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STATE FARM® Year in Review  
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**Last year was difficult.** For the economy. For our industry. For State Farm®. For many of our customers.

State Farm weathered the financial storm better than a lot of our competitors, but we couldn't escape its impact. Nor could State Farm and many of our policyholders evade the consequences of a year that held more than its share of weather-related catastrophes.

All of this is to say 2008 was a very challenging year. But we came out of it with a good level of financial strength and with a certain amount of pride for being able to help our customers through a pretty tough year.

Meanwhile, we grew. The State Farm organization added 1.7 million policies and accounts to its book of business last year. We take that as a compliment from the hundreds of thousands of people—many of them new to State Farm—who sought out a company with hallmarks of financial strength and quality service.

State Farm associates are stewards of the State Farm brand. Together, we are a powerful combination of talent, resources, experience and a culture that produces exceptional value for many millions of people.

The first part of the current year has supplied no reason to think 2009 will be any less difficult than the year that preceded it. But no matter what the year holds, I know our associates are prepared to help people manage the risks of everyday life, recover from the unexpected and realize their dreams. It's our mission.

**Edward B. Rust Jr.**, Chairman and CEO,  
State Farm Mutual Automobile Insurance Company

Throughout State Farm, in every zone and at every level, people are living the real mission, vision and values of Our State Farm. These people are “the face” of our brand. They are the true role models of the Good Neighbor way.

You can ask them what it really means to work here, how they really make a difference, what it really looks like when we’re all living our values. And you can really listen to what they say. What you’ll find is the people in our companies are genuine, authentic and true; they are “real.”

A long time ago we decided to be there for our customers – like a neighbor, a “good” neighbor, for all the comfort and balance that reside in the positive nature of that simple, easy word.

Look back at 2008. Despite the economic downturn and a record-setting catastrophe year, State Farm endured. Why? Because of our associates – people who bring passion, commitment and integrity to the good work they do every single day.

**“Our customers choose us because they know we will deliver and we will deliver with heart. We treat our customers and each other like we want to be treated. It doesn’t get any better than that.”**

*Kim Hartnell, Underwriting Service Assistant, Bloomington, Ill.*

**“I am committed to doing everything I do with honesty and integrity, giving each and every customer – no matter their financial, social or ethnic background – the respect, compassion and consideration they deserve.”**

*Una Seckler, Agent Team Member, Greeneville, Tenn.*

PROMISE

**30,000+**  
claims processed daily

PEOPLE

**218**  
more agents than in 2007



**State Farm agents truly care about customers because we know them. We’ve watched them raise their children from infancy to the day they pass their driver’s test. We’ve talked to new couples about their marriages then settled a life insurance claim when the unthinkable happened. It’s those real life moments that define the value added by our agents and team members.**

*Megan Dugan, Agent, Lewisburg, Pa.*

## Exceptional Customer Service

2008 witnessed the largest number of fire catastrophe claims in any full year in the history of State Farm, with a new catastrophe code declared on average every 24 hours.

While handling those catastrophe claims, State Farm also processed nearly 12,500,000 additional claims – more than 30,000 each and every day – from auto accidents to house fires, from loss of business to loss of life.

Our focus on customers has been recognized by our customers throughout the U.S. and Canada. According to results from ongoing consumer surveys, State Farm customers are more satisfied than customers of the other top auto insurers. Feedback from homeowners/renters insurance and life insurance customers shows similar results – our customers report higher satisfaction levels compared to customers of competitors.

## An Agent You Can Respect

In uncertain times, customers are looking for reassurance from someone they know and respect. State Farm’s commitment to “being there” for our customers was the centerpiece of a new marketing campaign emphasizing that we understand when customers are in important intersections of their lives – from marriage to the birth of a baby, after an accident or when buying a home.

The effort was part of State Farm’s approach to meeting customers where they want to be met – in an agent’s office, over the phone or across the Internet. Culturally, too, State Farm reached out to diverse groups through in-language materials and a growing number of bilingual agents, agent team members, claim representatives and underwriters.

A new campaign, “State Farm Es Para Mí™” (State Farm Is For Me), emphasized the importance of civic

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### PARTNERSHIP

# 800,000

individuals living healthier lifestyles through the 50 Million Pound Challenge with Dr. Ian Smith

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# 15 in 5

improving the lives of 15 million at-risk children in the next five years through the America’s Promise “15 in 5” campaign



**State Farm truly makes a difference. We are there when someone has a loss. That loss may be a fender, a windshield or a car. That loss may be a spouse, a son or a daughter. Think about that ... we may have one chance in that person’s lifetime to make a difference ... to help them at their worst point in life. What a huge and terrific responsibility.**

*Jeff Gronewold, Claim Team Manager, Lincoln, Neb.*

engagement and education in the Latino community. We provided resources to help Hispanic families close the academic achievement gap and encourage students to reach their educational aspirations.

