



FILED

In the Matter of:

STATE FARM MUTUAL AUTOMOBILE
INSURANCE COMPANY; STATE FARM
FLORIDA INSURANCE COMPANY; AND
STATE FARM FIRE & CASUALTY COMPANY.

OCT 1 2007

OFFICE OF
INSURANCE REGULATION

Docketed by:

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT ("Agreement") is entered into by and between STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY ("STATE FARM MUTUAL"), STATE FARM FLORIDA INSURANCE COMPANY ("STATE FARM FLORIDA") and STATE FARM FIRE & CASUALTY COMPANY ("STATE FARM FIRE"), (collectively referred to as "STATE FARM"), and the OFFICE OF INSURANCE REGULATION ("OIR") and the OFFICE OF THE ATTORNEY GENERAL ("OAG"), (collectively referred to as the "STATE").

1. On or about March 15, 2007, pursuant to the provisions Chapter 2007-1, Laws of Florida ("CS/HB 1A"), STATE FARM FLORIDA made certain "presumed factor" filings to reflect the savings that were expected to inure to the benefit of STATE FARM FLORIDA as a result of the Florida Legislature's provision of inexpensive reinsurance through the expansion of the Florida Hurricane Catastrophe Fund.

2. On July 30, 2007, and on September 5, 2007, the OIR issued Notices of Intent to Disapprove those "presumed factor" filings. STATE FARM FLORIDA thereafter requested formal administrative proceedings as to the disapprovals and those matters are currently pending.

3. On March 19, 2007, STATE FARM filed a multi-line discount with the OIR that would have provided discounts for automobile insurance for policyholders that had homeowner's insurance with other insurers. The OIR, on July 9, 2007, issued a Notice of Intent to Disapprove the multi-line discount, alleging it to be contrary to the Insurance Code, and that matter remains pending.

4. On or about July 19, 2007, STATE FARM FLORIDA filed rules governing the nonrenewal of approximately 50,000 homeowner policies. Said rules are contained in rate filings

numbered 07-13647 through 07-13649. The OIR has raised a number of issues regarding those rules and the filings remain pending.

5. The OAG and the OIR are currently reviewing the practices of STATE FARM MUTUAL and STATE FARM FIRE as they relate to the eligibility of STATE FARM FIRE policyholders to be placed in STATE FARM MUTUAL and the method(s) used for their placement (OAG Invest. L02-3-2312).

6. In addition, pursuant to Section 627.3512, Florida Statutes, STATE FARM FLORIDA was entitled to recoup from its insureds the amounts that STATE FARM FLORIDA had paid for assessments to Citizens Property Insurance Corporation for deficits incurred for policy year 2004. STATE FARM FLORIDA discovered and promptly reported to the OIR that it had over collected for these assessments and has already begun the refund process.

7. A number of subpoenas have been issued by the OIR and the OAG to STATE FARM FIRE, STATE FARM FLORIDA and STATE FARM MUTUAL regarding the matters set out above. STATE FARM has produced, and the OIR and the OAG have reviewed numerous documents regarding the matters set out above.

8. In order to resolve the disputes over the matters set out above and to avoid any unnecessary litigation, the STATE and STATE FARM enter into this Agreement and agree as follows:

a. Effective as soon as practical after September 30, 2007, STATE FARM FLORIDA will implement rate changes that, on a statewide average, reduce its current homeowner rates by an additional two (2) percent from the amounts currently being charged;

b. As a result of reviewing STATE FARM FLORIDA's reinsurance program, the OIR finds that with the additional 2 percent reduction in rates required above, all the savings required by CS/HB 1A have been provided and that no further property insurance filings, including the "true up" filing, or annual rate certifications shall be required for one year subsequent to September 30, 2007;

c. The OIR will withdraw its previously issued Notice of Intent to Disapprove STATE FARM FLORIDA's "presumed factor" filings and shall approve said filings;

d. STATE FARM shall amend the multi-line discount filing that the OIR has noticed its intent to disapprove to provide multi-line discounts for its automobile insurance policies to homeowner policyholders of State Farm only ;

e. STATE FARM FLORIDA shall re-file its rules governing the nonrenewal of approximately 50,000 of its homeowner insurance policyholders for approval by the OIR. Whether a potentially affected policyholder has an automobile policy with STATE FARM shall not be used as a criterion and the rules shall provide specificity as to the selection of policyholders for nonrenewal;

f. STATE FARM shall refund \$23,178,000 to its policyholders, within 180 days of signing this order, with interest to be calculated at five (5) percent simple interest calculated from the policy effective date;

