

STATE FARM FLORIDA PLANS TO DISCONTINUE PROPERTY INSURANCE LINES

-Current Rates Insufficient to Safely Protect Property Insurance Customers in Future-

-Two-Year Withdrawal to Minimize Disruption-

-State Farm Mutual to Continue to Market Auto Insurance and Other Financial Services-

Winter Haven, Fla., JANUARY, 27, 2009 – State Farm Florida Insurance Company (State Farm Florida), the state’s largest private property insurer, today filed plans to discontinue its Florida property insurance product lines. The Company cited its substantially weakened financial position, directly related to its inability to obtain regulatory approval of what it believes to be adequate property insurance rates. This plan includes insurance coverage for homeowners, renters, condominium unit owners, personal liability, boats, personal articles, and business property and liability policies. [ATTACHED IS A FULL LIST OF IMPACTED LINES WITH NUMBERS OF POLICIES IN FORCE AND WRITTEN PREMIUM AMOUNTS, AS FILED WITH THE FLORIDA OFFICE OF INSURANCE REGULATION]

This action by State Farm Florida, a subsidiary of State Farm Mutual Automobile Insurance Company (State Farm Mutual), will not affect the availability of State Farm auto insurance for Florida residents – nor the availability of life insurance, health insurance and other financial services offered by agents of State Farm Mutual and its other affiliates.

The plan requires regulatory review, and State Farm Florida will not be taking any action under the plan until the regulatory process is complete. State Farm Florida emphasized that it was submitting a two-year plan that seeks to limit disruptions for customers, and if approved, will allow them time to find coverage with other insurers.

Jim Thompson, president, State Farm Florida, said, “Faced with steeply declining resources to cover future claims and expenses, State Farm Florida has little choice.

“This is not an action we wanted to take, but one we must take given the realities of the Florida property insurance market. We regret the impact this will have on our customers, employees and agents in Florida.”

The plan provides for discontinuance of property insurance products while State Farm Florida is still able to honor its obligations. Florida’s extraordinary hurricane exposure poses a tremendous financial risk to any property insurer. Yet even without a hurricane, State Farm Florida’s operating costs have risen as day-to-day claims have increased both in their number and severity. State-mandated discounts have further reduced needed

revenues. During the first three quarters of 2008 (a year with relatively modest catastrophe impact and no major hurricane), State Farm Florida saw its surplus reduced by \$201 million.

In July, State Farm Florida filed for an overall statewide homeowners insurance rate increase of 47.1 percent. The company emphasized the importance of this step in stabilizing State Farm Florida's financial condition. This filing was disapproved on January 12 by the State of Florida's Office of Insurance Regulation.

"The state itself faces similar challenges as it deals with the fragile financial condition of government backed Citizens Property Insurance Corp.," Thompson said. "State Farm Florida is a private company and must have adequate capital to ensure financial stability. And it is our responsibility to our policyholders to provide a sound financial framework for the coverages we offer."

State Farm Florida was established in 1998 as a stand-alone, well-capitalized company to address the unique risks posed by the state of Florida. After billions of dollars of losses from a series of 2004 storms, State Farm Florida was able to continue to operate only by borrowing \$750 million from State Farm Mutual. State Farm Florida has not been able to repay the note due to its financial condition.

State Farm Florida customers and the media are encouraged to regularly visit: www.statefarm.com/florida for updates on the withdrawal process.

State Farm Florida Insurance Company currently services approximately 1.2 million residential insurance and other related property insurance policies and is headquartered in Winter Haven, with agent and operations offices throughout the state. The State Farm Insurance Companies are represented by 826 agents and 4,479 agent's staff members in the state of Florida, and employ 4,801 Floridians in various operational positions.

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Impacted Lines of Insurance

Below are listed the premium and number of policies that will be impacted by State Farm Florida's discontinuance of certain product lines:

Line	Written Premium	
		for 12 months ending 9/30/2008 # of Policies
		in-force as of 9/30/2008
Apartment Policy	\$5,585,820	2,631
Boatowners Policy	\$33,497,854	57,982
Business Policy	\$76,909,075	30,855
Church Policy	\$13,582,501	1,989

Commercial Inland Marine	\$875,224	2,661
Commercial Liability Umbrella Policy	\$2,741,154	3,749
Condo Association	\$(662)	N/A*
Condominium Unit Owners	\$55,810,587	79,833
Contractors Policy	\$9,142,205	3,767
Homeowners	\$1,054,918,245	703,357
Manufactured Home	\$15,186,032	14,533
Owners and Contractors Protective Liability Policy	\$2,848	2
Personal Articles Policy (Personal Inland Marine)	\$27,326,747	97,719
Personal Liability Umbrella Policy	\$49,459,887	93,874
Premises/Personal Liability Policy	\$657,180	5,890
Products and Completed Operations Liability Policy	\$1,335	2
Rental Condominium Unit Owners Policy	\$2,638,728	6,110
Rental Dwelling Policy	\$45,535,805	64,902
Renters	\$13,135,733	61,774
Personal and Commercial Earthquake Coverage	\$668,993	N/A**

*Please note State Farm Florida has no policies-in-force for Condominium Association policies. The \$(662) shown above is the result of refund activity from prior years activity.

**Please note: Premium for Personal and Commercial Earthquake Coverage is not listed with a separate Policies-In-Force. It is included as an added coverage or endorsement in other lines depicted in this table. Separate policies for earthquake insurance are not issued in Florida.