## A Company That Cares

Ensuring the well-being of young people in the classroom and on the roadways is important to us. We partner with the America's Promise Alliance to sponsor high school dropout prevention summits throughout the nation. And our teen driver safety research efforts and programs, supported by advertising, have one clear, purposeful goal in mind: reduce teen driver crashes and fatalities.

Founded in 1922, State Farm has long been a "good neighbor" to communities it serves across the United States and Canada. Our corporate social responsibility was reaffirmed in 2008 when State Farm joined 31 other leading U.S. companies in releasing progress

reports outlining corporate efforts to achieve real environmental and social changes.

State Farm's progress report highlighted the fact that we are a leader in helping to revitalize communities. In addition, we have long practiced environmental responsibility demonstrated in the spaces we create and manage. State Farm also sponsors Habitat for Humanity® Youth Builds and is the largest corporate contributor to the Federal Alliance for Safe Homes (FLASH®), one of the fastest growing disaster preparedness organizations in the U.S.

## Growth Amid A Recession

2008 brought extreme volatility in the stock market and deterioration in auto and fire underwriting results. Yet State Farm still saw strong growth across many parts of the organization, and our financial strength was affirmed by financial ratings organizations.

**"I feel very good about working for State Farm, and my good fortune really stands out in these hard and difficult economic times."** *Cindy Malone, Learning & Development Specialist, Rohnert Park, Calif.*

**"Being a good neighbor is how I live my life every day through State Farm – doing what's right even when nobody is watching. Taking care of our customers and believing in what we do. Feeling like I go to work with my family every day. State Farm ... there's no place like it!"**

*Teri DiGrande, Zone Agent Staff Assistant, Parsippany, N.J.*

### PERFORMANCE

**+1.7 million**

**increase in policies and accounts in 2008**

**929,000**

**growth in voluntary auto policies in 2008**

**321,000**

**growth in homeowners policies in 2008**

State Farm added nearly a million auto policies at a time when automakers saw double-digit declines in sales. Homeowners growth exceeded goals. State Farm Bank® had strong loan production. And September and October marked the best two-month period for production in the history of the life affiliates.

On Founder's Day in 2008, we announced we had reached 80 million policies and accounts. And it's clearly the dedicated and tireless efforts of our people that helped us grow.

## Continued Financial Strength

2008 saw millions of our neighbors lose homes and jobs as the economy fell into a deep recession. But despite it all, State Farm weathered the hard times, buffered by our financial strength and integrity, our conservative investment philosophy and our commitment to policyholders.

The fact that our associates speak so highly of State Farm after the financial downturn of 2008 is a testament to State Farm and its values.

At the close of the year, with financial woes impacting individuals and businesses alike, State Farm associates were proud of how we fared compared to many other

companies and reassured that the organization's bedrock values had served us well in the past and would continue to do so.

## Looking To 2009

Although 2009 promises continued economic challenges, growth opportunities exist in the markets we serve. Through the years State Farm has seen some of its best growth and greatest opportunities in difficult economic times.

Consumers tend to go to the brand they can trust, to the agent they know. No one is positioned better than State Farm to grow more in the year ahead.

Every customer interaction is a chance for us to demonstrate State Farm's value. The knowledge and care we provide our customers during these difficult times will help us be their first and best choice when the economic recovery begins. We have the people and knowledge needed to protect our financial strength and achieve profitable growth through these challenging times.

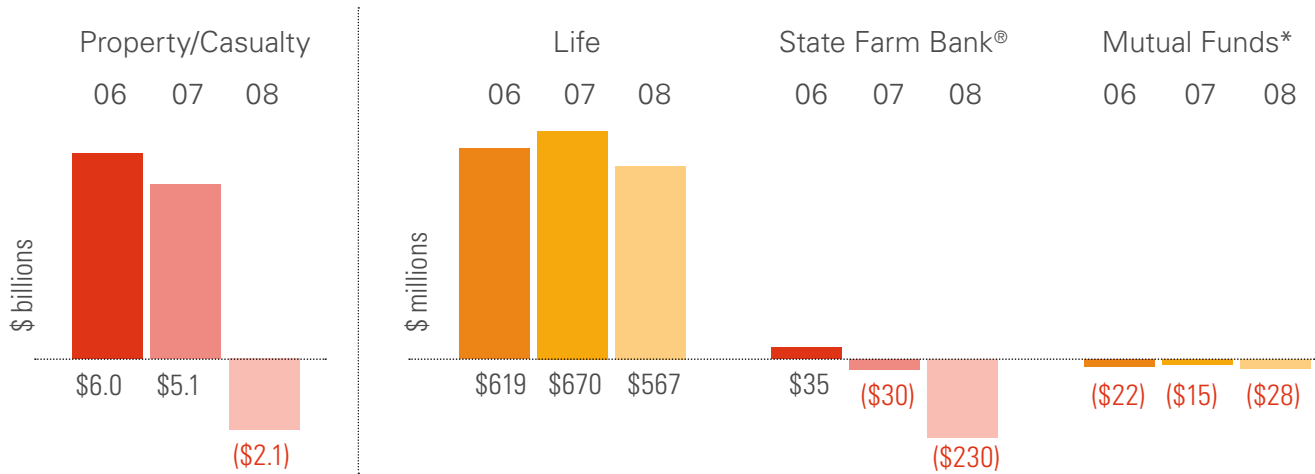
Real people doing good things, together. **That's Our State Farm.**



