due	\$ —	\$ —
(c) 60-89 days past due	\$ —	\$ —
(d) 90-179 days past due	\$ —	\$ —
(e) 180+ days past due	\$ —	\$ —
2. Accruing interest 90-179 days past due		
(a) Recorded investment	\$ —	\$ —
(b) Interest accrued	\$ —	\$ —
3. Accruing interest 180+ days past due		
(a) Recorded investment	\$ —	\$ —
(b) Interest accrued	\$ —	\$ —
4. Interest reduced		
(a) Recorded investment	\$ —	\$ —
(b) Number of loans	—	—
(c) Percent reduced	0.00%	0.00%
5. Participant or co-lender in a mortgage loan agreement		
(a) Recorded investment	\$ —	\$ —

The Company did not record an allowance for credit losses on its mortgage loans and had no tax assessments or other amounts not included in the mortgage loan total. The Company held no impaired mortgage loans as of December 31, 2020.

The Company reported the following statement values as of December 31, 2020 and 2019, respectively:

Mortgages in Good Standing: \$11,226,321 and \$10,337,898  
Restructured Mortgages: \$0 and \$0  
Mortgages In the Process of Foreclosure: \$0 and \$0

**D. Equity Investments**

The cost and statement/fair value of investments in stocks and gross unrealized gains and losses from these investments were as follows:

	December 31, 2020			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Unaffiliated common	\$2,049,130	\$3,945,129	\$(52,072)	\$5,942,187
Affiliated common	3,500	4,900	—	8,400

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

	December 31, 2019			Fair Value
	Cost	Unrealized Gains	Unrealized Losses	
Unaffiliated common .....	\$2,035,480	\$3,159,962	\$(49,817)	\$5,145,625
Affiliated common .....	3,500	4,904	—	8,404

Gross realized gains and losses, including other-than-temporary impairments, for the years ended December 31 consisted of:

	2020		2019		2018	
	Gains	Losses	Gains	Losses	Gains	Losses
Unaffiliated common .....	\$62,200	\$(57,629)	\$89,250	\$(17,578)	\$79,861	\$(7,904)

**E. Financial Instrument Impairments**

On a quarterly basis, the Company evaluates its investment portfolio for other-than-temporary impairments. In evaluating whether a decline in value is other-than-temporary, management considers several factors including, but not limited to, the following:

- The Company's ability and intent to retain the security for a sufficient period of time for it to recover.
- The extent and duration of the decline in value.
- The probability of collecting all cash flows according to contractual terms in effect at acquisition or restructuring.
- Relevant industry conditions and trends.
- The financial condition and current and future business prospects of the issuer.

The Company had realized capital losses due to other-than-temporary declines in the fair value as follows:

	2020	2019	2018
Bonds .....	\$50,991	\$29,629	\$368
Common Stocks .....	41,865	1,662	—
Total .....	<u>\$92,856</u>	<u>\$31,291</u>	<u>\$368</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

The unrealized losses due to temporary declines in the fair value of investments at December 31 were as follows:

	December 31, 2020					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. governments . . . . .	\$ 8,462	\$ (39)	\$—	\$—	\$ 8,462	\$ (39)
All other governments . . . . .	—	—	—	—	—	—
States, territories and possessions (direct and guaranteed) . . . . .	—	—	—	—	—	—
Political subdivisions of states, territories and possessions (direct and guaranteed) . . . . .	23,540	(110)	—	—	23,540	(110)
Special revenue and special assessment obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions . . . . .	299,458	(3,022)	—	—	299,458	(3,022)
Industrial and miscellaneous . . . . .	988,102	(20,213)	—	—	988,102	(20,213)
Subtotal, debt securities . . . . .	1,319,562	(23,384)	—	—	1,319,562	(23,384)
Common unaffiliated stock . . . . .	173,277	(52,072)	—	—	173,277	(52,072)
Total temporarily impaired securities . . .	<u>\$1,492,839</u>	<u>\$(75,456)</u>	<u>\$—</u>	<u>\$—</u>	<u>\$1,492,839</u>	<u>\$(75,456)</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

	December 31, 2019					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. governments . . . . .	\$ 267,160	\$ (1,711)	\$ 89,860	\$ (991)	\$ 357,020	\$ (2,702)
All other governments . . . . .	—	—	4,153	(53)	4,153	(53)
States, territories and possessions (direct and guaranteed) . . . . .	—	—	—	—	—	—
Political subdivisions of states, territories and possessions (direct and guaranteed) . . . . .	245,525	(3,268)	—	—	245,525	(3,268)
Special revenue and special assessment Obligations and all non-guaranteed obligations of agencies and authorities of governments and their political subdivisions . . . . .	712,061	(7,921)	143,589	(1,863)	855,650	(9,784)
Industrial and miscellaneous . . . . .	1,275,323	(24,880)	320,594	(5,072)	1,595,917	(29,952)
Subtotal, debt securities . . . . .	2,500,069	(37,780)	558,196	(7,979)	3,058,265	(45,759)
Common unaffiliated stock . . . . .	125,100	(49,817)	—	—	125,100	(49,817)
Total temporarily impaired securities . . . . .	<u>\$2,625,169</u>	<u>\$(87,597)</u>	<u>\$558,196</u>	<u>\$(7,979)</u>	<u>\$3,183,365</u>	<u>\$(95,576)</u>

**Bonds**

The unrealized losses on the Company's bond investments were primarily interest related with market declines driven by changes in interest rates and credit spreads, not on fundamental credit problems of the issuers. The contractual terms of the Company's bond investments, excluding loan-backed, do not permit the issuer to settle the securities at a price less than the amortized cost of the investment. The Company did not have the intent to sell these investments at the reporting date and does not consider these investments to be other-than-temporarily impaired at December 31, 2020.

**Unaffiliated Stocks**

The Company evaluates its stock investments for impairment loss by calculating unrealized losses and performing analysis at each quarter and annually. Based upon the timing and relative severity of the losses and the Company's ability and intent to hold these investments for a reasonable period of time sufficient for a recovery of their cost basis, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2020.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

**F. Realized Capital Gains (Losses)**

The reconciliation of realized capital gains (losses) is as follows:

	<b>December 31, 2020</b>		
	<b>Pre-tax Gains (Losses)</b>	<b>Capital Gains Tax</b>	<b>Post-tax Gains (Losses)</b>
Realized capital gains (losses) .....	\$ (3,492)	\$50,098	\$(53,590)
Less: IMR capital gains (losses) .....	43,125	9,056	34,069
Capital gains (losses) net of IMR .....	<u>\$(46,617)</u>	<u>\$41,042</u>	<u>\$(87,659)</u>

	<b>December 31, 2019</b>		
	<b>Pre-tax Gains (Losses)</b>	<b>Capital Gains Tax</b>	<b>Post-tax Gains (Losses)</b>
Realized capital gains (losses) .....	\$ 60,136	\$38,358	\$ 21,778
Less: IMR capital gains (losses) .....	24,012	5,043	18,969
Capital gains (losses) net of IMR .....	<u>\$ 36,124</u>	<u>\$33,315</u>	<u>\$ 2,809</u>

	<b>December 31, 2018</b>		
	<b>Pre-tax Gains (Losses)</b>	<b>Capital Gains Tax</b>	<b>Post-tax Gains (Losses)</b>
Realized capital gains (losses) .....	\$ 87,750	\$39,962	\$ 47,788
Less: IMR capital gains (losses) .....	15,164	3,184	11,980
Capital gains (losses) net of IMR .....	<u>\$ 72,586</u>	<u>\$36,778</u>	<u>\$ 35,808</u>

**G. Net Investment Income**

The components of net investment income earned by type of investment for the years ended December 31 were as follows:

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Bonds .....	\$1,802,422	\$1,818,000	\$1,830,354
Mortgage loans .....	446,783	413,230	348,907
Contract loans and liens .....	283,173	285,105	283,359
Cash, cash equivalents, and short-term investments .....	4,848	14,807	11,998
Unaffiliated common stocks .....	102,265	109,318	102,077
Other .....	<u>302,983</u>	<u>162,655</u>	<u>125,753</u>
Gross investment income .....	2,942,474	2,803,115	2,702,448
Investment expenses .....	<u>(33,578)</u>	<u>(32,000)</u>	<u>(31,910)</u>
Net investment income .....	<u>\$2,908,896</u>	<u>\$2,771,115</u>	<u>\$2,670,538</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

**I. Fair Value Measurements**

Fair value is defined as the price that the Company would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy is used to classify fair value measurements for disclosure purposes. The three-tier hierarchy of inputs is summarized in three broad levels as follows:

- Level 1 – Unadjusted quoted prices in active markets that are accessible to the Company for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, quoted prices for similar instruments in active markets, interest rates, yield curves and credit spreads. For assets or liabilities with a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available. These inputs, based on the best information available in the circumstances, would include reasonably available information about the assumptions that a market participant would use in valuing the asset or liability and might include the Company's own data.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure the fair value of an asset or liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Financial Instruments measured at fair value at December 31 were as follows:

<u>Description</u>	<b>Fair Value Measurements at December 31, 2020</b>				<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Net Asset Value (NAV)</u>	
Cash equivalents . . . . .	\$ 22,641	\$—	\$—	\$—	\$ 22,641
Stocks					
Domestic common . . . . .	5,447,293	—	—	—	5,447,293
Foreign common . . . . .	489,160	—	—	—	489,160
Mutual Funds . . . . .	5,734	—	—	—	5,734
Separate accounts . . . . .	1,548,297	—	—	—	1,548,297
Total . . . . .	<u>\$7,513,125</u>	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$7,513,125</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

Description	Fair Value Measurements at December 31, 2019			Net Asset Value (NAV)	Total
	Level 1	Level 2	Level 3		
Cash equivalents .....	\$ 257,231	\$ —	\$—	\$—	\$ 257,231
Stocks					
Domestic common .....	4,671,750	—	—	—	4,671,750
Foreign common .....	466,828	—	—	—	466,828
Mutual Funds .....	7,047				7,047
Bonds					
Industrial and miscellaneous .....	—	63,251	—	—	63,251
Separate accounts .....	1,423,075	—	—	—	1,423,075
Total .....	<u>\$6,825,931</u>	<u>\$63,251</u>	<u>\$—</u>	<u>\$—</u>	<u>\$6,889,182</u>

The Company recognizes transfers between levels at the end of the reporting period. There were no transfers into or out of Level 3 during 2020 and 2019.

**Level 1 Measurements**

Cash Equivalents – These assets include registered money market mutual funds. The fair value is based on the (NAV).

Unaffiliated Stocks – These assets include actively traded exchange-listed equity securities. Valuations are based upon unadjusted quoted exchange prices.

Separate Accounts – These assets include mutual funds. The fair value is based upon closing NAV per share. The NAVs are published daily by the funds' managers.

**Level 2 Measurements**

Bonds – These assets include below investment grade bonds that were reported in the financial statements at fair value at the reporting date. Inputs used to calculate fair value are described in Note 6 below.

**5. Separate Accounts**

As of December 31, 2020 and 2019, the Company's separate accounts statement included legally insulated assets of \$1,548,297 and \$1,423,075, respectively. The assets legally insulated from the general account as of December 31, 2020 and 2019 are attributed to the following products:

**December 31, 2020**

Product/Transaction	Legally Insulated Assets	Separate Accounts Assets (Not Legally Insulated)
Variable Universal Life .....	\$ 694,779	\$—
Variable Annuities .....	853,518	—
Total .....	<u>\$1,548,297</u>	<u>\$—</u>



**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

**December 31, 2019**

<u>Product/Transaction</u>	<u>Legally Insulated Assets</u>	<u>Separate Accounts Assets (Not Legally Insulated)</u>
Variable Universal Life .....	\$ 624,086	\$—
Variable Annuities .....	798,989	—
Total .....	<u>\$1,423,075</u>	<u>\$—</u>

Certain guarantees are provided by the general account. For the years ended December 31, 2020, 2019, 2018, 2017, and 2016, the general account had paid \$180, \$71, \$101, \$50 and \$167, respectively, towards separate accounts guarantees. The Company's variable universal life and variable annuity contracts do not designate explicit risk charges to compensate the general account for the guarantees provided.

