



## 2008 ANNUAL REPORT TO STATE FARM<sup>®</sup> MUTUAL POLICYHOLDERS



An unusually active year for severe weather along with an uptick in the cost of claims resulting from injuries in auto accidents caused State Farm Mutual to experience an underwriting loss in 2008.

The sharp decline in the equities market was the dominant driver of

the decline in our net worth. We were nevertheless able to add to the policyholder protection fund, and A.M. Best Co., which provides an independent opinion of an insurer's ability to meet its obligations to policyholders, continues to give its highest rating (A++) to State Farm Mutual.

Our agents and employees work hard to provide superior service in the most cost effective way possible. While overall auto insurance rates increased slightly last year, they were still well below the levels of five years earlier.

We thank you for your continued support.

Edward B. Rust Jr.

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).*

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## STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY

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

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Cash and Short Term Investments	\$ 681	\$ 570
Bonds	34,510	32,070
Common & Preferred Stocks	26,903	40,456
Equity in Insurance Subsidiaries	20,251	22,731
Other Assets	<u>9,673</u>	<u>9,016</u>
<b>Total Assets</b>	<b>\$92,018</b>	<b>\$104,842</b>
<u>Liabilities</u>		
Claims and Claim Expenses	\$ 20,452	\$ 19,032
Unearned Premiums	8,963	8,583
Other Liabilities	<u>9,328</u>	<u>13,650</u>
<u>Surplus</u>		
Funds for Protection of State Farm Mutual Policyholders	\$ 20,853	\$ 20,536
Investment Fluctuation Reserve	10,628	19,084
Special Surplus Segregation for Affiliates	2,208	2,074
Funds Assigned for the Protection of Customers of Subsidiaries	19,321	21,841
Funds Assigned for Catastrophe Reinsurance Assumed from Affiliates	<u>264</u>	<u>43</u>
<b>Total Liabilities and Surplus</b>	<b>\$92,018</b>	<b>\$104,842</b>

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

	<u>2008</u>	<u>2007</u>
Premium	\$ 31,584	\$ 31,664
Less: Dollars for Claims	22,358	20,501
Expenses for Paying Claims	3,995	4,412
Service and Administrative Fees	<u>7,453</u>	<u>6,529</u>
<b>Underwriting Gain or (Loss)</b>	<b>(2,221)</b>	<b>222</b>
Plus: Investment and Other Income <sup>1</sup>	<u>3,017</u>	<u>3,611</u>
Income Before Dividends and Taxes	796	3,833
Less: Dividends to Policyholders	0	18
Income Taxes	<u>(240)</u>	<u>151</u>
<b>Net Income</b>	<b>\$ 1,036</b>	<b>\$ 3,664</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. Czarniecki** – Chairman and Chief Executive Officer, Deltennium Corporation
- Michael C. Davidson** – Vice Chairman and Chief Agency and Marketing Officer, State Farm Mutual
- Christopher C. DeMuth** – D.C. Searle Senior Fellow, 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, 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, State Farm Mutual
- John D. Zeglis** – Former Chairman of the Board and Chief Executive Officer, AT&T Wireless

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