



2006 ANNUAL REPORT TO STATE FARM® MUTUAL POLICYHOLDERS

State Farm Mutual's financial results improved significantly in 2006, reflecting a continued moderation in the frequency of auto accidents, a strong investment climate and fewer catastrophe losses.

Safer driving and improved underwriting results allowed us to reduce auto insurance rates a total of \$618 million in 45 jurisdictions last year. And State Farm Mutual policyholders in jurisdictions where we had better-than-expected results are also benefiting from a dividend.



State Farm Mutual continues to grow, today serving nearly 40 million auto insurance policies. It also maintains its financial strength at the highest possible rating (A++) from A.M. Best Co.

We remain dedicated to helping people manage the risks of everyday life as efficiently as possible. Thank you for allowing us to serve you.

Edward B. Rust Jr.

Edward B. Rust Jr.
Chairman of the Board and Chief Executive Officer

*A complete annual financial report is available
at www.naic.org/cis.*

Notice of Annual Meeting

The annual meeting of State Farm Mutual Automobile Insurance Company is held each year at 10 a.m. on the second Monday of June at the company's Corporate Headquarters, One State Farm Plaza, Bloomington, Illinois. All members may participate in the annual meeting and have a right to vote by proxy or in person. Proxies must be on file with the Corporate Secretary 20 days before the annual meeting.

State Farm Mutual Automobile Insurance Company
Home Office: One State Farm Plaza
Bloomington, IL 61710-0001

More information is available at statefarm.com®.

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STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY

Statement of Condition (In Millions of Dollars)

	2006	2005
Assets		
Cash and Short Term Investments	\$ 1,194	\$ 622
Bonds	31,516	29,231
Common & Preferred Stocks	38,880	33,811
Equity in Insurance Subsidiaries	19,095	16,561
Other Assets	7,663	9,757
Total Assets	\$98,348	\$89,982
Liabilities		
Claims and Claim Expenses	\$18,221	\$19,010
Unearned Premiums	8,229	8,075
Other Liabilities	13,864	12,709
Policyholder Protection Funds		
Funds for Protection of State Farm Mutual Policyholders	\$20,481	\$18,284
Investment Fluctuation Reserve	17,272	14,274
Funds Assigned for the Protection of Customers of Subsidiaries	20,282	17,630
Funds Assigned for Catastrophe Reinsurance Assumed from Affiliates	0	0
Total Liabilities and Surplus	\$98,348	\$89,982

Summary of Operating Data (In Millions of Dollars)

	2006	2005
Premium	\$31,947	\$31,948
Less: Dollars for Claims	19,071	23,618
Expenses for Paying Claims	4,427	4,292
Service and Administrative Fees	6,757	6,334
Underwriting Gain or (Loss)	1,691	(2,296)
Plus: Investment and Other Income	3,090	3,057
Income Before Dividends and Taxes	4,781	761
Less: Dividends to Policyholders	1,250	0
Income Taxes	554	(86)
Net Income	\$ 2,977	\$ 847

The financial statements of the company are audited by an independent public accounting firm.

Board of Directors

- Gerald M. Czarnecki** – Chairman and Chief Executive Officer, Deltennium Corporation
- Michael C. Davidson** – Vice Chairman and Chief Agency and Marketing Officer, State Farm Mutual
- Christopher C. DeMuth** – President, American Enterprise Institute for Public Policy Research
- W. H. Knight Jr.** – Professor of Law and Dean Emeritus, University of Washington School of Law
- Judith A. Muhlberg** – Consultant on Strategic Communications, Gagen MacDonald LLC
- Susan M. Phillips** – Dean, School of Business and Public Management, George Washington University
- Jerry I. Porras** – Lane Professor of Organizational Behavior and Change, Emeritus, Stanford University
- Edward B. Rust Jr.** – Chairman of the Board, President, and Chief Executive Officer, State Farm Mutual
- James E. Rutrough** – Vice Chairman and Chief Administrative Officer, State Farm Mutual
- Paul T. Stecko** – Chairman of the Board and Chief Executive Officer, Packaging Corporation of America
- Pamela B. Strobel** – Former Executive Vice President and Chief Administrative Officer, Exelon Corporation
- Michael L. Tipsord** – Vice Chairman, Treasurer, and Chief Financial Officer
- John D. Zeglis** – Former Chairman of the Board and Chief Executive Officer, AT&T Wireless

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