Information regarding the Separate Accounts of the Company for 2020, 2019, and 2018 is as follows:

	<b>2020</b>				
	(1)	(2)	(3)	(4)	(5)
	<u>Indexed</u>	<u>Nonindexed Guarantee Less Than Equal to 4%</u>	<u>Nonindexed Guarantee More than 4%</u>	<u>Nonguaranteed Separate Accounts</u>	<u>Total</u>
Premiums, considerations or deposits for year ended December 31 .....	\$—	\$—	\$—	\$ 44,254	\$ 44,254
Reserves at December 31:					
For accounts with assets at:					
Fair value .....	—	—	—	1,545,575	1,545,575
Amortized cost .....	—	—	—	—	—
Total reserves .....	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$1,545,575</u>	<u>\$1,545,575</u>
Withdrawal characteristics:					
Subject to discretionary withdrawal:					
With market value adjustment . . . .	\$—	\$—	\$—	\$ —	\$ —
At book value without market value adjustment and with current surrender of 5% or more .....	—	—	—	—	—
At fair value .....	—	—	—	1,544,783	1,544,783
At book value without market value adjustment and with current surrender charge of less than 5% .....	—	—	—	—	—
Subtotal .....	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$1,544,783</u>	<u>\$1,544,783</u>
Not subject to discretionary withdrawal .....	—	—	—	792	792
Total .....	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$1,545,575</u>	<u>\$1,545,575</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

Reconciliation of Net Transfers to or (from) separate accounts:

	<u>2020</u>
Transfers as reported in the Summary of Operations of the Separate Accounts Statements:	
Transfers to separate accounts .....	\$ 48,252
Transfers from separate accounts .....	(114,801)
Net transfers to (from) separate accounts .....	<u>\$ (66,549)</u>
Reconciling adjustments:	
Transfers on account of deposit-type contracts .....	\$ 49
Transfers as reported in the Statements of Operations .....	<u>\$ (66,500)</u>

	<u>2019</u>				
	(1)	(2)	(3)	(4)	(5)
	<u>Indexed</u>	<u>Nonindexed Guarantee Less Than Equal to 4%</u>	<u>Nonindexed Guarantee More than 4%</u>	<u>Nonguaranteed Separate Accounts</u>	<u>Total</u>
Premiums, considerations or deposits for year ended December 31 .....	\$—	\$—	\$—	\$ 45,207	\$ 45,207
Reserves at December 31:					
For accounts with assets at:					
Fair value .....	—	—	—	1,420,415	1,420,415
Amortized cost .....	—	—	—	—	—
Total reserves .....	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$1,420,415</u>	<u>\$1,420,415</u>
Withdrawal characteristics:					
Subject to discretionary withdrawal:					
With fair market adjustment .....	\$—	\$—	\$—	\$ —	\$ —
At book value without market value adjustment and with current surrender of 5% or more .....	—	—	—	—	—
At fair value .....	—	—	—	1,419,602	1,419,602
At book value without market value adjustment and with current surrender charge of less than 5% .....	—	—	—	—	—
Subtotal .....	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$1,419,602</u>	<u>\$1,419,602</u>
Not subject to discretionary withdrawal .....	—	—	—	813	813
Total .....	<u>\$—</u>	<u>\$—</u>	<u>\$—</u>	<u>\$1,420,415</u>	<u>\$1,420,415</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

Reconciliation of Net Transfers to or (from) separate accounts:

	<u>2019</u>
Transfers as reported in the Summary of Operations of the Separate Accounts Statements:	
Transfers to separate accounts .....	\$ 49,185
Transfers from separate accounts .....	(127,489)
Net transfers to (from) separate accounts .....	<u>\$ (78,304)</u>
Reconciling adjustments:	
Transfers on account of deposit-type contracts .....	\$ (4)
Transfers as reported in the Statements of Operations .....	<u>\$ (78,308)</u>

Reconciliation of Net Transfers to or (from) separate accounts:

	<u>2018</u>
Transfers as reported in the Summary of Operations of the Separate Accounts Statements:	
Transfers to separate accounts .....	\$ 52,570
Transfers from separate accounts .....	(124,861)
Net transfers to (from) separate accounts .....	<u>\$ (72,291)</u>
Reconciling adjustments:	
Transfers on account of deposit-type contracts .....	\$ (4)
Transfers as reported in the Statements of Operations .....	<u>\$ (72,295)</u>

**6. Fair Value of Financial Instruments**

The following methods and assumptions were used to estimate the fair value of each significant class of financial instruments for which it is practicable to estimate that value:

**Bonds (including short-term investments)**

Prices published by the SVO or prices from pricing vendors are used to calculate fair value. SVO valuations are based upon publicly available prices for identical or similar assets or on valuation models or matrices using observable inputs. Typical inputs to models used by pricing vendors include but are not limited to contractual cash flows, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. On newly acquired bonds not yet priced by the pricing vendors, the purchase price or broker quotes are used as fair value. For other bonds where a price is not available from the SVO or pricing vendors, an internal pricing matrix is used to estimate fair value. Inputs to the internal pricing matrix include benchmark yields, credit spreads, industry sector of the issuer, and illiquidity spreads for private placement securities.

**Unaffiliated Stocks**

Prices from pricing vendors or prices prescribed by the SVO are used to calculate fair value. Valuation is based on unadjusted quoted market prices for identical assets in an active market, NAV, or shareholder's equity derived from the issuer's audited financial statements.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

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**Mortgage Loans**

Fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings by property type for the same remaining maturities.

**Cash**

The carrying amount is a reasonable estimate of fair value.

**Cash Equivalents**

Cash equivalents consist of shares in money market mutual funds and the Pool. The fair value of money market mutual funds is based on the NAV calculated by the funds. The fair value of the Pool is determined by the audited GAAP equity method.

**Contract Loans**

Contract loans have no stated maturity dates and are an integral part of the insurance contract. Accordingly, it is not practicable to estimate a fair value for contract loans.

**Separate Accounts**

The fair value of the assets held in separate accounts and corresponding liabilities are based on the NAV of the underlying assets.

**Structured Annuity Reserves and Other Similar Items**

Fair values were estimated by discounting future annuity payments at the interest rates in effect at year end for similar contracts.

**Deferred Annuity Reserves**

Fair values were approximated by the amount due to the annuity holder as if the annuity contract was surrendered at year end, ignoring the effects of any market value adjustments.

**Settlement Options without Life Contingencies**

Settlement options without life contingencies are similar to demand deposits. The fair value is the amount payable on demand at year end.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

The statement value and estimated fair value of the Company's financial instruments as of December 31 were as follows:

		2020						
		Fair Value	Statement Value	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (carrying value)
Financial assets:								
Bonds:								
Loan-backed		\$14,368,499	\$13,262,513		\$14,368,499			
Other		42,768,809	39,391,954		42,768,809		—	
Unaffiliated common stocks		5,942,187	5,942,187	5,942,187				
Mortgage loans		11,956,285	11,226,321		11,956,285			
Cash (Overdraft)		(116,574)	(116,574)	(116,574)				
Cash equivalents		1,340,232	1,340,232	22,641	1,317,591			
Contract loans		—	4,353,743					4,353,743
Separate accounts		1,548,297	1,548,297	1,548,297				
Financial liabilities:								
Structured annuity reserves and other similar items		\$ 255,405	\$ 211,154		\$ 255,405			
Deferred annuity reserves		6,580,844	6,620,460		6,580,844			
Settlement options without life contingencies		4,621,015	4,621,015		4,621,015			
Separate accounts		1,548,297	1,548,297	1,548,297				
		2019						
		Fair Value	Statement Value	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (carrying value)
Financial assets:								
Bonds:								
Loan-backed		\$14,256,456	\$13,819,204		\$14,256,456			
Other		39,922,108	38,238,974		39,922,108		—	
Unaffiliated common stocks		5,145,625	5,145,625	5,145,625				
Mortgage loans		10,678,957	10,337,898		10,678,957			
Cash (Overdraft)		(37,167)	(37,167)	(37,167)				
Cash equivalents		846,139	846,139	257,231	588,908			
Contract loans		—	4,441,492					4,441,492
Separate accounts		1,423,075	1,423,075	1,423,075				
Financial liabilities:								
Structured annuity reserves and other similar items		\$ 266,517	\$ 232,718		\$ 266,517			
Deferred annuity reserves		6,774,708	6,826,203		6,774,708			
Settlement options without life contingencies		4,659,742	4,659,742		4,659,742			
Separate accounts		1,423,075	1,423,075	1,423,075				

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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

Not practicable to estimate fair value:

<u>Type or Class of Financial Instrument</u>	<u>Carrying Value</u>	<u>Effective Interest Rate</u>	<u>Maturity Date</u>	<u>Explanation</u>
Contract loans .....	\$4,353,743	Various	Not applicable	See above

**7. Life Reserves**

**A. Life Contracts and Deposit-Type Contracts**

The Company waives deduction of deferred fractional premiums upon death of an insured and returns any portion of the final premium beyond the date of death. Surrender values are not promised in excess of the legally computed reserves. Policies subject to an extra premium because the insured is placed in a special rating class are valued as follows:

*Premium-paying Policies*

If the nonforfeiture values provided by such policies are computed on the same basis as for standard risks, or if no nonforfeiture values are provided, reserves are based on a substandard mortality table or are equal to the sum of the reserve for a similar standard policy and the unearned extra premium. If the nonforfeiture values provided by such policy are based on a substandard mortality table, reserves are maintained according to the same table.

*Paid-up Policies*

For whole life policies that are known to have been based on a substandard mortality table, the reserves are those based on the same substandard table. As of December 31, 2020 and 2019, the Company had \$61,187,508 and \$72,170,139, respectively, of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the state of Illinois. Deficiency reserves to cover the above insurance totaled the gross amount of \$356,178 and \$418,091 at December 31, 2020 and 2019, respectively. The insurance amount does not include insurance on policies for which deficiency reserves are either exempted or calculated to be zero on a seriatim basis.

Tabular interest, tabular less actual reserve released, and tabular cost have been determined by formulas used in accordance with the NAIC Annual Statement Instructions. Tabular interest on deposit funds not involving life contingencies is determined as a balance item where interest is included in other items at appropriate rates and adjustments due to changes in valuation basis or other increases have been reflected.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

**B. Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics**

Annuity actuarial reserves and deposit type contract funds and other liabilities without life or disability contingencies by withdrawal characteristics as of December 31, 2020 and 2019 were as follows:

Individual Annuities	2020				Percentage of Total
	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	
Subject to discretionary withdrawal:					
With market value adjustment . . . . .	\$ 4,099,563	\$—	\$ —	\$ 4,099,563	43.8%
At book value less current surrender charge of 5% or more . . . . .	405	—	—	405	0.0%
At fair value . . . . .	—	—	849,898	849,898	9.1%
Subtotal . . . . .	<u>4,099,968</u>	<u>—</u>	<u>849,898</u>	<u>4,949,866</u>	<u>52.9%</u>
At book value without adjustment (minimal or no charge or adjustment) . . . . .	3,297,136	—	—	3,297,136	35.2%
Not subject to discretionary withdrawal . . . . .	1,107,448	—	792	1,108,240	11.9%
Total (gross) . . . . .	<u>\$ 8,504,552</u>	<u>\$—</u>	<u>\$850,690</u>	<u>\$ 9,355,242</u>	<u>100.0%</u>
Reinsurance ceded . . . . .	—	—	—	—	
Total (net)* . . . . .	<u>\$ 8,504,552</u>	<u>\$—</u>	<u>\$850,690</u>	<u>\$ 9,355,242</u>	

Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the year after the statement date: \$210

Deposit-Type Contracts	2020				Percentage of Total
	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	
Subject to discretionary withdrawal:					
With market value adjustment . . . . .	\$ 69,667	\$—	\$ —	\$ 69,667	0.7%
At book value less current surrender charge of 5% or more . . . . .	—	—	—	—	0.0%
At fair value . . . . .	19	—	120	139	0.0%
Subtotal . . . . .	<u>69,686</u>	<u>—</u>	<u>120</u>	<u>69,806</u>	<u>0.7%</u>
At book value without adjustment (minimal or no charge or adjustment) . . . . .	10,169,691	—	—	10,169,691	97.3%
Not subject to discretionary withdrawal . . . . .	211,050	—	—	211,050	2.0%
Total (gross) . . . . .	<u>\$10,450,427</u>	<u>\$—</u>	<u>\$ 120</u>	<u>\$10,450,547</u>	<u>100.0%</u>
Reinsurance ceded . . . . .	—	—	—	—	
Total (net)* . . . . .	<u>\$10,450,427</u>	<u>\$—</u>	<u>\$ 120</u>	<u>\$10,450,547</u>	

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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

As reported in the Life, and Accident and Health Annual Statement:	
Annuities total (net) .....	\$ 8,430,740
Supplementary contracts with life contingencies total (net) .....	73,812
Deposit-type contracts .....	10,450,427
Subtotal .....	<u>18,954,979</u>
As reported in the Separate Accounts Annual Statement:	
Annuities total (net) .....	850,690
Supplementary contracts, total .....	—
Policyholder dividend and coupon accumulations .....	—
Policyholder premiums .....	—
Guaranteed interest contracts .....	—
Other contract deposit funds .....	120
Subtotal .....	<u>850,810</u>
Total annuity actuarial reserves and deposit-type contract liabilities .....	<u>\$19,805,789</u>

\* Reconciliation of total annuity actuarial reserves and deposit fund liabilities excludes annuity disability reserves of \$568.

