



2016 ANNUAL REPORT TO STATE FARM® MUTUAL POLICYHOLDERS



State Farm Mutual continued to have an underwriting loss in 2016. Rising medical care costs and vehicle repair costs as well as increasing catastrophe losses contributed to our financial results. We are working to overcome the negative impacts of these trends as we continue to provide you the best possible

combination of product, service, competitive prices and financial stability.

Despite the losses suffered last year, State Farm Mutual continued to build the financial strength that allows us to keep our promises to you, our customers. The A.M. Best Co., which provides an independent opinion of an insurance company's ability to meet obligations to policyholders, continues to give its highest rating (A++) to State Farm Mutual.

Thank you for putting your trust in State Farm. We are proud to serve you.

Michael L. Tipsord
Chairman, President and Chief Executive Officer

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 the first named insured has 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.

STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY

Statement of Condition (In Millions of Dollars)

	2016	2015
Assets		
Cash and Short Term Investments	\$ 1,224	\$ 1,345
Bonds	41,945	41,766
Unaffiliated Common & Preferred Stocks	48,626	43,120
Equity in Insurance Subsidiaries	38,118	34,842
Other Assets	17,784	17,422
Total Assets	\$147,697	\$138,495
Liabilities		
Claims and Claim Expenses	\$ 30,556	\$ 28,566
Unearned Premiums	12,380	11,518
Other Liabilities	17,188	15,780
Surplus		
Funds for Protection of State Farm Mutual Policyholders	\$ 20,962	\$ 22,884
Investment Fluctuation Reserve	24,034	20,618
Funds Assigned for Protection of Customers of Subsidiaries	39,898	36,632
Funds Assigned for Catastrophe Reinsurance Assumed from Affiliates	2,679	2,497
Total Liabilities and Surplus	\$147,697	\$138,495

Summary of Operating Data (In Millions of Dollars)

	2016	2015
Premium Earned	\$ 39,593	\$ 37,094
Less: Dollars for Claims	30,656	25,379
Expenses for Paying Claims	6,167	6,272
Service and Administrative Fees	9,966	9,649
Underwriting Gain or (Loss)	(7,196)	(4,206)
Plus: Investment Gain ¹ and Other Income	3,442	5,340
Income before Dividends and Taxes	(3,754)	1,134
Less: Dividends to Policyholders	0	0
Income Taxes Incurred (Recoverable)	(1,200)	(1,003)
Net Income	\$ (2,554)	\$ 2,137

¹Investment Gain 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** – STEM Evangelist and Chief Technology Officer, Emerson Elemental
- 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 and Distinguished Academic in Residence, Seattle University School of Law
- Allan R. Landon** – Former Chairman of the Board and Chief Executive Officer of Bank of Hawaii Corporation
- Gary L. Perlin** – Former Chief Financial Officer of Capital One Financial Corporation
- Susan M. Phillips** – Professor Emeritus of Finance, George Washington University in Washington, D.C.
- Paul T. Stecko** – Director, Former Chairman and Chief Executive Officer, Packaging Corporation of America
- Pamela B. Strobel** – Former Executive Vice President and Chief Administrative Officer, Exelon Corporation
- Michael L. Tipsord** – Chairman, President and Chief Executive Officer, State Farm Mutual
- John D. Zeglis** – Former Chairman of the Board and Chief Executive Officer, AT&T Wireless