
February 15, 2013

Dear State Farm Retiree,

State Farm would like to provide an update about retiree medical coverage for Medicare-eligible retirees. This communication includes our decision for those who remain on the temporary extension of the State Farm Group Medical PPO Plan (which does not impact your coverage) and information about your retiree Health Reimbursement Account.

Temporary Extension of Group Medical PPO Plan Ending May 31, 2013

Since the beginning of 2012, some Medicare-eligible retirees and their eligible family members remained covered under a temporary extension of the State Farm Group Medical PPO Plan. During this time, we have worked diligently with Aon Hewitt Navigators to set expectations and monitor improvements to processes, technology and service. Based on many improvements and survey feedback received from a significant percentage of the 2,000 State Farm retirees who worked with Aon Hewitt Navigators in the fall of 2012, State Farm has asked Aon Hewitt Navigators to restart the enrollment process in mid-March for those who remain on the group plan. The individual coverage they select should become effective on June 1, 2013.

Again, this change will not impact your coverage. We just wanted to share that all Medicare-eligible State Farm retirees will have access to the individual market this year, as was our intention in 2012.

Information about your Retiree Health Reimbursement Account (HRA)

In an effort to more efficiently process reimbursements and ensure your money is received on a more consistent and timely basis, State Farm has worked closely with Your Spending Account (YSA) to make several improvements. These include: 1) improved processes with individual carriers who send notification of paid premiums for retirees who have auto-reimbursement, 2) a new, one-time claim form to set up recurring monthly reimbursements for retirees who enroll through Aon Hewitt Navigators but do not have auto-reimbursement, and 3) more timely processing of manual claim forms for retirees enrolled outside of Aon Hewitt Navigators. With these improvements, you can expect better service this year.

In addition, our goal is to help you make the most effective use of the HRA contribution. Therefore, beginning **January 1, 2014**, the HRA contribution may be used to reimburse out-of-pocket prescription drug costs and other employers' group medical plan premiums (paid on an after-tax basis), in addition to reimbursing premiums for individual Medicare insurance coverage, such as Medicare Supplement, Medicare Advantage, and/or Medicare Prescription Drug plans. Additional information about the expanded use of the HRA will be provided to you in the fall as we prepare for the 2014 plan year.

If you have any questions, please call (888) 628-2397 Monday through Friday from 8:00 a.m. to 8:00 p.m., Central Time. A representative from Aon Hewitt Navigators or YSA will assist you.

Thank you for your patience while we work with Aon Hewitt Navigators and YSA to continuously improve your experience.

Sincerely,



Rod Hoff, Assistant Vice President – Human Resources

State Farm reserves the right, in its sole and unfettered discretion, to amend, modify or terminate the benefit plans at any time, in whole or in part, without the consent of plan participants or their beneficiaries.