Individual Annuities	2019				Percentage of Total
	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	
Subject to discretionary withdrawal:					
With market value adjustment .....	\$4,293,495	\$—	\$ —	\$4,293,495	44.9%
At book value less current surrender charge of 5% or more .....	419	—	—	419	0.0%
At fair value .....	—	—	795,562	795,562	8.4%
Subtotal .....	<u>4,293,914</u>	<u>—</u>	<u>795,562</u>	<u>5,089,476</u>	<u>53.3%</u>
At book value without adjustment (minimal or no charge or adjustment) .....	3,338,473	—	—	3,338,473	34.9%
Not subject to discretionary withdrawal .....	1,127,070	—	813	1,127,883	11.8%
Total (gross) .....	<u>\$8,759,457</u>	<u>\$—</u>	<u>\$796,375</u>	<u>\$9,555,832</u>	<u>100.0%</u>
Reinsurance ceded .....	—	—	—	—	
Total (net)* .....	<u>\$8,759,457</u>	<u>\$—</u>	<u>\$796,375</u>	<u>\$9,555,832</u>	

Amount with current surrender charge of 5% or more that will have less than a 5% surrender charge in the year after the statement date: \$127



**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

Deposit-Type Contracts	2019				
	General Account	Separate Account with Guarantees	Separate Account Nonguaranteed	Total	Percentage of Total
Subject to discretionary withdrawal:					
With market value adjustment . . . . .	\$ 81,591	\$—	\$—	\$ 81,591	0.8%
At book value less current surrender charge of 5% or more . . . . .	—	—	—	—	0.0%
At fair value . . . . .	—	—	—	—	0.0%
Subtotal . . . . .	<u>81,591</u>	<u>—</u>	<u>—</u>	<u>81,591</u>	<u>0.8%</u>
At book value without adjustment (minimal or no charge or adjustment) . . . . .	10,177,522	—	—	10,177,522	97.0%
Not subject to discretionary withdrawal . . . . .	232,719	—	—	232,719	2.2%
Total (gross) . . . . .	<u>\$10,491,832</u>	<u>\$—</u>	<u>\$—</u>	<u>\$10,491,832</u>	<u>100.0%</u>
Reinsurance ceded . . . . .	—	—	—	—	
Total (net)* . . . . .	<u>\$10,491,832</u>	<u>\$—</u>	<u>\$—</u>	<u>\$10,491,832</u>	

As reported in the Life, and Accident and Health Annual Statement:

Annuities total (net) . . . . .	\$ 8,684,576
Supplementary contracts with life contingencies total (net) . . . . .	74,881
Deposit-type contracts . . . . .	10,491,832
Subtotal . . . . .	<u>19,251,289</u>

As reported in the Separate Accounts Annual Statement:

Annuities total (net) . . . . .	796,318
Supplementary contracts, total . . . . .	—
Policyholder dividend and coupon accumulations . . . . .	—
Policyholder premiums . . . . .	—
Guaranteed interest contracts . . . . .	—
Other contract deposit funds . . . . .	57
Subtotal . . . . .	<u>796,375</u>
Total annuity actuarial reserves and deposit-type contract liabilities . . . . .	<u>\$20,047,664</u>

\* Reconciliation of total annuity actuarial reserves and deposit fund liabilities excludes annuity disability reserves of \$633.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

**C. Life Actuarial Reserves by Withdrawal Characteristics**

	2020					
	General Account			Separate Account – Nonguaranteed		
	Account Value	Cash Value	Reserve	Account Value	Cash Value	Reserve
Subject to discretionary withdrawal, surrender values, or policy loans:						
Term Policies with Cash Value . . . . .	\$ —	\$ 403,804	\$ 1,080,396	\$ —	\$ —	\$ —
Universal Life . . . . .	10,558,263	10,225,835	10,306,426	—	—	—
Other Permanent Cash Value Life Insurance . . . . .	—	19,879,758	21,709,174	—	—	—
Variable Universal Life . . . . .	111,720	110,257	114,112	694,765	694,765	694,765
Not subject to discretionary withdrawal or no cash values:						
Term Policies without Cash Value . . . . .	XXX	XXX	\$ 7,992,215	XXX	XXX	\$ —
Accidental Death Benefits . . . . .	XXX	XXX	5,182	XXX	XXX	—
Disability – Active Lives . . . . .	XXX	XXX	574,168	XXX	XXX	—
Disability – Disabled Lives . . . . .	XXX	XXX	847,324	XXX	XXX	—
Miscellaneous Reserves . . . . .	XXX	XXX	383,342	XXX	XXX	—
Total (gross: direct + assumed) . . . . .	<u>\$10,669,983</u>	<u>\$30,619,654</u>	<u>\$43,012,339</u>	<u>\$694,765</u>	<u>\$694,765</u>	<u>\$694,765</u>
Reinsurance Ceded . . . . .	—	—	—	—	—	—
Total (net) . . . . .	<u>\$10,669,983</u>	<u>\$30,619,654</u>	<u>\$43,012,339</u>	<u>\$694,765</u>	<u>\$694,765</u>	<u>\$694,765</u>

	Amount
Life & Accident & Health Annual Statement:	
Life Insurance Section, Total (net) . . . . .	\$41,202,322
Accidental Death Benefits Section, Total (net) . . . . .	5,182
Disability – Active Lives Section, Total (net) . . . . .	574,168
Disability – Disabled Lives Section, Total (net) . . . . .	847,324
Miscellaneous Reserves Section, Total (net) . . . . .	383,342
Subtotal . . . . .	<u>\$43,012,338</u>
Separate Accounts Annual Statement:	
Life insurance, Total . . . . .	\$ 694,765
Accident and health contracts, Total . . . . .	—
Miscellaneous reserves, Total . . . . .	—
Subtotal . . . . .	<u>\$ 694,765</u>
Combined Total . . . . .	<u>\$43,707,103</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

	2019					
	General Account			Separate Account – Nonguaranteed		
	Account Value	Cash Value	Reserve	Account Value	Cash Value	Reserve
Subject to discretionary withdrawal, surrender values, or policy loans:						
Term Policies with Cash Value . . . . .	\$ —	\$ 312,426	\$ 913,939	\$ —	\$ —	\$ —
Universal Life . . . . .	10,289,210	9,932,517	10,022,137	—	—	—
Other Permanent Cash Value Life Insurance . . . . .	—	19,244,151	20,976,516	—	—	—
Variable Universal Life . . . . .	111,970	110,208	113,848	624,040	624,040	624,040
Not subject to discretionary withdrawal or no cash values:						
Term Policies without Cash Value . . . . .	XXX	XXX	\$ 7,448,825	XXX	XXX	\$ —
Accidental Death Benefits . . . . .	XXX	XXX	5,661	XXX	XXX	—
Disability – Active Lives . . . . .	XXX	XXX	556,485	XXX	XXX	—
Disability – Disabled Lives . . . . .	XXX	XXX	834,613	XXX	XXX	—
Miscellaneous Reserves . . . . .	XXX	XXX	322,834	XXX	XXX	—
Total (gross: direct + assumed) . . . . .	<u>\$10,401,180</u>	<u>\$29,599,302</u>	<u>\$41,194,858</u>	<u>\$624,040</u>	<u>\$624,040</u>	<u>\$624,040</u>
Reinsurance Ceded . . . . .	—	—	—	—	—	—
Total (net) . . . . .	<u>\$10,401,180</u>	<u>\$29,599,302</u>	<u>\$41,194,858</u>	<u>\$624,040</u>	<u>\$624,040</u>	<u>\$624,040</u>
			<u>Amount</u>			
Life & Accident & Health Annual Statement:						
Life Insurance Section, Total (net) . . . . .			\$39,475,265			
Accidental Death Benefits Section, Total (net) . . . . .			5,661			
Disability – Active Lives Section, Total (net) . . . . .			556,485			
Disability – Disabled Lives Section, Total (net) . . . . .			834,613			
Miscellaneous Reserves Section, Total (net) . . . . .			322,834			
Subtotal . . . . .			<u>\$41,194,858</u>			
Separate Accounts Annual Statement:						
Life insurance, Total . . . . .			\$ 624,040			
Accident and health contracts, Total . . . . .			—			
Miscellaneous reserves, Total . . . . .			—			
Subtotal . . . . .			<u>\$ 624,040</u>			
Combined Total . . . . .			<u>\$41,818,898</u>			

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

**D. Premium and Annuity Considerations Deferred and Uncollected**

Deferred and uncollected life insurance premiums and annuity considerations were as follows:

Type	December 31, 2020		December 31, 2019	
	Gross	Net of Loading	Gross	Net of Loading
Industrial .....	\$ —	\$ —	\$ —	\$ —
Ordinary new business .....	1,741	140	1,408	564
Ordinary renewal .....	41,606	33,294	42,739	34,387
Credit life .....	—	—	—	—
Group life .....	79	79	25	25
Group annuity .....	—	—	—	—
Total .....	<u>\$43,426</u>	<u>\$33,513</u>	<u>\$44,172</u>	<u>\$34,976</u>

**8. Federal Income Taxes**

The components of DTAs and DTLs at December 31 were as follows:

	December 31, 2020			December 31, 2019		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross DTAs .....	\$1,210,579	\$ 33,372	\$1,243,951	\$1,150,438	\$ 24,993	\$1,175,431
Statutory valuation allowance adjustment .....	—	—	—	—	—	—
Adjusted gross DTAs .....	1,210,579	33,372	1,243,951	1,150,438	24,993	1,175,431
Non-admitted DTAs .....	—	—	—	—	—	—
Net admitted DTAs .....	1,210,579	33,372	1,243,951	1,150,438	24,993	1,175,431
DTLs .....	108,944	999,901	1,108,845	139,240	754,891	894,131
Net admitted adjusted DTAs (DTLs) .....	<u>\$1,101,635</u>	<u>\$(966,529)</u>	<u>\$ 135,106</u>	<u>\$1,011,198</u>	<u>\$(729,898)</u>	<u>\$ 281,300</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

The admission calculations for adjusted gross DTAs at December 31 were as follows:

	December 31, 2020			December 31, 2019		
	Ordinary	Capital	Total	Ordinary	Capital	Total
Federal income taxes paid in prior years recoverable through loss carrybacks . . . . .	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Adjusted gross DTAs expected to be realized after application of the threshold limitation.						
Lesser of:	364,512	—	364,512	364,791	—	364,791
Adjusted gross DTAs expected to be realized following the balance sheet date; or . . . . .	364,512	—	364,512	364,791	—	364,791
Adjusted gross DTAs allowed per limitation threshold . . . . .	N/A	N/A	1,840,071	N/A	N/A	1,785,383
Adjusted gross DTAs offset by gross DTLs . . . . .	846,067	33,372	879,439	785,647	24,993	810,640
Total admitted adjusted gross DTAs . . . . .	<u>\$1,210,579</u>	<u>\$33,372</u>	<u>\$1,243,951</u>	<u>\$1,150,438</u>	<u>\$24,993</u>	<u>\$1,175,431</u>

Amounts used in recovery period and threshold limitation calculation:

	2020	2019
Ratio percentage used to determine recovery period and threshold limitation amount . . . . .	1,143.99%	1,191.09%
Amount of adjusted capital and surplus used to determine recovery period and threshold limitation . . . . .	\$15,656,995	\$14,370,265

The Company did not utilize any tax planning strategies which would have resulted in an increase of the Company's adjusted gross DTA or net admitted DTAs.

There were no unrecognized DTLs.