**I am only one person; I cannot change nor save the world. Yet what I can do, I will do – one person at a time, one day at a time. I do not do this for recognition or reward. I do it in the hope that it is contagious ... and that one stone at a time we can, together, move mountains.**

*Katherine Mears, Imaging Processor, Columbia, Mo.*

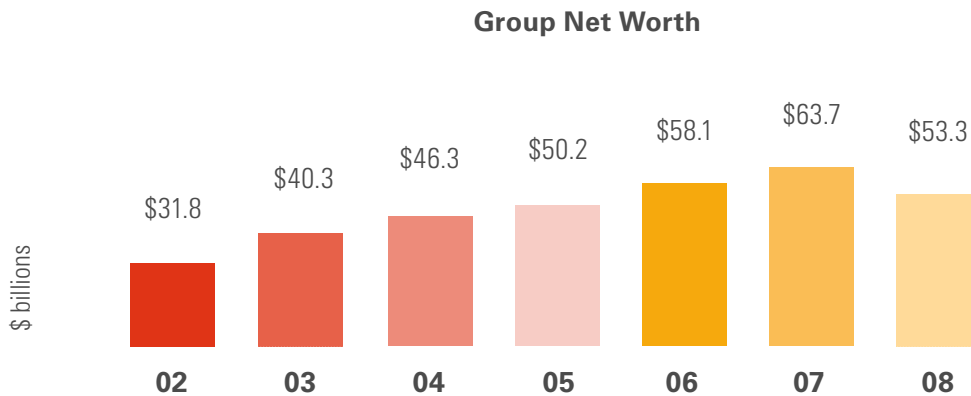
# Pretax operating profit/(loss)



\*Includes the combined results of State Farm Investment Management Corp. & State Farm VP Management Corp.

# Group Net Worth at a glance

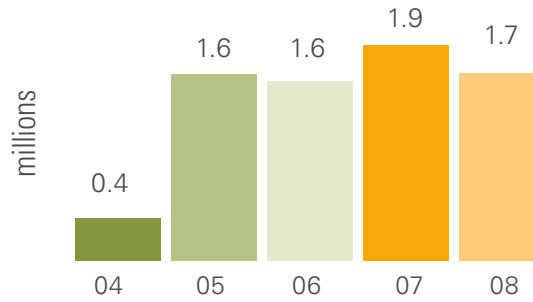
State Farm as a whole remains financially strong. This is remarkable in light of the \$10.4 billion decline in Group Net Worth in 2008, the largest single-year decline in net worth for the organization. Two predominant factors impacted net worth in 2008 – declines in the value of equity investments and extraordinary catastrophe losses. State Farm takes a long-term view of operating results. The financial results achieved from 2003 through 2007 helped State Farm weather the fiscal impacts of 2008. Even with the decline in 2008, Group Net Worth was \$21.5 billion above the ending value in 2002.



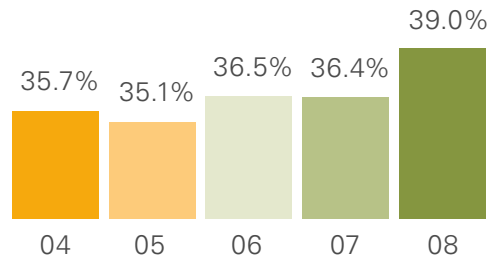
# Performance

During a year where economic growth stalled and many organizations faced significant challenges, State Farm grew. The Property/Casualty expense ratio increased in 2008, due in large part to an increase in claims settlement expenses for both catastrophe and non-catastrophe losses.

