



2017 ANNUAL REPORT TO STATE FARM® MUTUAL POLICYHOLDERS

While State Farm Mutual experienced operating losses in 2017, they were influenced by extraordinary catastrophe losses. We manage our business to financially withstand these tragic events and help our customers recover from the unexpected. 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. We are committed to maintaining our financial strength.

State Farm customers deserve a strong, well-run and efficient company. We will continue to become a leaner and stronger company to serve you – our customers – in more efficient and responsive ways.

Helping people – through the many ways we serve our customers and our communities – is part of who we are and what we're about. Through our Neighborhood of Good®, we're leading a movement to encourage and empower people to get involved and take action. Working together, we believe we can make, and inspire, a meaningful difference in our world.

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 attend 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.

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

STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY

Statement of Condition (In Millions of Dollars)

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and Short Term Investments	\$ 2,527	\$ 1,224
Bonds	45,751	41,945
Unaffiliated Common & Preferred Stocks	55,303	48,626
Equity in Insurance Subsidiaries	39,030	38,118
Other Assets	<u>18,121</u>	<u>17,784</u>
Total Assets	\$160,732	\$147,697
<u>Liabilities</u>		
Claims and Claim Expenses	\$ 33,237	\$ 30,556
Unearned Premiums	13,132	12,380
Other Liabilities	17,358	17,188
<u>Surplus</u>		
Funds for Protection of State Farm Mutual Policyholders, including the Investment Fluctuation Reserve	\$ 53,863	\$ 44,996
Funds Assigned for Protection of Customers of Subsidiaries	40,816	39,898
Funds Assigned for Catastrophe Reinsurance Assumed from Affiliates	<u>2,326</u>	<u>2,679</u>
Total Liabilities and Surplus	\$160,732	\$147,697

Summary of Operating Data (In Millions of Dollars)

	<u>2017</u>	<u>2016</u>
Premium Earned	\$ 42,420	\$ 39,593
Less: Dollars for Claims	31,092	30,656
Expenses for Paying Claims	5,417	6,167
Service and Administrative Fees	<u>10,192</u>	<u>9,966</u>
Underwriting Gain or (Loss)	(4,281)	(7,196)
Plus: Investment Gain ¹ and Other Income	<u>4,039</u>	<u>3,442</u>
Income before Dividends and Taxes	(242)	(3,754)
Less: Dividends to Policyholders	0	0
Income Taxes Incurred (Recoverable)	<u>(1,944)</u>	<u>(1,200)</u>
Net Income	\$ 1,702	\$ (2,554)

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 – Senior Advisor, 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
Vicki A. O'Meara – President and Chief Executive Officer, Analytics Pros, Inc.
Gary L. Perlin – Former Chief Financial Officer of Capital One Financial Corporation
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

State Farm Mutual Automobile Insurance Company
Bloomington, IL