Current income taxes incurred consist of the following major components:

	2020	2019	2018
Current income tax expense (benefit) . . . . .	\$126,983	\$226,837	\$218,097
Foreign taxes incurred . . . . .	1,025	738	1,109
Adjustments to prior year taxes . . . . .	(21,382)	(49,706)	(44,851)
Combined income taxes incurred . . . . .	\$106,626	\$177,869	\$174,355
Tax (benefit) on capital gains (losses) . . . . .	50,098	38,358	39,962
Current income taxes incurred . . . . .	<u>\$156,724</u>	<u>\$216,227</u>	<u>\$214,317</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

The main components of the deferred tax amounts were as follows:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
DTAs:			
Ordinary:			
Deferred acquisition costs	\$ 389,186	\$ 364,253	\$ 24,933
Policyholder reserves	460,734	460,040	694
Policyholder dividends accrual	76,344	77,272	(928)
Compensation and benefits accrual	210,145	199,100	11,045
Liability for termination benefits	51,941	40,710	11,231
Other	22,229	9,063	13,166
Total ordinary DTAs	<u>1,210,579</u>	<u>1,150,438</u>	<u>60,141</u>
Statutory valuation allowance adjustment	—	—	—
Non-admitted DTAs	—	—	—
Admitted ordinary DTAs	<u>\$1,210,579</u>	<u>\$1,150,438</u>	<u>\$ 60,141</u>
Capital:			
Investments	\$ 33,372	\$ 24,993	\$ 8,379
Total capital DTAs	<u>33,372</u>	<u>24,993</u>	<u>8,379</u>
Statutory valuation allowance adjustment	—	—	—
Admitted capital DTAs	<u>\$ 33,372</u>	<u>\$ 24,993</u>	<u>\$ 8,379</u>
Admitted DTAs	<u>\$1,243,951</u>	<u>\$1,175,431</u>	<u>\$ 68,520</u>
DTLs:			
Ordinary:			
Deferred and uncollected premium	\$ 6,468	\$ 6,860	\$ (392)
Basis of bonds	493	11,230	\$ (10,737)
Guaranty funds receivable	3,048	3,143	(95)
Surplus adjustment on lapsed policies	1,603	1,458	145
Reserves transition rule	95,070	114,085	(19,015)
Accrued dividends on stocks	1,003	1,365	(362)
Other	1,259	1,099	160
Total ordinary DTLs	<u>\$ 108,944</u>	<u>\$ 139,240</u>	<u>\$ (30,296)</u>
Capital:			
Investments	\$ 999,901	\$ 754,891	\$ 245,010
Total capital DTLs	<u>\$ 999,901</u>	<u>\$ 754,891</u>	<u>\$ 245,010</u>
DTLs	<u>\$1,108,845</u>	<u>\$ 894,131</u>	<u>\$ 214,714</u>
Net Admitted DTAs/DTLs	<u>\$ 135,106</u>	<u>\$ 281,300</u>	<u>\$(146,194)</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

The change in net deferred income taxes is comprised of the following (this analysis is exclusive of non-admitted assets as the change in non-admitted assets is reported separately from the change in net deferred income tax in the surplus section of the financial statements):

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Total DTAs .....	\$1,243,951	\$1,175,431	\$ 68,520
Total DTLs .....	1,108,845	894,131	214,714
Net DTAs .....	\$ 135,106	\$ 281,300	\$(146,194)
Tax effect of unrealized (gains) losses .....			(216,265)
Change in net deferred income tax .....			<u>\$ 70,071</u>

The provision for federal and foreign income tax incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference were as follows:

	<u>2020</u>		
	<u>Amount</u>	<u>Tax Effect at 21%</u>	<u>Effective Tax Rate</u>
Income after capital gains tax .....	\$468,725		
Capital gains (losses) tax .....	50,098		
Income before taxes .....	\$518,823	\$108,953	21.00%
Prior year underaccrual (overaccrual) .....	23,744	4,986	0.96%
IMR amortization .....	(19,333)	(4,060)	-0.78%
Change in liability for termination benefits .....	(53,481)	(11,231)	-2.16%
Foreign taxes and other general business credits .....	(2,668)	(560)	-0.11%
Change in nonadmitted assets .....	(18,262)	(3,835)	-0.74%
Dividends received deduction—Separate Accounts .....	(5,809)	(1,220)	-0.24%
Dividends received deduction .....	(31,547)	(6,625)	-1.28%
Other adjustments .....	1,162	245	0.05%
Total .....	<u>\$412,629</u>	<u>\$ 86,653</u>	<u>16.70%</u>
Federal income tax incurred .....		\$106,626	20.55%
Capital gain (loss) taxes incurred .....		50,098	9.66%
Change in net deferred income tax .....		(70,071)	-13.51%
Total statutory income taxes .....		<u>\$ 86,653</u>	<u>16.70%</u>





**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

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As of December 31, 2020, the Internal Revenue Code does not permit life insurance companies to carryback ordinary tax losses. However, capital losses may be carried back three years. The following are income taxes incurred in the current and prior years, which will be available for recoupment in the event of future capital losses. Prior year amounts have been updated to reflect information filed with the IRS:

2020 .....	\$30,874
2019 .....	\$43,090
2018 .....	\$50,895

The Company has not recognized any uncertain tax position in the financial statements.

The Company files a federal consolidated income tax return with its affiliates. The Company reported no federal income tax recoverable from affiliates and \$114,269 and \$92,203 as a federal income tax payable to affiliates at December 31, 2020 and December 31, 2019, respectively.

The IRS exam team is in the process of completing an exam for tax years 2013 through 2015. The anticipated resolution of the issues is not expected to have a material adverse effect on the surplus of the Company. The IRS exam team has started an exam for tax years 2016 through 2018, but no issues have been identified.

**9. Benefit Plans**

**A. Pension Plans**

The Company participates in a qualified defined benefit pension plan sponsored by SFMAIC covering substantially all employees whose most recent hire date is prior to January 1, 2021. The Company has no direct legal obligation for benefits under this plan. SFMAIC allocates amounts to the Company based on intercompany cost allocation agreements. The Company's share of net expense for this qualified defined benefit pension plan for the years ended December 31, 2020, 2019, and 2018 was \$2,968, \$16,081, and \$19,208, respectively.

The Company also participates in a non-qualified defined benefit plan sponsored by SFMAIC covering select eligible highly compensated employees whose most recent hire date is prior to January 1, 2021. Any benefits arising from this plan are paid from SFMAIC's general assets. The Company has no direct legal obligation for benefits under this plan. SFMAIC allocates amounts to the Company based on intercompany cost allocation agreements. The Company's share of net expense for this non-qualified plan for the years ended December 31, 2020, 2019, and 2018 was \$6,232, \$5,489, and \$5,655, respectively.

**B. Postretirement Benefits**

The Company and its affiliates currently provide certain health care and life insurance benefits pursuant to plans sponsored by SFMAIC for eligible employees and agents hired or appointed prior to January 1, 2012 and their eligible dependents. The Company has no direct legal obligation for the benefits under the plans. Benefits provided by the Company and its affiliates are subject to a cap.

SFMAIC allocates amounts to the Company based on intercompany cost allocation agreements. The Company's share of the post-career net periodic benefit cost for the years ended December 31, 2020, 2019, and 2018 was \$12,936, \$9,934, and \$13,593, respectively. At December 31, 2020 and 2019, the Company's share of the accrued post-career benefit liability was \$360,535 and \$357,559, respectively.

**State Farm Life Insurance Company**  
(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)

**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

**C. Agent Termination Benefits**

The Company provides termination benefits for certain independent contractor agents subject to service and age eligibility requirements as defined in agent contracts. These benefits are valued using the Projected Unit Credit actuarial cost method. The actuarial valuations include a service-based premium growth assumption based on historical data. Benefits are paid from the Company's general assets.

A summary of obligations and assumptions related to agent termination benefits were as follows at December 31, 2020, 2019, and 2018, respectively.

	<b>Underfunded Agent Termination Benefits</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Change in benefit obligation:			
Benefit obligation at beginning of year	\$615,853	\$498,260	\$548,294
Service cost	18,359	12,910	15,762
Interest cost	19,093	20,361	19,154
Actuarial (gain) loss	65,020	96,715	(73,145)
Benefits paid	(13,122)	(12,393)	(11,805)
Benefit obligation at end of year	<u>\$705,203</u>	<u>\$615,853</u>	<u>\$498,260</u>
Change in plan assets:			
Reporting entity contribution	\$ 13,122	\$ 12,393	\$ 11,805
Benefits paid	(13,122)	(12,393)	(11,805)
Fair value of plan assets at end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Funded status:			
Liabilities recognized			
Accrued benefit cost	\$457,863	\$421,994	\$394,257
Liability for termination benefits	247,340	193,859	104,003
Total liabilities recognized	<u>\$705,203</u>	<u>\$615,853</u>	<u>\$498,260</u>
Components of net periodic benefit cost:			
Service cost	\$ 18,359	\$ 12,910	\$ 15,762
Interest cost	19,093	20,361	19,154
Gains and losses	4,680	—	4,036
Prior service cost or credit	6,859	6,859	6,859
Total net periodic benefit cost	<u>\$ 48,991</u>	<u>\$ 40,130</u>	<u>\$ 45,811</u>

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost:			
Items not yet recognized as a component of net periodic cost—			
prior year .....	\$193,859	\$104,003	\$188,043
Net prior service cost or credit recognized .....	(6,859)	(6,859)	(6,859)
Net gain and loss arising during the period .....	65,020	96,715	(73,145)
Net gain and loss recognized .....	<u>(4,680)</u>	<u>—</u>	<u>(4,036)</u>
Items not yet recognized as a component of net periodic cost—			
current year .....	<u>\$247,340</u>	<u>\$193,859</u>	<u>\$104,003</u>
Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost:			
Net prior service cost or credit .....	43,007	49,867	56,726
Net recognized gains and losses .....	204,333	143,993	47,277
Accumulated benefit obligation .....	\$459,486	\$408,121	\$345,353
Weighted-average assumptions used to determine net periodic cost as of December 31:			
Discount rate .....	3.49%	4.46%	3.83%
Rate of compensation increase .....	4.00%*	3.00%*	4.00%*
Weighted-average assumptions used to determine projected benefit obligation as of December 31:			
Discount rate .....	2.95%	3.49%	4.46%
Rate of compensation increase .....	4.00%*	4.00%*	3.00%*

\* Compensation is based on a service-based scale using five years of historical renewal commissions data.

Actuarial losses in the defined benefit obligation at December 31, 2020 were primarily due to a decrease in the discount rate used to calculate this obligation.

**Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

<u>Years</u>	<u>Amount</u>
2021 .....	\$ 14,835
2022 .....	\$ 15,675
2023 .....	\$ 16,554
2024 .....	\$ 17,443
2025 .....	\$ 18,242
2026-2030 .....	\$106,717

**D. Defined Contribution Plans**

The Company has unfunded deferred compensation plans for certain highly compensated employees and independent contractor agents. The Company incurred interest costs of \$26, \$30 and \$33 for 2020, 2019 and 2018, respectively.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

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The Company participates with its affiliates in a qualified defined contribution plan for which substantially all employees are eligible. Benefits provided by the plan are paid from net assets available for plan benefits. The Company's contribution for the plan was \$3,005, \$2,735 and \$3,888 for 2020, 2019, and 2018, respectively. At December 31, 2020 and December 31, 2019, the fair value of plan assets held in trust was \$15,277,787 and \$13,570,846, respectively.

**10. Other Related Party Transactions**

SFMAIC and some of its affiliated companies purchased annuities from the Company to settle claims of which the claimant is the payee. The reserve value of annuities purchased from the Company is \$305,848 and \$328,936 at December 31, 2020 and December 31, 2019, respectively. Should the Company fail to perform under these contracts, the affiliated companies would remain contingently liable.

In 2020, 2019, and 2018, the Company reported dividends to stockholders of \$480 for each respective year. Cash dividends of \$120 were declared in each of the quarters ending March 31, June 30, September 30 and December 31, 2020, 2019 and 2018.

The Company reported \$10 and \$103 as a receivable due from affiliates, and \$67,005 and \$66,864 as a payable due to affiliates at December 31, 2020 and December 31, 2019, respectively. These balances primarily represent the sharing of certain personnel, administrative, occupancy and marketing expenses generated under servicing agreements with State Farm affiliates. The Company has no direct employees. Expenses are allocated among affiliates based on statistical ratios, surveys and usage studies.

The Company is a party to a common clearing account agreement with its affiliates whereby any party may deposit premium payments and other cash receipts, disburse funds and accept electronic payments through a comprehensive cash balance system.

The Company incurs lease costs for real estate and equipment primarily through the allocation of expenses from SFMAIC. Rental expense for real estate for 2020, 2019, and 2018 was \$20,263, \$22,281, and \$22,181, respectively. Rental expense for leased equipment for 2020, 2019, and 2018, was \$170, \$57, and \$234, respectively.

**11. Contingencies**

The Company is subject to liabilities of a contingent nature which may arise from time to time. Such liabilities could result from sales practices, income tax matters, guaranty fund assessments or other occurrences that take place in the normal course of doing business. In addition, the life insurance industry has not been exempt from the impact of an increasingly litigious environment, which is being experienced in the United States. Liabilities arising as a result of these factors, or other such contingencies, that are not provided for elsewhere in these financial statements are not reasonably estimable and are not considered by management to be material in relation to the financial position of the Company.

The Company had \$2,196,709 and \$2,001,281 in unfunded commitments to partnerships, limited liability companies, and joint ventures at December 31, 2020 and December 31, 2019, respectively. All commitments represent obligations to contribute additional capital or lend funds pursuant to an operating or lending agreement.

