

Testimony of Mr. Michael Keating
Operations Vice President, State Farm
Subcommittee on Disaster Management, District of Columbia & Census
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Chairman Hawley, Ranking Member Kim, distinguished members of the Subcommittee: thank you for the invitation to appear before you today. I appreciate the Subcommittee's interest in insurance claim handling, and I am grateful for the opportunity to provide insight regarding State Farm's approach to helping our policyholders after disaster strikes. I hope that my testimony will be helpful as you work to understand issues relating to insurance claims handling and the efforts that are underway to help those impacted by disasters.

State Farm is the largest provider of personal home and auto insurance in the United States. Headquartered in Bloomington, Illinois, our mission for over 100 years has been to help our policyholders manage the risks of everyday life and recover from the unexpected.

As a mutual insurance company, State Farm operates for the benefit of our policyholders. State Farm has no shareholders seeking a quarterly return, so our organization is able to focus on the long-term interests of the policyholder group as a whole. This freedom to take the long-term view allows us to put our policyholders first and continue to deliver on the promises we make to them.

I joined State Farm nearly 32 years ago as a homeowners claim representative. Currently, I serve in the role of Operations Vice President where I help lead State Farm's claims process. How I work and how I lead my team are a direct reflection of my experiences over the past three decades and the values of quality service and integrity that we hold dear at State Farm. From my first day at State Farm, I have had the privilege of helping people put their lives back together after the unexpected. It has shaped my role and how I lead others to fulfill State Farm's commitment to our policyholders: to ensure that we pay our policyholders what we owe under the terms of their policy promptly, courteously, and efficiently.

Our commitment to help our policyholders navigate some of the most difficult moments of their lives is especially critical in light of the recent devastation caused by natural disasters across the country. We share the Subcommittee's concern for the families and communities impacted by these events. At State Farm, our policyholders are also often our neighbors. As such, these disasters often affect our own employees and agents, as well as our policyholders. As the largest claims force in the industry, we take seriously our role to help communities recover and rebuild.

In the Southeast, damage from Hurricanes Helene and Milton resulted in approximately 129,600 property claims, and State Farm has already paid out nearly \$1.28 billion under those claims to help the communities that were impacted. Of these claims, less than 1% have received one or more policyholder complaints. We closely review each of those complaints, take appropriate action, and work to mitigate against future complaints.

In California, as of May 6 of this year, State Farm companies have handled approximately 12,600 wildfire-related claims and have paid out more than \$3.4 billion. In the wake of these natural

disasters, State Farm is also hard at work on the ground so policyholders can return to their communities and their homes.

To put this into further context, State Farm receives approximately 30,000 claims every single day, and we understand that behind every claim is a person, a family, or a small business that needs our help. No two disasters are the same, and each claim is different, just as each individual submitting that claim is different.

When a policyholder files a claim, State Farm collects relevant information and investigates the claim to identify available coverage under the policy. Our goal is to understand the scope of the damage, identify the cause, and determine what we may owe. From there, we may work with our policyholders and their contractors to ensure the policyholder receives the benefits owed under their insurance policy. This is how I approached claims when I was a homeowners claim representative and how I have instructed my teams to approach claims: listen carefully, show empathy, investigate thoroughly, and pay what is owed under the terms of the policy.

We try to respond to most of the claims-handling work ourselves, but sometimes, when a natural disaster strikes, we need to work with external independent adjusters to help us process a large volume of claims in a timely way. Similarly, when a claim is particularly complex or requires special expertise, we may use engineers to help us resolve it. In such cases, we require that engineers are appropriately licensed, independent and objective, and base their analysis on facts.

Our job is to honor the commitments we make to policyholders under their policies. At the same time, we also have an obligation to pay only covered claims in the proper amount; doing otherwise unnecessarily increases insurance costs for all policyholders.

As an organization, we take enormous pride in our customer service. We value our policyholders' feedback, and we are working diligently to address customer service challenges to better meet expectations. We make changes across the organization to better serve our policyholders, and to the extent that we make a mistake, we are committed to working with our policyholders to make it right under their policy.

Again, thank you to the Subcommittee for having me here today. I look forward to answering your questions.