



*Via email*

February 19, 2025

The Honorable Ricardo Lara  
Commissioner of Insurance  
California Department of Insurance  
300 Capitol Mall, 17th Floor  
Sacramento, CA 95814  
[commissionerlara@insurance.ca.gov](mailto:commissionerlara@insurance.ca.gov)

Re: Consumer Watchdog's Response to Proposed February 26, 2025 Informal Conference Re: State Farm General's Request for Emergency Interim Rate Approval  
*In the Matter of the Rate Applications of State Farm General Insurance Company*  
PA-2024-00012/SFMA-134139896 – Homeowners;  
PA-2024-00011/SFMA-134139931 – Renters and Condo; and  
PA-2024-00013/SFMA-134139850 – Rental Dwelling

Dear Commissioner Lara:

We write regarding your February 14 letter inviting the parties in the above-captioned rate proceedings to an "informal conference" on February 26, 2025, in your Oakland office. That letter responds to State Farm's request for approval of "Emergency Interim Rate" increases on four lines of business, allegedly justified by its claim of "swift capital depletion."

Consumer Watchdog objects to the closed-door "informal conference" contemplated by your February 14 letter as a violation of the transparency requirements of Proposition 103 (Ins. Code §§ 1861.05, 1861.07). California voters mandated that requests for rate increases be adjudicated in public before a neutral decisionmaker, as CDI rate proceeding regulations reflect, and that a public hearing be held on all personal line rate increases above 7% upon timely request, as here (Ins. Code § 1861.05(c)). Public scrutiny is especially necessary when the state's largest home, renter, and condo insurance company claims, without supplying sufficient justification, that it requires \$1 billion *right now*, and furthermore that it cannot obtain funds from its parent company ("SFMAIC"). While Consumer Watchdog intends to participate in the meeting, it does so over this objection, and reserves all rights to seek further relief, if necessary. The significant public policy issues implicated by these proceedings demand openness and public accountability, not closed-door discussions.

Consumer Watchdog also strongly opposes any attempt to circumvent California's prior approval process by unilaterally approving "emergency interim rate" increases of 22% for homeowners insurance, 38% for rental dwelling policies, and 15% for renters and condo policies. Such "emergency action" would be manifestly improper and violate Insurance Code

§ 1861.05 and 10 CCR §§ 2644.1, 2644.2, and 2644.3, among other violations. As stated in Consumer Watchdog's February 7 letter to the Rate Enforcement Bureau (a copy of which was forwarded to you via email the same day), there has been no showing that State Farm's current rates are "plainly invalid" or inadequate as calculated under the standard regulatory ratemaking formula. In fact, State Farm's own "interim" calculations show that the current rates fall in between the "maximum permitted earned premium" (10 CCR § 2644.2) and the "minimum permitted earned premium" (10 CCR § 2644.3). Therefore, according to the Department's rate review regulations, even using State Farm's updated "interim" rate calculation, the current rates are not inadequate (10 CCR § 2644.1).

In addition, as originally discussed in Consumer Watchdog's February 7 letter, State Farm should provide the following information in advance of the February 26 meeting that it has yet to produce:

- Prior Approval Rate Templates and Supporting Exhibits with data updated through year-end 2024, to be generally consistent with the data through early 2025 used in the calculation of the revised catastrophe provision.
- Documents and data necessary to support State Farm's updated catastrophe provision included in the templates it provided in SERFF on 2/5/25 in support of its requested interim rates. As stated in our February 5 letter to you, the calculations in those 2/5/25 rate templates substantially increase the amount of weight given to the latest year of data (2025 in this case), in order to inflate the catastrophe load used in the rate indication. As stated in our February 7 letter, these unjustified changes to the catastrophe provision calculation resulted in a more than 100% increase in the catastrophe ratio compared to what was contained in the actual filing submitted by State Farm to CDI last June.
- To the extent State Farm is continuing to seek any "solvency" variance under the rate regulations (10 CCR § 2644.27(f)(6)) ("variance 6") or otherwise putting its financial condition at issue in seeking "emergency interim relief," documents and data necessary to demonstrate that State Farm is in fact at risk of becoming insolvent, including information that would show whether State Farm is overpaying for reinsurance purchased from its parent company.
- Responses to the discovery requests served in July and August 2024 by Consumer Watchdog in the homeowners rate proceeding that State Farm has yet to respond to substantively.

Further, if you intend to obtain or receive new information or data from State Farm in response to your February 14 information requests, Consumer Watchdog urges you to set a firm deadline of no later than close of business on February 21, 2025, and require that all such information be provided to the parties and made publicly available as required by Insurance Code section 1861.07. This will ensure that all parties, including the Department and Consumer Watchdog, have some time to review the information before the conference and conduct at least a preliminary assessment of State Farm's claims. Depending on the nature and volume of the

materials provided, Consumer Watchdog may need additional time after the conference or a continuation of the conference to fully evaluate the information and data. Nevertheless, it will make every effort to analyze the information as thoroughly as possible within the limited time available.

California law is clear: insurance companies must justify rate increases through a rigorous and public process. No “emergency” exception allows for sidestepping these legal requirements. If State Farm’s financial condition is as dire as it claims, it should be prepared to substantiate its assertions with concrete data. Consumer Watchdog maintains its objections to this closed, non-public process, and will vigorously oppose any effort to grant “emergency interim rate” approvals without full compliance with the law.

I appreciate your prompt attention to these concerns and look forward to your response.

Sincerely,

A handwritten signature in black ink that reads "William Pletcher". The signature is written in a cursive, slightly slanted style.

WILLIAM PLETCHER  
Litigation Director  
PAMELA PRESSLEY  
Senior Staff Attorney  
CONSUMER WATCHDOG

cc:

Michael Martinez, Chief Deputy Commissioner  
California Department of Insurance

Nikki McKennedy, Assistant Chief Counsel  
California Department of Insurance, Rate Enforcement Bureau

Melissa Wurster, Attorney  
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Vanessa Wells, Hogan Lovells  
Counsel for State Farm General