

### THE MARKET

State Farm® is the leading insurer of cars and homes in the United States, protecting about one out of every five insured cars and one out of every five homes. State Farm Life Insurance Company is ranked fifth in paid-for volume for ordinary life insurance among all U.S. companies. State Farm also offers customers a wide variety of financial services. State Farm and its 17,000 agents serve households in the United States and three provinces of Canada with nearly 73 million auto, fire, life, and health policies in force.

### ACHIEVEMENTS

In 2002, State Farm Mutual Automobile Insurance Company celebrated its 80th year in business and its 60th year as the largest U.S. auto insurer. In 2004 the company celebrated 75 years of selling life policies. State Farm has also been the largest U.S. insurer of homes since 1964.

The company has consistently been recognized with the top ratings for financial strength and claims-paying ability. In 2003, J.D. Power and Associates announced State Farm was the highest-ranked insurer in collision repair satisfaction.

State Farm Mutual is a mutual company, meaning the policyholders are the stakeholders. State Farm is the only company in the top ranks of the Fortune 500 that is not publicly traded.

The company has also achieved exceptional customer service through its 24-hour customer response center. Even when an agent's office is closed, customers can receive service around the clock. State Farm also has a completely bilingual call center that helps customers both in English and Spanish.



Headquartered in Bloomington, Illinois, the company is known for involvement with local communities around the nation. State Farm provides a wide variety of educational materials to schools and community groups. These programs



offer instruction on topics ranging from insurance and financial services basics to fire safety. State Farm Companies Foundation awards grants that further the company's commitment to higher education. Various organizations such as the National Council of La Raza, the United States Leadership Institute, and the Korean-American Coalition have recognized State Farm's community commitment.

*Latina Style* and *Hispanic* magazines, among others, have showcased the quality of State Farm's working environment.

Ed Rust Jr., the company's chairman and CEO, has been very involved with education. He served as part of President George W. Bush's transition committee on education and received the National Promise of America Award presented by the Alliance for Youth. State Farm encourages each employee to become involved in local community efforts to help improve the quality of education.

### HISTORY

At age 22, George J. Mecherle started farming his own 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 this 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.

By 1928, the decision was made to decentralize. Employees from the Bloomington office — along with other employees hired in Berkeley, California — established the company's first branch office, which provided support for agents and brought service closer to the customer.

In just 80 years, State Farm Insurance Companies has grown from a small farm mutual auto insurer to one of the world's most respected financial institutions. Despite State Farm's growth, Mecherle's original philosophy has remained: insurance coverage at a fair price coupled with fair claim settlement.

### THE PRODUCT

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

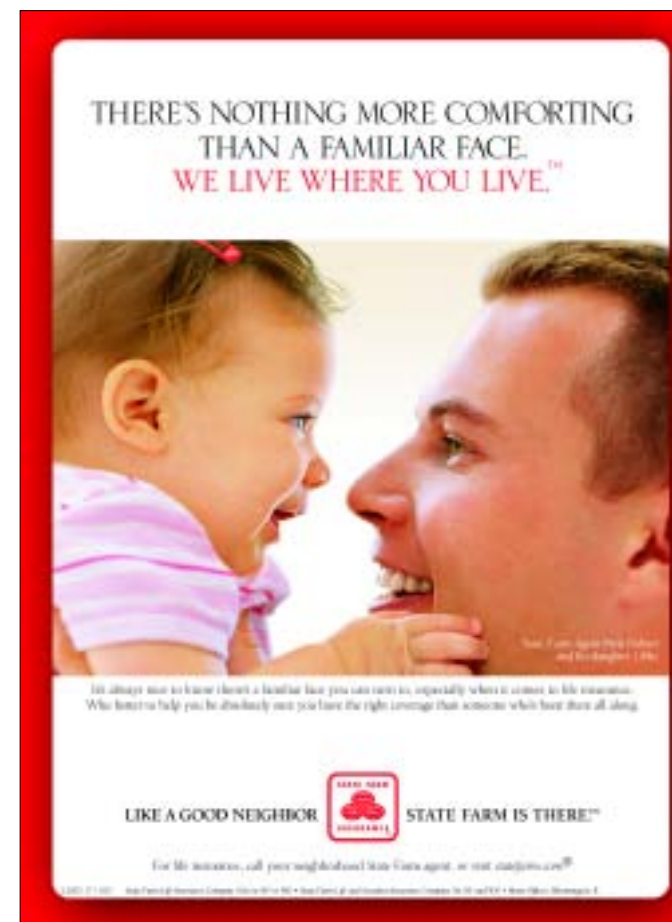
Attractive rates and a reputation for quality service are the primary reasons people choose State Farm for their insurance needs. State Farm handles more than 30,000 insurance claims a day with special programs that make the claim process faster.

### RECENT DEVELOPMENTS

Over the past few years State Farm has made an aggressive move in the financial services marketplace by offering several new products to meet the needs of customers. The company has also shifted its operating facilities from a system of 27 regions to 13 zones.

### PROMOTION

In 1953, State Farm's 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.



State Farm has partnered with The Children's Hospital of Philadelphia to find out why and how children are injured in vehicle accidents. Besides funding the study, State Farm provides a link between hospital researchers and customers whose children have been in crashes and who are willing to share their experiences.

### BRAND VALUES

State Farm's business philosophy is to be a good neighbor. People come to State Farm for solutions, not just insurance protection and financial services. State Farm means safe passage over time for its customers by helping them move safely and securely through different stages of their lives.

State Farm is part of the fabric of America. The company evolves with customers as they grow and understands its customers' needs. State Farm connects with customers not just as individuals and families, but through neighborhoods and communities of every kind. The promise of being a good neighbor is at the heart of State Farm's brand. The company is built on a foundation of shared values: quality



service and relationships, mutual trust, integrity, and financial strength.

State Farm employees bring diverse talents and experiences to their work of serving the customer. The vision for the future is to be the customer's first and best choice in the products and services that State Farm provides.

### THINGS YOU DIDN'T KNOW ABOUT STATE FARM

- State Farm has been the number-one insurer of cars in the United States since 1942 and homes since 1964.
- In 1971, Barry Manilow wrote the music for the jingle "Like a good neighbor, State Farm is there." The words were written by Keith Reinhard, ad legend and former CEO of DDB, State Farm's long-standing ad agency.
- State Farm has given more than \$100 million in loans to revitalize low-income neighborhoods.