## Growth in Policies and Accounts



## Property/Casualty expense ratio As a percent of Earned Premium

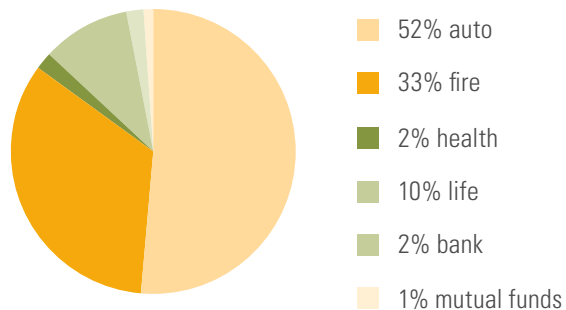


# Products

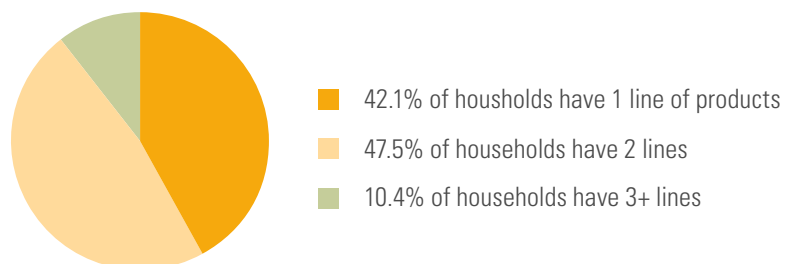
Through innovative product offerings and multi-line options, every year, State Farm is able to offer more options to our customers.

## 81 million

policies and accounts at the end of '08



## Multi-line Quick Facts\*



\*insurance lines only

# People

The pace of change increases every year ... and each new year brings new challenges and new opportunities. But there's one constant – our people are our greatest asset. Our employees, agents and agent team members did remarkable things in 2008.

# 17,534

**agents at the end of 2008**

# 68,517

**employees at the end of 2008**

# Promise

At State Farm, we offer a promise to our customers ... and we believe we keep our promises better than anyone. Through our claims handling, customer service and strong policyholder relationships, 2008 was a year where promises were kept and dreams were realized.

Ranked No.

# 32

**on the Fortune 500 list**  
**'08 ranking based on '07 financials**

# 13,185,502

**total auto and fire claims in 2008**

# Partnership

State Farm was founded on the belief that helping others is the right thing to do. Every year we help communities become safer, stronger and better-educated. Whether through charitable donations, volunteerism or strong partnerships, State Farm is there.

# \$60 million

in charitable giving to build safer, stronger, better-educated communities

# \$5,436,569

foundation gifts and employee contributions to United Way across the U.S. and Canada in 2008

## State Farm Mutual Automobile Insurance Company 2008

### Chairman's Council

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**Brian Boyden**, Executive Vice President, State Farm Mutual Automobile Insurance Company

**Kim Brunner**, Executive Vice President, Chief Legal Officer and Secretary, State Farm Mutual Automobile Insurance Company

**Barbara Cowden**, Executive Vice President, State Farm Mutual Automobile Insurance Company

**William K. King Jr.**, Executive Vice President, State Farm Mutual Automobile Insurance Company

**Willie Brown**, Executive Vice President, State Farm Mutual Automobile Insurance Company

**Michael C. Davidson**, Vice Chairman, and Chief Agency and Marketing Officer, State Farm Mutual Automobile Insurance Company

**Duane Farrington**, Senior Vice President, State Farm Mutual Automobile Insurance Company

**Joe Formusa**, Senior Vice President, State Farm Mutual Automobile Insurance Company

**Jeffrey W. Jackson**, Senior Vice President and General Counsel, State Farm Mutual Automobile Insurance Company

**Gregory Jones**, Senior Vice President, State Farm Mutual Automobile Insurance Company

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**Deborah Traskell**, Executive Vice President, State Farm Mutual Automobile Insurance Company

**Bob Trippel**, Senior Vice President – Agency & Marketing, State Farm Mutual Automobile Insurance Company

**Susan D. Waring**, Executive Vice President and Chief Administrative Officer – State Farm Life, Vice President – Health, State Farm Mutual Automobile Insurance Company

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**John D. Zeglis**, Former Chairman of the Board and Chief Executive Officer, AT&T Wireless

*State Farm Mutual Funds are available through prospectus by registered representatives of State Farm VP Management Corp., One State Farm Plaza, Bloomington, Illinois 61710, 1-800-447-4930. Please read the prospectus and consider the investment objectives, risks, charges and expenses and other information it contains about State Farm Mutual Funds carefully before investing. AP2009/03/2399*

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State Farm  
Home Office, Bloomington, Ill.

State Farm  
Canadian Head Office, Aurora, Ontario

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