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

At December 31, 2020, the Company has made the following guarantee on behalf of a related party:

1	2	3	4	5
<u>Nature and circumstances of guarantee and key attributes, including date and duration of agreement</u>	<u>Liability recognition of guarantee</u>	<u>Ultimate financial statement impact if action under the guarantee is required</u>	<u>Maximum potential amount of future payments (undiscounted) the guarantor could be required to make under the guarantee</u>	<u>Current status of payment or performance risk of guarantee</u>
In accordance with the Guaranty Agreement dated August 16, 2018, the Company guarantees the payment and performance of certain obligations and liabilities of Chicago Arlington Heights, LLC (which is 99.999% owned by the Company) to Wells Fargo Bank, NA, as trustee, under the Loan Agreement assumed by the LLC as part of the acquisition of a real estate investment project also on August 16, 2018. The outstanding principal balance of the Note is \$11,440. The interest rate of the Note is a fixed rate of 5.20% per annum, with interest-only payments due and payable on the first day of each calendar month. The stated maturity date of the Note is May 1, 2031. . . . .	\$0	Investment in SCA	\$11,688	The Company has made no payments under this agreement during 2020.
a. Aggregate maximum potential of future payments of all guarantees (undiscounted) the guarantor could be required to make under guarantees				\$11,688
b. Current liability recognized in the financial statement:				
1. Noncontingent liabilities . . . . .				\$ 0
2. Contingent liabilities . . . . .				\$ 0
c. Ultimate financial Statement Impact if action under the guarantee is required				
1. Investment in SCA . . . . .				\$11,688
2. Joint venture . . . . .				\$ 0
3. Dividends to stockholders (Capital contribution) . . . . .				\$ 0
4. Expense . . . . .				\$ 0
5. Other . . . . .				\$ 0
6. Total . . . . .				\$11,688

**12. Other**

The Company committed to purchase \$233,250 of private placement securities in 2020, which are expected to be funded in 2021. These securities were not reported as bond investments at December 31, 2020.

In a Missouri class action lawsuit, Vogt vs State Farm Life Insurance Company, a jury returned a verdict against the Company on June 6, 2018. The case alleges that the Company breached its flexible premium adjustable whole life insurance policies (Form 94030) in Missouri by including factors other than mortality expectations in the determination of its non-guaranteed cost of insurance rates. The district court found as a matter of law that the Company was not permitted to take non-mortality factors, including expenses, into account in setting its monthly cost of insurance rate. The Company timely filed an appeal to the 8<sup>th</sup> Circuit Court of Appeals and on June 26, 2020,

**State Farm Life Insurance Company**  
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**Notes to Financial Statements—Statutory Basis (in thousands), Continued**

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a three judge panel of the 8th Circuit affirmed the Judgment of the district court but reversed and remanded the case to the district court, with respect to the district court's disallowance of pre-judgment interest. The Company filed a Motion for Rehearing en Banc which was denied. On remand, the district court ruled that the pre-judgment interest was owed. In addition, the court made clear that post-judgment interest would accrue on the judgment going forward. The Company has appealed the district court's ruling on interest and that appeal is currently pending at the 8th Circuit Court of Appeals. In addition, the Company has petitioned the US Supreme Court for review pursuant to a Writ of Certiorari of the entire case on class certification issues. A liability for \$34,322 has been established by the Company.

**SUPPLEMENTAL FINANCIAL INFORMATION**



## Report of Independent Auditors

To the Board of Directors of  
State Farm Life Insurance Company

We have audited the statutory-basis financial statements of State Farm Life Insurance Company as of December 31, 2020 and for the year then ended and our report thereon appears on pages one and two of this document. That audit was conducted for the purpose of forming an opinion on the statutory-basis financial statements taken as a whole. The supplemental Schedule of Assets and Liabilities, Summary Investment Schedule, Investment Risk Interrogatories, and Reinsurance Contracts Schedule (collectively the “supplemental schedules”) of the Company as of December 31, 2020 and for the year then ended are presented to comply with the National Association of Insurance Commissioners’ Annual Statement Instructions and Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the statutory-basis financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the statutory-basis financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

February 25, 2021

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**State Farm Life Insurance Company**  
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**Supplemental Schedule of Assets and Liabilities (in thousands)**  
**December 31, 2020**

The following is a summary of certain financial data included in other exhibits and schedules subjected to audit procedures by independent auditors and utilized by actuaries in the determination of reserves.

Investment income earned:	
U.S. government bonds .....	\$ 110,275
Other bonds (unaffiliated) .....	1,692,147
Common stocks (unaffiliated) .....	102,265
Mortgage loans .....	446,783
Contract loans and liens .....	283,173
Cash, cash equivalents, and short-term investments .....	4,848
Other invested assets .....	302,983
Gross investment income .....	<u>\$ 2,942,474</u>
Mortgage loans—book value	
Commercial mortgages .....	\$11,226,321
Total mortgage loans .....	<u>\$11,226,321</u>
Mortgage loans by standing—book value:	
Good standing .....	<u>\$11,226,321</u>
Other long-term assets—statement value .....	
	<u>\$ 4,082,837</u>
Bonds and stocks of parents, subsidiaries and affiliates—book value:	
Affiliated common stocks .....	<u>\$ 8,400</u>
Bonds and short-term investments by class and maturity:	
Bonds by maturity—statement value	
Due within one year or less .....	\$ 4,018,176
Over 1 year through 5 years .....	21,040,375
Over 5 years through 10 years .....	22,857,799
Over 10 years through 20 years .....	4,649,255
Over 20 years .....	88,862
Total by maturity .....	<u>\$52,654,467</u>
Bond by class—statement value	
Class 1 .....	\$39,238,704
Class 2 .....	12,850,446
Class 3 .....	551,070
Class 4 .....	6,000
Class 5 .....	811
Class 6 .....	7,436
Total by class .....	<u>\$52,654,467</u>
Total bonds and short-term investments publicly traded .....	<u>\$40,882,320</u>
Total bonds and short-term investments privately placed .....	<u>\$11,772,147</u>

See Independent Auditor's Report on Supplemental Financial Information

**State Farm Life Insurance Company**  
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**Supplemental Schedule of Assets and Liabilities (in thousands), Continued**  
**December 31, 2020**

Unaffiliated common stocks—market value .....	\$ 5,942,187
Short term investments—book value .....	\$ —
Cash on deposit .....	\$ (116,574)
Cash equivalents .....	\$ 1,340,232
Life insurance in force:	
Ordinary .....	\$941,647,901
Credit life .....	\$ —
Group life .....	\$ 13,222,140
Amount of accidental death insurance in force under ordinary policies .....	\$ 2,772,567
Amount of life insurance with disability provisions in force:	
Ordinary .....	\$378,997,793
Group life .....	\$ 7,464,856
Supplementary contracts in force:	
Ordinary—not involving life contingencies:	
Amount on deposit .....	\$ 4,184,090
Income payable .....	\$ 8,625
Ordinary—involving life contingencies:	
Income payable .....	\$ 8,168
Annuities:	
Ordinary:	
Immediate—amount of income payable .....	\$ 246,551
Deferred—fully paid account balance .....	\$ 7,515,936
Deferred—not fully paid—account balance .....	\$ 147
Deposit funds and dividend accumulations:	
Deposit funds—account balance .....	\$ 128,448
Dividend accumulations—account balance .....	\$ 5,489,810

See Independent Auditor's Report on Supplemental Financial Information

**State Farm Life Insurance Company**  
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**Supplemental Investment Schedule**  
**December 31, 2020**

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3+4) Amount	Percentage
1. Long-Term Bonds (Schedule D, Part 1):						
1.01 U.S. governments	3,046,486,781	3.83	3,046,486,781		3,046,486,781	3.83
1.02 All other governments	46,414,601	.06	46,414,601		46,414,601	.06
1.03 U.S. states, territories and possessions, etc. guaranteed	796,384,258	1.00	796,384,258		796,384,258	1.00
1.04 U.S. political subdivisions of states, territories, and possessions, guaranteed	1,937,785,669	2.44	1,937,785,669		1,937,785,669	2.44
1.05 U.S. special revenue and special assessment obligations, etc. non-guaranteed	12,468,215,027	15.68	12,468,215,027		12,468,215,027	15.69
1.06 Industrial and miscellaneous	34,359,180,763	43.22	34,359,180,763		34,359,180,763	43.22
1.07 Hybrid securities						
1.08 Parent, subsidiaries and affiliates						
1.09 SVO identified funds						
1.10 Unaffiliated bank loans						
1.11 Total long-term bonds	52,654,467,099	66.23	52,654,467,099		52,654,467,099	66.24
2. Preferred stocks (Schedule D, Part 2, Section 1):						
2.01 Industrial and miscellaneous (Unaffiliated)						
2.02 Parent, subsidiaries and affiliates						
2.03 Total preferred stocks						
3. Common stocks (Schedule D, Part 2, Section 2):						
3.01 Industrial and miscellaneous Publicly traded (Unaffiliated)	5,936,452,936	7.47	5,936,452,936		5,936,452,936	7.47
3.02 Industrial and miscellaneous Other (Unaffiliated)						
3.03 Parent, subsidiaries and affiliates Publicly traded						
3.04 Parent, subsidiaries and affiliates Other	8,399,746	.01	8,399,746		8,399,746	.01
3.05 Mutual funds	5,734,082	.01	5,734,082		5,734,082	.01
3.06 Unit investment trusts						
3.07 Closed-end funds						
3.08 Total common stocks	5,950,586,764	7.48	5,950,586,764		5,950,586,764	7.49
4. Mortgage loans (Schedule B):						
4.01 Farm mortgages						
4.02 Residential mortgages						
4.03 Commercial mortgages	11,226,320,845	14.12	11,226,320,845		11,226,320,845	14.12
4.04 Mezzanine real estate loans						
4.05 Total valuation allowance						
4.06 Total mortgage loans	11,226,320,845	14.12	11,226,320,845		11,226,320,845	14.12
5. Real estate (Schedule A):						
5.01 Properties occupied by company						
5.02 Properties held for production of income						
5.03						
5.04 Total real estate						

See Report of Independent Auditors on Supplemental Financial Information

**State Farm Life Insurance Company**  
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**Supplemental Investment Schedule, Continued**  
**December 31, 2020**

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total (Col. 3+4) Amount	Percentage
6. Cash, cash equivalents and short-term investments:						
6.01 Cash (Schedule E, Part 1) . . . . .	(116,574,037)	(.15)	(116,574,037)		(116,574,037)	(.15)
6.02 Cash equivalents (Schedule E, Part 2) . . . . .	1,340,232,407	1.69	1,340,232,407		1,340,232,407	1.69
6.03 Short-term investments (Schedule DA) . . . . .						
6.04 Total cash, cash equivalents and short-term investments . . . . .	1,223,658,370	1.54	1,223,658,370		1,223,658,370	1.54
7. Contract loans . . . . .	4,354,152,668	5.48	4,353,743,366		4,353,743,366	5.48
8. Derivatives (Schedule DB) . . . . .						
9. Other invested assets (Schedule BA) . . . . .	4,082,836,305	5.14	4,082,836,305		4,082,836,305	5.14
10. Receivables for securities . . . . .						
11. Securities Lending (Schedule DL, Part 1) . . . . .						
12. Other invested assets (Page 2, Line 11) . . . . .	15,629,333	.02				
13. Total invested assets . . . . .	<u>79,507,651,383</u>	<u>100.00</u>	<u>79,491,612,748</u>		<u>79,491,612,748</u>	<u>100.00</u>

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**State Farm Life Insurance Company**  
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**Supplemental Investment Risk Interrogatories**  
**December 31, 2020**

Answer the following interrogatories by reporting the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments. For Life, Health, and Fraternal blanks, responses are to exclude Separate Accounts.

1. Reporting entity's total admitted assets as reported on Page 3 of this annual statement.

\$ 80,236,072,435

2. Ten largest exposures to a single issuer/borrower/investment.

	1	2	3	4
	Issuer	Description of Exposure	Amount	Percentage of Total Admitted Assets
2.01	FHLMC MULTIFAMILY STRUCT CMO . . . .	Bonds	\$6,104,164,165	7.6%
2.02	FNMA CMO ACES . . . . .	Bonds	\$2,306,613,377	2.9%
2.03	STATE FARM LIQUIDITY POOL LLC . . . . .	Cash Equivalents	\$1,317,591,592	1.6%
2.04	FHLMC CMO . . . . .	Bonds	\$1,094,406,544	1.4%
2.05	STATE FARM REALTY MORTGAGE, LLC . . . . .	LLC	\$ 884,192,097	1.1%
2.06	FNMA CMO . . . . .	Bonds	\$ 877,144,628	1.1%
2.07	JOHNSON & JOHNSON . . . . .	Bonds, Common Stock	\$ 657,821,024	0.8%
2.08	PEPSICO INC . . . . .	Bonds, Common Stock	\$ 616,938,075	0.8%
2.09	COCA-COLA CO . . . . .	Bonds, Common Stock	\$ 564,842,694	0.7%
2.10	VERIZON COMMUNICATIONS INC . . . . .	Bonds, Common Stock	\$ 560,899,230	0.7%

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation.

