



THE MARKET

State Farm® has been the auto insurance market leader for three-quarters of its 85-year history and the leader in homeowners insurance for 42 consecutive years. State Farm Life Insurance Company is ranked third in number of paid-for policies for ordinary life insurance among all U.S. companies. State Farm also offers a wide variety of financial services. State Farm and its 16,000-plus agents serve the United States and three provinces of Canada with over 75 million auto, life, and health policies in force. As a mutual company, State Farm policyholders are the stakeholders. It is the only company in the top ranks of the Fortune 500 that is not publicly traded.

ACHIEVEMENTS

State Farm is consistently recognized with top ratings for financial strength and claims-paying ability.

Recognized as an employer of choice, State Farm is committed to fostering diversity and inclusion. Agents and employees come from diverse backgrounds, and are encouraged to use their prior experiences to build business strategies for the future. *Black Enterprise* magazine honored State Farm by naming it one of the Top 40 Best Companies for Diversity. State Farm was also recognized by that publication among the 15 Best in Marketing Diversity and the 15 Best in Senior Management Diversity. *Hispanic Magazine* has feted State Farm for 15 consecutive years as one of the Hispanic Corporate 100. *Hispanic Trends*

named State Farm one of the Top 50 Corporations for Supplier Diversity in both 2007 and 2006. In 2007, the *Black Collegian Magazine* recognized State Farm as "one of the most active recruiters of college graduates" in the Top 100 Employers edition. DiversityBusiness.com honored State Farm for its "commitment to and continued support of women- and minority-owned companies."

The State Farm Good Neighbor Citizenship® program was born out of the company's historical promise and continues to celebrate and support the nonprofit organizations, partnerships, and people that make homes and neighborhoods truly great. In 2006 alone, State Farm gave more than \$54 million through donations and grants to help further the efforts of the Good Neighbor Citizenship program.

Through the State Farm Companies Foundation, State Farm supports programs that improve teacher quality, promote service-learning, and improve overall effectiveness in the education system. In 2006, State Farm announced its first-ever Youth Advisory Board of 30 students from across the United States and Canada, charged to assist State Farm in designing and implementing a \$5 million-a-year signature service for learning initiative.

HISTORY

At age 22, George J. Mecherle started farming his land near Bloomington, Illinois. After he and his wife Mae Edith had farmed for 20 years, Mrs. Mecherle's health began to fail, and the couple moved to Bloomington, where George Mecherle accepted a job selling insurance for a small company. He was successful as a salesman, but he did not feel that the rates or business practices of the company suited the needs of farmers.

Mecherle believed that farmers should pay less for insurance because they drove less and had fewer losses than people who lived in cities. When he informed his employer of his approach to insurance pricing, his employer laughed and said, "If you think you've got such a good idea, why don't you start your own company?"

Mecherle started State Farm in 1922 as a mutual automobile insurance company owned by its policyholders.

In 1924, some farmers in Indiana asked if they could buy policies, and in 1925 State Farm began selling there and in other states. In 1926, State Farm started marketing and providing policies to people living in cities as well as on farms.

State Farm Mutual Automobile Insurance Company has grown from a small farm mutual auto insurer to one of the world's most respected insurance and financial institutions. Even with the growth at State Farm, Mecherle's original philosophy has remained: insurance coverage at a fair price, coupled with fair claim settlement.

Ed Rust Jr., the company's CEO, celebrates his 20th anniversary as chairman in 2007. He is nationally recognized as a leader of the business community's efforts to improve the quality of education in the United States. In addition to many other achievements, he currently serves on the



No Child Left Behind Commission, a bipartisan, independent group established to make recommendations to Congress and the Bush administration on how the federal law can be improved.

THE PRODUCT

Attractive rates and excellent reputation for quality of service — through its agents and claims



professionals — are the primary reasons people choose State Farm for their insurance needs.

Although known primarily for its property-casualty lines — such as auto, homeowners, boat-owners, condominium unit owners, and renters insurance — State Farm also has life, health, and a wide range of financial services products that focus on the various needs of its customers, including investment options for retirement and college education.

Agents are the heart of the business at State Farm. They work with people to help them manage the risks of everyday life, prepare for the unexpected, and realize their dreams. State Farm's insurance agents are qualified professionals



whose primary function is to make life a little easier for policyholders.

State Farm claims professionals are the benchmark of the insurance industry. They work to handle claims — millions each year — promptly, courteously, and efficiently.

RECENT DEVELOPMENTS

The years 2006 and 2007 have been the most active, creative, and successful marketing years in State Farm's history. In addition to sponsoring

two NASCAR® drivers, State Farm has become the corporate sponsor (insurance category) for the National Football League (NFL®) and Major League Baseball (MLB®). State Farm made history in 2006 by being the first property and casualty company to sponsor a major motion picture with its sponsorship of the Disney•Pixar movie *CARS*.

In 2007, State Farm sponsored the 50 Million Pound Challenge with Dr. Ian K. Smith. The challenge is a historic opportunity for African Americans to come together to collectively lose 50 million pounds and reduce the very real risks being overweight poses. State Farm has also served its young adult customers with the launch of nowwhat.com® and continued its primary women's site, sfredportfolio.com.

PROMOTION

Advertising highlights the heart of State Farm's business: the State Farm agent. State Farm's advertising is focused on helping the customer understand the value of a State Farm agent and the company's high-quality claims service. State Farm's marketing approach is to show how the company can serve the individual customer.

Like any company with a strong brand, State Farm understands that brand identity is not just about what advertising looks like; it's also about a brand's role in the community. State Farm strengthens its reputation as a good neighbor by actively supporting auto-related safety initiatives. The company has been involved with highway safety since the 1950s when it helped found the Insurance Institute for Highway Safety, a group devoted to promoting a broad array of auto safety measures. In addition, State Farm works with automakers on improving damage resistance and other safety features of cars.

Through its decade-long alliance with the Children's Hospital of Philadelphia, State Farm has helped put research into action by making consumers aware of why and how children are injured in vehicle crashes. Besides funding the research, State Farm provides a link between the hospital researchers and customers whose children have been in crashes and are willing to share their experiences. This research takes a new focus in 2007 with the Youth Driver Research Initiative targeting teens and driving behaviors.

BRAND VALUES

State Farm's business philosophy is to be a "good neighbor." The company evolves with customers as they grow and works to understand their needs. State Farm connects with customers, not just as individuals and families but through neighborhoods and communities of every kind.

It's Not What You Have...
**It's What You
Do With What
You've Got!**

That's why we created a State Farm® website just for women,
sfredportfolio.com®

It's all about you, your finances, your dreams for the future, and how to make the most of what you have.

Ask us about our State Farm website **sfredportfolio.com®** today.

LIKE A GOOD NEIGHBOR STATE FARM IS THERE®
Providing Insurance and Financial Services

State Farm Insurance Companies Home Office, Bloomington, Illinois statefarm.com

THINGS YOU DIDN'T KNOW ABOUT STATE FARM

- In 1953, State Farm's current logo was created, and with it came the creation of one of America's most recognized brands. In 1971, the slogan "Like a good neighbor, State Farm is there."™ was born.
- About 30,500 of the company's 69,000 employees — nearly 45 percent — work in Claims.
- In 2006, State Farm's claims force handled nearly 12.5 million claims, an average of 34,000 claims every day.
- More than 4,000 State Farm catastrophe claims representatives, as well as State Farm Agents, and auto and independent adjusters — the largest catastrophe team in the industry — worked in the affected areas of the Gulf Coast from hurricanes Katrina and Rita.