

# SFG-DA-3

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## AM Best Downgrades Credit Ratings of State Farm General Insurance Company

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### FOR IMMEDIATE RELEASE

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**AM Best** has downgraded the Financial Strength Rating (FSR) to B (Fair) from A (Excellent) and the Long-Term Issuer Credit Rating (Long-Term ICR) to "bb+" (Fair) from "a" (Excellent) of State Farm General Insurance Company (State Farm General) (Bloomington, IL). The outlook of the FSR has been revised to stable from negative, while the outlook of the Long-Term ICR is negative.

The Credit Ratings (ratings) reflect State Farm General's balance sheet strength, which AM Best assesses as weak, as well as its marginal operating performance, neutral business profile and appropriate enterprise risk management (ERM). The ratings also reflect lift, as defined within Best's Credit Rating Methodology, from its parent, State Farm Mutual Automobile Insurance Company.

The rating downgrades reflect continued deterioration in State Farm General's policyholder surplus at Dec. 31, 2023, which resulted in a corresponding decline in overall risk-adjusted capitalization, as measured by Best's Capital Adequacy Ratio (BCAR), and weakening balance sheet metrics. A contributing factor to this decline was sharp increases in claim severity affecting the company's umbrella and commercial multi-peril lines of business.

The continuation of the negative outlook on the Long-Term ICR reflects the uncertainty of the company's ability to stabilize and strengthen its risk-adjusted capitalization given ongoing challenges regarding profitability and internal capital generation, trending adverse reserve development occurring on prior accident years, and the challenging regulatory environment within California's marketplace that have constrained the ability of State Farm General (as well as its industry peers) to increase premium rates in a timely fashion. While management is taking corrective actions to stabilize its balance sheet strength, these actions will need time to gain positive traction over the intermediate term.

**This press release relates to Credit Ratings that have been published on AM Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see AM Best's [Recent Rating Activity](#) web page. For additional information regarding the use and limitations of Credit Rating opinions, please view [Guide to Best's Credit Ratings](#). For information on the proper use of Best's Credit Ratings, Best's Performance Assessments, Best's Preliminary Credit Assessments and AM Best press releases, please view [Guide to Proper Use of Best's Ratings & Assessments](#).**