	Bonds	1	2	Preferred Stocks	3	4
3.01	NAIC-1	\$39,238,703,550	48.9%	3.07	P/RP-1	\$ — — %
3.02	NAIC-2	\$12,850,446,211	16.0%	3.08	P/RP-2	\$ — — %
3.03	NAIC-3	\$ 551,070,248	0.7%	3.09	P/RP-3	\$ — — %
3.04	NAIC-4	\$ 6,000,000	%	3.10	P/RP-4	\$ — — %
3.05	NAIC-5	\$ 810,888	%	3.11	P/RP-5	\$ — — %
3.06	NAIC-6	\$ 7,436,202	%	3.12	P/RP-6	\$ — — %

4. Assets held in foreign investments:

4.01	Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? . . . . .	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
	If response to 4.01 above is yes, responses are not required for interrogatories 5-10. . . . .		
4.02	Total admitted assets held in foreign investments . . . . .	\$5,544,859,262	6.9%
4.03	Foreign-currency-denominated investments . . . . .	\$ —	— %
4.04	Insurance liabilities denominated in that same foreign currency . . . . .	\$ —	— %

See Independent Auditor's Report on Supplemental Financial Information

**State Farm Life Insurance Company**  
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**Supplemental Investment Risk Interrogatories, Continued**  
**December 31, 2020**

5. Aggregate foreign investment exposure categorized by NAIC sovereign designation:

	<u>1</u>	<u>2</u>
5.01 Countries rated NAIC-1 .....	\$5,530,538,225	6.9%
5.02 Countries rated NAIC-2 .....	\$ 8,938,428	%
5.03 Countries rated NAIC-3 or below .....	\$ 5,382,610	%

6. Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation:

	<u>1</u>	<u>2</u>
Countries rated NAIC-1:		
6.01 Country: United Kingdom .....	\$1,347,153,280	1.7%
6.02 Country: Australia .....	\$1,268,629,538	1.6%
Countries designated NAIC-2:		
6.03 Country: Curacao .....	\$ 7,984,846	%
6.04 Country: Panama .....	\$ 953,582	%
Countries designated NAIC-3 or below:		
6.05 Country: Liberia .....	\$ 5,382,610	%
6.06 Country: .....	\$	%

7. Aggregate unhedged foreign currency exposure

	<u>1</u>	<u>2</u>
	\$ —	— %

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign designation:

	<u>1</u>	<u>2</u>
8.01 Countries rated NAIC-1 .....	\$ —	— %
8.02 Countries rated NAIC-2 .....	\$ —	— %
8.03 Countries rated NAIC-3 or below .....	\$ —	— %

9. Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation:

	<u>1</u>	<u>2</u>
Countries rated NAIC-1:		
9.01 Country: .....	\$ —	— %
9.02 Country: .....	\$ —	— %
Countries rated NAIC-2:		
9.03 Country: .....	\$ —	— %
9.04 Country: .....	\$ —	— %
Countries rate NAIC-3 or below:		
9.05 Country: .....	\$ —	— %
9.06 Country: .....	\$ —	— %

See Independent Auditor's Report on Supplemental Financial Information

**State Farm Life Insurance Company**  
(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)

**Supplemental Investment Risk Interrogatories, Continued**  
**December 31, 2020**

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

	<b>1</b> <b>Issuer</b>	<b>2</b> <b>NAIC Rating</b>	<b>3</b>	<b>4</b>
10.01	SHELL INTL FIN BV .....	Bonds 1	\$411,440,650	0.5%
10.02	BHP BILLITON FIN (USA) LTD .....	Bonds 1	\$184,238,698	0.2%
10.03	SCHLUMBERGER INVESTMENT .....	Bonds 1	\$167,074,714	0.2%
10.04	SMITH & NEPHEW PLC .....	Bonds 1, Bonds 2	\$149,000,000	0.2%
10.05	BASF SE .....	Bonds 1	\$143,000,000	0.2%
10.06	STATNETT SF .....	Bonds 1	\$140,786,920	0.2%
10.07	DANONE SA .....	Bonds 2	\$137,487,517	0.2%
10.08	AIR LIQUIDE FINANCE SA .....	Bonds 1	\$136,663,582	0.2%
10.09	FONTERRA CO-OP GROUP LTD .....	Bonds 1	\$135,068,687	0.2%
10.10	CADENT FINANCE PLC .....	Bonds 1	\$130,000,000	0.2%

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?  
Yes  No

If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.

12. Report aggregate amounts and percentages of reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?  
Yes  No

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interests less than 2.5% of the reporting entity's total admitted assets?  
Yes  No

If response to 13.01 above is yes, responses are not required for the remainder of Interrogatory 13

	<b>1</b> <b>Name of Issuer</b>	<b>2</b>	<b>3</b>
13.02	STATE FARM REALTY MORTGAGE, LLC .....	\$884,192,097	1.1%
13.03	APPLE INC .....	\$350,484,181	0.4%
13.04	MICROSOFT CORP .....	\$224,278,986	0.3%
13.05	DISNEY (WALT) CO .....	\$218,646,575	0.3%
13.06	ADOBE INC .....	\$188,664,269	0.2%
13.07	JOHNSON & JOHNSON .....	\$184,929,369	0.2%
13.08	PROCTER & GAMBLE CO .....	\$176,929,450	0.2%
13.09	WALMART INC .....	\$155,178,052	0.2%
13.10	CATERPILLAR INC .....	\$147,284,213	0.2%
13.11	ALPHABET INC .....	\$143,586,683	0.2%

See Independent Auditor's Report on Supplemental Financial Information

**State Farm Life Insurance Company**  
(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)

**Supplemental Investment Risk Interrogatories, Continued**  
**December 31, 2020**

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?

Yes  No

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?

Yes  No

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	<b>Fund Manager</b>	<b>Total Invested</b>	<b>Diversified</b>	<b>Non-Diversified</b>
14.06	JP Morgan Investment Management Inc . . .	\$19,478,751	\$19,478,751	\$
14.07	Black Rock Fund Advisors . . . . .	\$ 5,734,082	\$ 5,734,082	\$
14.08	BNY Mellon Investment Advisor Inc . . . . .	\$ 3,162,064	\$ 3,162,064	\$
14.09	. . . . .	\$	\$	\$
14.10	. . . . .	\$	\$	\$

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?

Yes  No

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets?

Yes  No

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

	<b>1</b>	<b>2</b>	<b>3</b>
	<b>Type (Residential, Commercial, Agricultural)</b>		
16.02	Commercial . . . . .	\$107,000,000	0.1%
16.03	Commercial . . . . .	\$ 91,460,000	0.1%
16.04	Commercial . . . . .	\$ 90,100,000	0.1%
16.05	Commercial . . . . .	\$ 90,000,000	0.1%
16.06	Commercial . . . . .	\$ 90,000,000	0.1%
16.07	Commercial . . . . .	\$ 87,750,000	0.1%
16.08	Commercial . . . . .	\$ 84,000,000	0.1%
16.09	Commercial . . . . .	\$ 82,000,000	0.1%
16.10	Commercial . . . . .	\$ 76,487,287	0.1%
16.11	Commercial . . . . .	\$ 72,088,922	0.1%

See Independent Auditor's Report on Supplemental Financial Information



**State Farm Life Insurance Company**  
(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)

**Supplemental Investment Risk Interrogatories, Continued**  
**December 31, 2020**

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

16.12	Construction Loans	\$113,901,475	0.10%
16.13	Mortgage loans over 90 days past due	\$ —	— %
16.14	Mortgage loans in the process of foreclosure	\$ —	— %
16.15	Mortgage loans foreclosed	\$ —	— %
16.16	Restructured mortgage loans	\$ —	— %

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

	Loan-to-Value	Residential		Commercial		Agricultural	
		1	2	3	4	5	6
17.01	Above 95%	\$—	— %	\$ 19,356,840.23	0.00%	\$—	— %
17.02	91% to 95%	\$—	— %	\$ 24,021,059.73	0.00%	\$—	— %
17.03	81% to 90%	\$—	— %	\$ 29,347,648.27	0.00%	\$—	— %
17.04	71% to 80%	\$—	— %	\$ 236,917,421.52	0.30%	\$—	— %
17.05	Below 70%	\$—	— %	\$10,916,677,875.03	13.60%	\$—	— %

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate less than 2.5% of the reporting entity's total admitted assets?  
Yes  No   
If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets?  
Yes  No   
If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

	At Year-End	1	2	At End of Each Quarter		
				3	4	5
20.01	Securities lending (do not include assets held as collateral for such transactions)	\$—	—%	\$—	\$—	\$—
20.02	Repurchase agreements	\$—	—%	\$—	\$—	\$—
20.03	Reverse repurchase agreements	\$—	—%	\$—	\$—	\$—
20.04	Dollar repurchase agreements	\$—	—%	\$—	\$—	\$—
20.05	Dollar reverse repurchase agreements	\$—	—%	\$—	\$—	\$—

See Independent Auditor's Report on Supplemental Financial Information

**State Farm Life Insurance Company**  
(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)

**Supplemental Investment Risk Interrogatories, Continued**  
**December 31, 2020**

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21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors:

		Owned		Written	
		1	2	3	4
21.01	Hedging .....	\$—	— %	\$—	— %
21.02	Income generation .....	\$—	— %	\$—	— %
21.03	Other .....	\$—	— %	\$—	— %

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

		At Year-End		At End of Each Quarter		
		1	2	3	4	5
22.01	Hedging .....	\$—	— %	\$—	\$—	\$—
22.02	Income generation .....	\$—	— %	\$—	\$—	\$—
22.03	Replications .....	\$—	— %	\$—	\$—	\$—
22.04	Other .....	\$—	— %	\$—	\$—	\$—

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts:

		At Year-End		At End of Each Quarter		
		1	2	3	4	5
23.01	Hedging .....	\$—	— %	\$—	\$—	\$—
23.02	Income generation .....	\$—	— %	\$—	\$—	\$—
23.03	Replications .....	\$—	— %	\$—	\$—	\$—
23.04	Other .....	\$—	— %	\$—	\$—	\$—

See Independent Auditor's Report on Supplemental Financial Information

**State Farm Life Insurance Company**  
(a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company)

**Supplemental Reinsurance Contracts Schedule**  
**December 31, 2020**

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1. Reinsurance contracts (or multiple contracts with the same reinsurer or its affiliates) subject to A-791 that includes a provision, which limits the reinsurer's assumption of significant risks identified as in A-791.  
  
None
2. Reinsurance contracts (or multiple contracts with the same reinsurer or its affiliates) not subject to A-791, for which reinsurance accounting was applied and includes a provision that limits the reinsurer's assumption of risk.  
  
None
3. Reinsurance contracts containing features (except reinsurance contracts with a federal or state facility) described below which result in delays in payment in form or in fact:
  - a. Provisions which permit the reporting of losses, or settlements are made, less frequently than quarterly or payments due from the reinsurer are not made in cash within ninety (90) days of the settlement date (unless there is no activity during the period).  
  
None
  - b. Payment schedules, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.  
  
None
4. Contracts for which the reporting entity has reflected reinsurance accounting credit for any contracts not subject to Appendix A-791 and not yearly renewable term, which meet the risk-transfer requirements of SSAP 61R.  
  
None
5. Risk ceded which is not subject to A-791 and not yearly renewable term reinsurance, under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
  - a. Accounted for that contract as reinsurance under statutory accounting principles (SAP) and as a deposit under generally accepted accounting principles (GAAP); or
  - b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP.  
None

See Independent Auditor's Report on Supplemental Financial Information

# **State Farm Life Insurance Company Variable Life Separate Account**

**Annual Financial Statement**

**December 31, 2020**

**State Farm Life Insurance Company  
Variable Life Separate Account**

**Index**

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors of State Farm Life Insurance Company and the Contract Owners of State Farm Life Insurance Company Variable Life Separate Account

### ***Opinions on the Financial Statements***

We have audited the accompanying statements of assets and contract owners' equity and surplus of BlackRock Small Cap Index V.I., BlackRock International Index V.I., BlackRock 60/40 Target Allocation ETF V.I., BlackRock S&P 500 Index V.I., BlackRock Government Money Market V.I. and BlackRock Total Return V.I. of State Farm Life Insurance Company Variable Life Separate Account as of December 31, 2020, and the related statements of operations and changes in contract owners' equity and surplus for each of the two years in the period ended December 31, 2020, including the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of BlackRock Small Cap Index V.I., BlackRock International Index V.I., BlackRock 60/40 Target Allocation ETF V.I., BlackRock S&P 500 Index V.I., BlackRock Government Money Market V.I. and BlackRock Total Return V.I. of State Farm Life Insurance Company Variable Life Separate Account as of December 31, 2020 and the results of each of their operations and the changes in each of their contract owners' equity and surplus for each of the two years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

These financial statements are the responsibility of the State Farm Life Insurance Company's management. Our responsibility is to express an opinion on the financial statements of each of the subaccounts in the State Farm Life Insurance Company Variable Life Separate Account based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the subaccounts in the State Farm Life Insurance Company Variable Life Separate Account in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included

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*PricewaterhouseCoopers LLP, One North Wacker, Chicago, IL 60606  
T: (312) 298 2000, F: (312) 298 2001, [www.pwc.com/us](http://www.pwc.com/us)*



confirmation of investments owned as of December 31, 2020, by correspondence with the State Farm Variable Products Trust. We believe that our audits provide a reasonable basis for our opinions.