g. STATE FARM and/or STATE FARM MUTUAL, as is appropriate, shall notify by separate letter, approved by the OIR and OAG, those policyholders that are, or become, eligible for placement in STATE FARM MUTUAL and shall in that letter advise the policyholder of the steps required to accomplish this transfer or placement;

h. Within 30 days from execution of this Agreement by all parties hereto, STATE FARM shall pay to the OIR the sum of \$500,000, as reimbursement for the attorneys fees and costs associated with the matters settled herein, and shall pay the sum of \$1,000,000 dollars to the OAG, payable to the Department of Legal Affairs Trust Fund, as reimbursement for the attorneys fees and costs associated with the matters settled herein and to cover the OAG's costs of administering the fund and for use in continuing enforcement efforts;

i. STATE FARM shall continue to cooperate with the OIR's pending investigation regarding insurers' relationships with various trade associations and rating organizations; and

j. The STATE agrees to close its examinations and investigations of STATE FARM FIRE and STATE FARM MUTUAL's practices related to the eligibility of STATE FARM FIRE policyholders to be placed in STATE FARM MUTUAL and forever discharges STATE FARM, and its present and former officers, directors, affiliated companies, subsidiaries, parent companies, employees, attorneys, representative agents and assigns of any and all causes and actions, claims, damages, losses and demands of any nature whatsoever, civil or administrative, arising out of or related to the STATE's investigations OAG L02-3-2312 and OIR Nos. 4265 and 4266.

9. The OIR and STATE FARM expressly waive a hearing in these matters, and the making of Findings of Fact and Conclusions of Law by the OIR and all further proceedings to which the parties may be entitled by law. STATE FARM hereby knowingly and voluntarily waives all rights to challenge or to contest the matters contained in this Agreement, in any forum, including the right to any administrative proceeding, circuit or federal court actions or appeals therefrom.

10. STATE FARM agrees that the failure to adhere to one or more of the above terms and conditions of this Agreement shall constitute a breach of the Agreement and shall subject STATE FARM to any administrative and enforcement actions as the STATE may deem appropriate, notwithstanding the provisions contained in paragraph 8.j. of this Agreement.

11. Except as otherwise provided herein, the parties to this Agreement shall bear their own costs and attorney's fees.

BY MY SIGNATURE I hereby affirm that I am acting in my capacity and within my authority as Senior Vice President of STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY, President of STATE FARM FLORIDA INSURANCE COMPANY and Senior Vice President of STATE

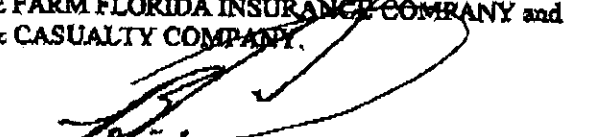
FARM FIRE & CASUALTY COMPANY, and that by my signature I am binding each of these corporations to this Agreement.


JOSEPH P. FORMUSA

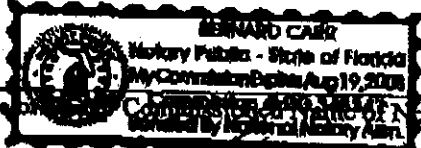
DATE: September 30, 2007

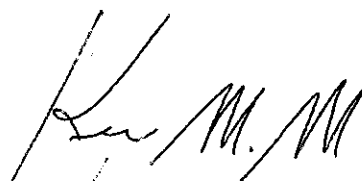
STATE OF Florida
COUNTY OF Dade

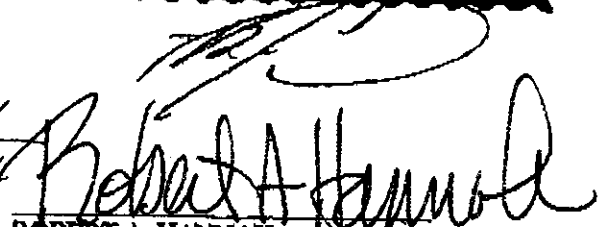
The foregoing instrument was acknowledged before me this 30 day of Sept 2007, by JOSEPH P. FORMUSA as Senior Vice President of STATE FARM MUTUAL AUTOMOBILE INSURANCE COMPANY, President of STATE FARM FLORIDA INSURANCE COMPANY and Senior Vice President of STATE FARM FIRE & CASUALTY COMPANY.


(Signature of the Notary)

Bernard Carr
(Print, Type or Stamp Commissioned Name of Notary)


(Print, Type or Stamp Commissioned Name of Notary)


KEVIN M. McCARTY
Commissioner
Office of Insurance Regulation


ROBERT A. HANNAH
Deputy Attorney General
Office of the Attorney General

DATE: October 1, 2007

DATE: October 1, 2007