



## 2007 ANNUAL REPORT TO STATE FARM® MUTUAL POLICYHOLDERS

At a time when the cost of operating a vehicle was noticeably higher, State Farm Mutual reduced its overall auto insurance rates in 2007 for the fourth straight year.

The resulting substantial drop in underwriting profit was partly offset by improved investment income. We were also able to hold the line on operating expenses even as we paid out an additional \$1.4 billion in claims.



Policies in force grew more than 900,000 last year to nearly 42 million. And the Company continued to earn the highest possible rating from A.M. Best (A++).

State Farm agents and employees remain dedicated to providing superior service as efficiently as possible. We thank you for your continued support.

*Edward B. Rust Jr.*

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Chairman of the Board and Chief Executive Officer

*A complete annual financial report is available  
at [www.naic.org/cis](http://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  
Bloomington, IL

*More information is available at [statefarm.com](http://statefarm.com)®.*

## STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY

### Statement of Condition (In Millions of Dollars)

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash and Short Term Investments	\$ 570	\$ 1,194
Bonds	32,070	31,516
Common & Preferred Stocks	40,456	37,611
Equity in Insurance Subsidiaries	22,731	19,122
Other Assets	<u>9,016</u>	<u>8,905</u>
<b>Total Assets</b>	<b>\$104,842</b>	<b>\$98,348</b>
<b>Liabilities</b>		
Claims and Claim Expenses	\$ 19,032	\$18,221
Unearned Premiums	8,583	8,229
Other Liabilities	13,650	13,864
<b>Surplus</b>		
Funds for Protection of State Farm Mutual Policyholders	\$ 20,536	\$20,481
Investment Fluctuation Reserve	19,084	17,272
Special Surplus Segregation for Affiliates	2,074	0
Funds Assigned for the Protection of Customers of Subsidiaries	21,841	20,282
Funds Assigned for Catastrophe Reinsurance	<u>43</u>	<u>0</u>
<b>Total Liabilities and Surplus</b>	<b>\$104,842</b>	<b>\$98,348</b>

### Summary of Operating Data (In Millions of Dollars)

	<u>2007</u>	<u>2006</u>
Premium	\$ 31,664	\$31,947
Less: Claims	20,501	19,071
Expenses for Paying Claims	4,412	4,427
Service and Administrative Fees	<u>6,529</u>	<u>6,757</u>
<b>Underwriting Gain or (Loss)</b>	<b>222</b>	<b>1,691</b>
Plus: Investment and Other Income <sup>1</sup>	3,611	3,090
Income Before Dividends and Taxes	3,833	4,781
Less: Dividends to Policyholders	18	1,250
Income Taxes	<u>151</u>	<u>554</u>
<b>Net Income</b>	<b>\$ 3,664</b>	<b>\$ 2,977</b>

<sup>1</sup> Investment and Other Income is reported net of capital gains tax.

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 Jr.** – 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