*PriceWaterhouseCoopers LLP*

February 25, 2021

We have served as the auditor of the State Farm Life Insurance Company Variable Life Separate Account since 1999.

**State Farm Life Insurance Company  
Variable Life Separate Account**

**Statement of Assets and Policy Owners' Equity December 31, 2020**

	BlackRock Small Cap Index V.I. Subaccount	BlackRock International Index V.I. Subaccount	BlackRock 60/40 Target Allocation ETF V.I. Subaccount	BlackRock S&P 500 Index V.I. Subaccount	BlackRock Government Money Market V.I. Subaccount	BlackRock Total Return V.I. Subaccount
<b>Assets:</b>						
Investments, at market value <sup>(1)(2)</sup>						
BlackRock Small Cap Index V.I. Fund	140,936,329	\$ —	\$ —	\$ —	\$ —	\$ —
BlackRock International Index V.I. Fund	—	93,471,206	—	—	—	—
BlackRock 60/40 Target Allocation ETF V.I. Fund	—	—	39,653,810	—	—	—
BlackRock S&P 500 Index V.I. Fund	—	—	—	351,462,262	—	—
BlackRock Government Money Market V.I. Fund	—	—	—	—	27,725,620	—
BlackRock Total Return V.I. Fund	—	—	—	—	—	41,529,660
<b>Total Assets</b>	<b>\$140,936,329</b>	<b>\$93,471,206</b>	<b>\$39,653,810</b>	<b>\$351,462,262</b>	<b>\$27,725,620</b>	<b>\$41,529,660</b>
<b>Liabilities:</b>						
<b>Total Liabilities</b>	—	—	—	—	—	—
<b>Net Assets</b>	<b>\$140,936,329</b>	<b>\$93,471,206</b>	<b>\$39,653,810</b>	<b>\$351,462,262</b>	<b>\$27,725,620</b>	<b>\$41,529,660</b>
<b>Net Assets:</b>						
Policy Owners' Equity <sup>(3)</sup>	\$140,936,329	\$93,471,206	\$39,653,810	\$351,462,262	\$27,725,620	\$41,529,660
(1) Investments, at cost	\$135,945,018	\$99,947,052	\$31,454,472	\$297,635,140	\$27,725,620	\$38,379,771
(2) Shares Owned	10,824,603	9,394,091	2,890,219	12,883,514	27,725,620	3,343,010
(3) Accumulation Unit Value	\$ 46.59	\$ 22.61	\$ 35.84	\$ 45.29	\$ 12.49	\$ 23.07
(3) Units Outstanding	3,024,667	4,133,719	1,106,530	7,759,960	2,220,484	1,800,700

The accompanying notes are an integral part of the financial statements.



**State Farm Life Insurance Company  
Variable Life Separate Account**

**Statement of Operations  
For the Year Ended December 31, 2020**

	<b>BlackRock Small Cap Index V.I. Subaccount</b>	<b>BlackRock International Index V.I. Subaccount</b>	<b>BlackRock 60/40 Target Allocation ETF V.I. Subaccount</b>	<b>BlackRock S&amp;P 500 Index V.I. Subaccount</b>	<b>BlackRock Government Money Market V.I. Subaccount</b>	<b>BlackRock Total Return V.I. Subaccount</b>
Investment income:						
Dividend income	\$ 1,712,646	\$ 1,779,315	\$ 586,367	\$ 5,554,660	\$ 93,973	\$ 871,467
Expenses:						
Mortality and expense risk charges	879,766	642,450	286,984	2,438,929	223,044	320,332
Net investment income (loss)	832,880	1,136,865	299,383	3,115,731	(129,071)	551,135
Realized gain (loss)	(2,345,227)	(1,760,039)	96,995	(211,213)	—	(3,171)
Realized gain distributions	4,057,796	—	73,098	20,284,825	1,096	1,981,039
Change in unrealized appreciation (depreciation), net	19,708,556	6,840,363	4,345,203	28,530,589	—	534,619
Net realized and unrealized gain (loss) on investments	21,421,125	5,080,324	4,515,296	48,604,201	1,096	2,512,487
Net increase (decrease) in policy owners' equity from operations	\$22,254,005	\$ 6,217,189	\$4,814,679	\$51,719,932	\$ (127,975)	\$3,063,622

The accompanying notes are an integral part of the financial statements.

**State Farm Life Insurance Company  
Variable Life Separate Account**

**Statement of Changes in Policy Owners' Equity  
For the Year Ended December 31, 2020**

	<b>BlackRock Small Cap Index V.I. Subaccount</b>	<b>BlackRock International Index V.I. Subaccount</b>	<b>BlackRock 60/40 Target Allocation ETF V.I. Subaccount</b>	<b>BlackRock S&amp;P 500 Index V.I. Subaccount</b>	<b>BlackRock Government Money Market V.I. Subaccount</b>	<b>BlackRock Total Return V.I. Subaccount</b>
<b>Operations:</b>						
Net investment income (loss) .....	\$ 832,880	\$ 1,136,865	\$ 299,383	\$ 3,115,731	\$ (129,071)	\$ 551,135
Realized gain (loss) .....	1,712,569	(1,760,039)	170,093	20,073,612	1,096	1,977,868
Change in unrealized appreciation (depreciation), net .....	19,708,556	6,840,363	4,345,203	28,530,589	—	534,619
Net realized and unrealized gain (loss) on investments .....	21,421,125	5,080,324	4,515,296	48,604,201	1,096	2,512,487
Net increase (decrease) in policy owners' equity from operations .....	22,254,005	6,217,189	4,814,679	51,719,932	(127,975)	3,063,622
<b>Policy owners' equity transactions:</b>						
Proceeds from units purchased .....	6,357,781	5,890,538	1,977,822	14,439,758	2,219,277	2,779,194
Transfers between subaccounts including fixed account, net .....	145,984	491,119	(202,973)	(1,209,833)	356,338	646,635
Payments for surrenders and other redemptions .....	(9,717,788)	(6,997,469)	(3,122,456)	(25,001,190)	(2,767,315)	(3,534,140)
Net increase (decrease) in policy owners' equity derived from policy owners' equity transactions .....	(3,214,023)	(615,812)	(1,347,607)	(11,771,265)	(191,700)	(108,311)
Total increase (decrease) in policy owners' equity .....	19,039,982	5,601,377	3,467,072	39,948,667	(319,675)	2,955,311
<b>Policy owners' equity:</b>						
Beginning of year .....	121,896,347	87,869,829	36,186,738	311,513,595	28,045,295	38,574,349
End of year .....	\$140,936,329	\$93,471,206	\$39,653,810	\$351,462,262	\$27,725,620	\$41,529,660

The accompanying notes are an integral part of the financial statements.

**State Farm Life Insurance Company  
Variable Life Separate Account**

**Statement of Changes in Policy Owners' Equity, Continued  
For the Year Ended December 31, 2019**

	<b>BlackRock Small Cap Index V.I. Subaccount</b>	<b>BlackRock International Index V.I. Subaccount</b>	<b>BlackRock 60/40 Target Allocation ETF V.I. Subaccount*</b>	<b>BlackRock S&amp;P 500 Index V.I. Subaccount</b>	<b>BlackRock Government Money Market V.I. Subaccount</b>	<b>BlackRock Total Return V.I. Subaccount</b>
<b>Operations:</b>						
Net investment income (loss) .....	\$ 561,818	\$ 2,119,478	\$ 424,088	\$ 3,998,701	\$ 334,676	\$ 739,651
Realized gain (loss) .....	3,577,580	(1,970,279)	404,688	16,781,722	—	205,304
Change in unrealized appreciation (depreciation), net .....	20,295,513	15,074,873	5,416,895	53,457,109	—	2,146,141
Net realized and unrealized gain (loss) on investments .....	23,873,093	13,104,594	5,821,583	70,238,831	—	2,351,445
Net increase (decrease) in contract owners' equity from operations .....	24,434,911	15,224,072	6,245,671	74,237,532	334,676	3,091,096
<b>Policy owners' equity transactions:</b>						
Proceeds from units purchased .....	6,611,648	6,081,470	2,001,539	14,890,258	2,493,298	2,857,377
Transfers between subaccounts including fixed account, net .....	(358,379)	(664,542)	296,292	(2,296,125)	(1,981,502)	21,907
Payments for surrenders and other redemptions .....	(10,415,388)	(7,679,607)	(3,480,326)	(25,750,234)	(3,369,838)	(3,880,325)
Net increase (decrease) in policy owners' equity derived from policy owners' equity transactions .....	(4,162,119)	(2,262,679)	(1,182,495)	(13,156,101)	(2,858,042)	(1,001,041)
Total increase (decrease) in policy owners' equity .....	20,272,792	12,961,393	5,063,176	61,081,431	(2,523,366)	2,090,055
<b>Policy owners' equity:</b>						
Beginning of year .....	101,623,555	74,908,436	31,123,562	250,432,164	30,568,661	36,484,294
End of year .....	\$121,896,347	\$87,869,829	\$36,186,738	\$311,513,595	\$28,045,295	\$38,574,349

\* BlackRock iShares Dynamic Allocation V.I. Fund renamed to BlackRock 60/40 Target Allocation ETF V.I. Fund effective May 1, 2019.

The accompanying notes are an integral part of the financial statements.

# State Farm Life Insurance Company Variable Life Separate Account

## Notes to Financial Statements

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### 1. General Information

#### Organization

The State Farm Life Insurance Company Variable Life Separate Account (the "Separate Account") is a unit investment trust registered under the Investment Company Act of 1940 as amended, established by State Farm Life Insurance Company (the "Company"). The Separate Account was established by the Company on December 9, 1996. The Company sold a variable life insurance product, which has unique combinations of features and fees that are charged against the policy owners' account balances. Under applicable insurance law, the assets and liabilities of the Separate Account are clearly identified and distinguished from the Company's other assets and liabilities. The portion of the Separate Account's assets applicable to the variable life policies is not chargeable with liabilities arising out of any other business the Company may conduct. The Company discontinued new sales of the variable life product during September, 2008; however, the Company continues to administer the existing book of variable life policies.

### 2. Significant Accounting Policies

#### Valuation of Investments

As of December 31, 2020, the assets of the Separate Account are invested in one or more of the funds (the "Fund(s)") of BlackRock Variable Series Funds, Inc. and BlackRock Variable Series Funds II, Inc. (the "BVSFs") at each Fund's net asset value (NAV), which is based on the daily closing market value prices of the underlying securities, in accordance with the selection made by the policy owners. The net assets of each subaccount of the Separate Account reflect the investment management fees and other operating expenses incurred by the Funds.

#### Fair Value

Fair value is defined as the price that the Separate Account would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. All Funds in the Separate Account included in the Statement of Assets and Policy Owners' Equity are stated at fair value and are based upon closing NAV per share and are therefore considered Level 1. The NAVs are published daily by the Funds' managers. The assets of the Separate Account were valued at \$694,778,887 and \$624,086,153 as of December 31, 2020 and 2019, respectively.

#### Security Transactions and Investment Income

Securities transactions are recorded on the trade date (the date the order to buy or sell is executed). Dividend income is recorded on the ex-dividend date. The cost of investments sold and the corresponding capital gains and losses are determined on a specific identification basis. Net investment income (loss) and net realized gains (losses) and unrealized appreciation (depreciation) on investments are allocated to the policies on each valuation date based on each policy's pro rata share of the assets of the fund as of the beginning of the valuation date.

#### Accumulation Unit Valuation

On each day the New York Stock Exchange (NYSE) is open for trading, the accumulation unit value is determined as of the earlier of 3:00 PM Central time or the close of the NYSE by dividing the policy owners' share of the value of each fund's investments and other assets, less liabilities, by the number of policy owner accumulation units outstanding in the respective fund.

## State Farm Life Insurance Company Variable Life Separate Account

### Notes to Financial Statements, Continued

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The NAV for each Fund is determined as of the time of the close of regular session trading on the NYSE, on each day when the NYSE is open for business. Shares of the Funds will not be priced on days when the NYSE is closed.

#### Federal Income Taxes

The operations of the Separate Account are included in the federal income tax return of the Company. Under existing federal income tax law, investment income and realized capital gains and losses of the Separate Account affect liabilities under the policies and are, therefore, not taxed. Thus, the Separate Account may realize net investment income and capital gains and losses without federal income tax consequences.

#### Transfers between subaccounts including the fixed account

Transfers between subaccounts including the fixed account (net) include transfers of all or part of the policy owners' interest to or from another eligible subaccount from or to the fixed account option of the general account of the Company.

#### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that could affect the amounts reported therein, as well as the disclosure of any contingent assets and liabilities. Actual results reported could differ from the estimates reported in the accompanying financial statements.

### 3. Expenses and Related Party Transactions

A mortality and expense risk charge, which includes a death benefit guarantee risk charge, is deducted by the Company from the Separate Account on a daily basis, which is equal, on an annual basis, to 0.8% of the daily net asset value of the policy owners' portion of assets in the Separate Account. The daily mortality and expense risk charges are assessed through the reduction in unit values. The charge may be adjusted after policy issue, but is guaranteed not to exceed 0.9% of net assets. The death benefit guarantee covers the risk that the policy would remain in force if the required minimum premiums were satisfied, even if the policy cash surrender value were to drop below zero. This could result from a decline in the value of the subaccounts due to market performance.

At the beginning of each policy month, the Company makes a deduction from the cash value of the policy, which consists of the cost of insurance for the policy, any additional benefits provided by the rider, and a monthly expense charge for the policy month. A monthly expense charge of \$6 is deducted from policies issued prior to July 1, 2004 and an \$8 monthly expense charge is deducted from policies issued from July 1, 2004. This monthly expense charge is subject to a maximum of \$8. These deductions reimburse the Company for administrative expenses relating to the issuance and maintenance of the policy.

A surrender charge may be deducted from the cash value of the policy in the event of a surrender to reimburse the Company for expenses incurred in connection with issuing the policy. The full surrender charge will be increased monthly during the first two policy years, stay constant during the third through sixth year and is reduced each year after the sixth year until it reaches zero in the tenth policy year.

A withdrawal fee is assessed from the cash value of the policy upon the partial withdrawal of funds which is equal to the lesser of \$25 or 2% of the amount withdrawn.

**State Farm Life Insurance Company  
Variable Life Separate Account**

**Notes to Financial Statements, Continued**

The Company reserves the right to deduct a \$25 transfer processing fee from the cash value of the policy for each subaccount transfer in excess of 12 during a policy year. In addition, the Company deducts and retains a 5% charge from each premium before allocating the resulting premium to the unit value in the Separate Account.

The Separate Account only invests in Funds of an unrelated party.

**4. Changes in Units Outstanding**

The changes in units outstanding for the years ended December 31, 2020 and 2019 are as follows:

<b>Subaccount</b>	<b>December 31, 2020</b>			<b>December 31, 2019</b>		
	<b>Units Issued</b>	<b>Units Redeemed</b>	<b>Net Increase (Decrease)</b>	<b>Units Issued</b>	<b>Units Redeemed</b>	<b>Net Increase (Decrease)</b>
BlackRock Small Cap Index . . . . .	261,409	346,703	(85,294)	260,357	375,830	(115,473)
BlackRock International Index . . . . .	417,528	448,418	(30,890)	411,011	528,578	(117,567)
BlackRock 60/40 Target Allocation ETF* . . . . .	147,759	189,898	(42,139)	116,693	157,910	(41,217)
BlackRock S&P 500 Index . . . . .	516,723	824,456	(307,733)	572,447	955,515	(383,068)
BlackRock Government Money Market . . . . .	334,356	349,663	(15,307)	270,543	500,037	(229,494)
BlackRock Total Return . . . . .	260,962	266,994	(6,032)	194,052	243,431	(49,379)

\* BlackRock iShares Dynamic Allocation V.I. Fund renamed to BlackRock 60/40 Target Allocation ETF V.I. Fund effective May 1, 2019.

**5. Purchases and Sales of Investments**

The cost of purchases and proceeds from sales of investments for the year ended December 31, 2020 by each subaccount are shown below:

<b>Subaccount</b>	<b>December 31, 2020</b>	
	<b>Purchases</b>	<b>Sales</b>
BlackRock Small Cap Index . . . . .	8,352,096	6,675,442
BlackRock International Index . . . . .	4,267,183	3,746,130
BlackRock 60/40 Target Allocation ETF . . . . .	3,384,859	4,359,984
BlackRock S&P 500 Index . . . . .	30,302,197	18,672,907
BlackRock Government Money Market . . . . .	2,069,817	2,389,492
BlackRock Total Return . . . . .	5,972,252	3,536,261
Total . . . . .	<u>\$54,348,404</u>	<u>\$39,380,216</u>

**6. Unit Values and Financial Highlights**

A summary of unit values and units outstanding for each subaccount of the Separate Account, net investment income ratios and the expense ratios, excluding expenses of the underlying funds, for each of the five years in the period ended December 31, 2020 are shown below. In 2018, for the subaccounts liquidated or

**State Farm Life Insurance Company  
Variable Life Separate Account**

**Notes to Financial Statements, Continued**

merged into the BVSFs, the results are through the date of the subaccount liquidation or merger, and therefore were not annualized. For the subaccounts in the BVSFs, the results are from the date of inception through the end of the year.

Subaccount	December 31, 2020				For the Year Ended December 31, 2020		
	Units	Net Assets	Unit Fair Value		Investment Income Ratio*	Expense Ratio**	Total Return***
			Beginning	Ending			
BlackRock Small Cap Index . . . . .	3,024,667	\$140,936,329	\$39.19	\$46.59	1.30%	0.8%	18.88%
BlackRock International Index . . .	4,133,719	\$ 93,471,206	\$21.10	\$22.61	1.96%	0.8%	7.16%
BlackRock 60/40 Target Allocation ETF . . . . .	1,106,530	\$ 39,653,810	\$31.50	\$35.84	1.55%	0.8%	13.78%
BlackRock S&P 500 Index . . . . .	7,759,960	\$351,462,262	\$38.61	\$45.29	1.68%	0.8%	17.30%
BlackRock Government Money Market . . . . .	2,220,484	\$ 27,725,620	\$12.54	\$12.49	0.34%	0.8%	(0.40)%
BlackRock Total Return . . . . .	1,800,700	\$ 41,529,660	\$21.35	\$23.07	2.18%	0.8%	8.06%

Subaccount	At December 31, 2019				For the Year Ended December 31, 2019		
	Units	Net Assets	Unit Fair Value		Investment Income Ratio*	Expense Ratio**	Total Return***
			Beginning	Ending			
BlackRock Small Cap Index . . . . .	3,109,961	\$121,896,347	\$31.51	\$39.19	1.32%	0.8%	24.37%
BlackRock International Index . . .	4,164,609	\$ 87,869,829	\$17.49	\$21.10	3.41%	0.8%	20.64%
BlackRock 60/40 Target Allocation ETF**** . . . . .	1,148,669	\$ 36,186,738	\$26.16	\$31.50	2.07%	0.8%	20.41%
BlackRock S&P 500 Index . . . . .	8,067,693	\$311,513,595	\$29.63	\$38.61	2.24%	0.8%	30.31%
BlackRock Government Money Market . . . . .	2,235,791	\$ 28,045,295	\$12.40	\$12.54	1.93%	0.8%	1.13%
BlackRock Total Return . . . . .	1,806,732	\$ 38,574,349	\$19.66	\$21.35	2.77%	0.8%	8.60%

Subaccount	At December 31, 2018				For the Year Ended December 31, 2018		
	Units	Net Assets	Unit Fair Value		Investment Income Ratio*	Expense Ratio**	Total Return***
			Beginning	Ending			
Large Cap Equity Index . . . . .	—	\$ —	\$31.28	\$31.35	3.42%	0.8%	NA
Small Cap Equity Index . . . . .	—	\$ —	\$35.79	\$34.63	0.00%	0.8%	NA
Bond . . . . .	—	\$ —	\$19.81	\$19.37	2.06%	0.8%	NA
Money Market . . . . .	—	\$ —	\$12.30	\$12.37	1.24%	0.8%	NA
International Equity Index . . . . .	—	\$ —	\$20.43	\$18.10	0.12%	0.8%	NA
Stock and Bond Balanced . . . . .	—	\$ —	\$27.09	\$26.87	2.86%	0.8%	NA
Large Cap Equity . . . . .	—	\$ —	\$20.06	\$20.90	0.88%	0.8%	NA
Small/Mid Cap Equity . . . . .	—	\$ —	\$20.25	\$20.61	0.80%	0.8%	NA
International Equity . . . . .	—	\$ —	\$16.36	\$14.76	1.44%	0.8%	NA
BlackRock Small Cap Index . . . . .	3,225,434	\$101,623,555	\$34.63	\$31.51	1.37%	0.8%	(9.01)%
BlackRock International Index . . .	4,282,176	\$ 74,908,436	\$18.10	\$17.49	4.84%	0.8%	(3.37)%
BlackRock iShares® Dynamic Allocation . . . . .	1,189,886	\$ 31,123,562	\$26.87	\$26.16	1.01%	0.8%	(2.64)%
BlackRock S&P 500 Index . . . . .	8,450,761	\$250,432,164	\$31.35	\$29.63	1.08%	0.8%	(5.49)%
BlackRock Government Money Market . . . . .	2,465,285	\$ 30,568,661	\$12.37	\$12.40	0.37%	0.8%	0.24%
BlackRock Total Return . . . . .	1,856,111	\$ 36,484,294	\$19.37	\$19.66	0.52%	0.8%	1.50%

**State Farm Life Insurance Company  
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**Notes to Financial Statements, Continued**

Subaccount	At December 31, 2017				For the Year Ended December 31, 2017		
	Units	Net Assets	Unit Fair Value		Investment Income Ratio*	Expense Ratio**	Total Return***
			Beginning	Ending			
Large Cap Equity Index	8,755,786	\$273,920,700	\$25.91	\$31.28	1.84%	0.8%	20.73%
Small Cap Equity Index	3,322,894	\$144,483,730	\$31.49	\$35.79	1.08%	0.8%	13.66%
Bond	1,841,304	\$ 36,473,878	\$19.54	\$19.81	2.53%	0.8%	1.38%
Money Market	690,412	\$ 8,493,082	\$12.32	\$12.30	0.64%	0.8%	(0.16)%
International Equity Index	4,317,558	\$152,221,371	\$16.42	\$20.43	2.94%	0.8%	24.42%
Stock and Bond Balanced	1,193,958	\$ 32,358,529	\$23.97	\$27.09	2.19%	0.8%	13.02%
Large Cap Equity	617,390	\$ 40,304,390	\$16.33	\$20.06	0.90%	0.8%	22.84%
Small/Mid Cap Equity	469,010	\$ 37,510,525	\$18.25	\$20.25	0.59%	0.8%	10.96%
International Equity	315,887	\$ 28,239,515	\$12.27	\$16.36	0.52%	0.8%	33.33%

  

Subaccount	At December 31, 2016				For the Year Ended December 31, 2016		
	Units	Net Assets	Unit Fair Value		Investment Income Ratio*	Expense Ratio**	Total Return***
			Beginning	Ending			
Large Cap Equity Index	9,175,188	\$237,832,431	\$23.38	\$25.91	2.04%	0.8%	10.82%
Small Cap Equity Index	3,496,240	\$132,486,448	\$26.24	\$31.49	1.18%	0.8%	20.01%
Bond	1,811,239	\$ 35,378,243	\$19.30	\$19.54	2.79%	0.8%	1.24%
Money Market	682,417	\$ 8,408,194	\$12.41	\$12.32	0.05%	0.8%	(0.73)%
International Equity Index	4,439,125	\$123,926,654	\$16.41	\$16.42	2.87%	0.8%	0.06%
Stock and Bond Balanced	1,239,519	\$ 29,705,803	\$22.39	\$23.97	2.21%	0.8%	7.06%
Large Cap Equity	644,116	\$ 33,077,813	\$15.26	\$16.33	0.96%	0.8%	7.01%
Small/Mid Cap Equity	489,410	\$ 33,998,986	\$16.28	\$18.25	0.39%	0.8%	12.10%
International Equity	316,542	\$ 21,061,165	\$13.04	\$12.27	0.59%	0.8%	(5.90)%

- \* The Investment Income Ratio represents the dividends, excluding distributions of capital gains, received by the subaccount from the underlying mutual fund, divided by the average net assets. This ratio excludes those expenses, such as mortality and expense charges, that are assessed against policy owner accounts either through reductions in the unit value or the redemption of units. The recognition of investment income by the subaccount is affected by the timing of the declaration of dividends by the underlying fund in which the subaccount invests.
- \*\* This ratio represents the annualized contract expenses of the separate account, resulting in a direct reduction of unit values, consisting primarily of mortality and expense charges. Charges that require redemption of policy owner units are excluded. There is no fluctuation in the annualized mortality and expense charge. This ratio does not include the expenses incurred by the underlying funds. Refer to Note 3.
- \*\*\* The total return is calculated using the beginning and ending unit value, which reflects the changes in the underlying fund values and reductions related to the Expense Ratio, for the period indicated.
- \*\*\*\* BlackRock iShares Dynamic Allocation V.I. Fund renamed to BlackRock 60/40 Target Allocation ETF V.I. Fund effective May 1, 2019.