

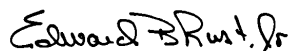


2011 ANNUAL REPORT

TO STATE FARM® MUTUAL POLICYHOLDERS

State Farm Mutual's underwriting losses continued in 2011, a year that saw more than its share of severe springtime storms. But those underwriting losses were offset by investment gains, and State Farm Mutual maintained its financial strength. In fact, the 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.

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



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. You may receive a proxy by writing to Customer Service, One State Farm Plaza, Bloomington, Illinois 61710. Please include your State Farm Mutual Automobile Insurance Company policy number in your request. Proxies must be on file with the Corporate Secretary 20 days before the annual meeting.

State Farm Mutual Automobile Insurance Company
Bloomington, IL

Please see statefarm.com® for
additional information about the company.

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STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY

Statement of Condition (In Millions of Dollars)

Assets	2011	2010
Cash and Short Term Investments	\$ 751	\$ 1,019
Bonds	40,875	39,296
Unaffiliated Common & Preferred Stocks	33,652	34,407
Equity in Insurance Subsidiaries	22,438	22,352
Other Assets	<u>10,380</u>	<u>9,915</u>
Total Assets	\$108,097	\$ 106,988
Liabilities		
Claims and Claim Expenses	\$ 26,181	\$ 24,548
Unearned Premiums	9,439	9,235
Other Liabilities	11,686	11,983
Surplus		
Funds for Protection of State Farm Mutual Policyholders	\$ 20,157	\$ 20,560
Investment Fluctuation Reserve	15,612	15,828
Special Surplus Segregation for Affiliates	2,610	2,478
Funds Assigned for Protection of Customers of Subsidiaries	21,456	21,469
Funds Assigned for Catastrophe Reinsurance Assumed from Affiliates	<u>957</u>	<u>886</u>
Total Liabilities and Surplus	\$108,097	\$ 106,988

Summary of Operating Data (In Millions of Dollars)

	2011	2010
Premium Earned	\$ 32,640	\$ 32,359
Less: Dollars for Claims	22,794	22,795
Expenses for Paying Claims	4,311	4,239
Service and Administrative Fees	<u>7,527</u>	<u>7,396</u>
Underwriting Gain or (Loss)	(1,993)	(2,070)
Plus: Investment Gain and Other Income ¹	<u>2,901</u>	<u>2,886</u>
Income Before Dividends and Taxes	909	815
Less: Dividends to Policyholders	0	0
Income Taxes Incurred (Recoverable)	<u>(180)</u>	<u>(136)</u>
Net Income	\$ 1,088	\$ 951

¹Investment Gain 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

- Dan E. Arvizu** – Director, National Renewable Energy Laboratory
- Gerald M. Czarnecki** – Senior Managing Director and Executive Producer, Ventureland Productions, LLC
- Christopher C. DeMuth** – Distinguished Fellow, Hudson Institute
- W. Steven Jones** – Professor of Organizational Behavior and Strategy, University of North Carolina
- W. H. Knight Jr.** – Professor of Law, Seattle University School of Law
- Judith A. Muhlberg** – Consultant on Strategic Communications, Gagen MacDonald LLC
- Susan M. Phillips** – Former Dean and Professor of Finance, School of Business, George Washington University
- Edward B. Rust Jr.** – Chairman of the Board, President, and Chief Executive Officer, State Farm Mutual
- Paul T. Stecko** – Executive Chairman, Packaging Corporation of America
- Pamela B. Strobel** – Former Executive Vice President and Chief Administrative Officer, Exelon Corporation
- Michael L. Tipsord** – Vice Chairman and Chief Operating Officer, State Farm Mutual
- John D. Zeglis** – Former Chairman of the Board and Chief Executive Officer, AT&T Wireless

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