

March 11, 2025

SETTLEMENT COMMUNICATION¹

Via Electronic Mail Only

Lucy F. Wang
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California Department of Insurance
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Re: State Farm General Interim Rate Request: File Nos. PA-2024-00011, PA-2024-00012, PA-2024-00013

Dear Deputy Commissioner:

On behalf of State Farm General Insurance Company (SFG), I am writing to respond to Commissioner Lara's proposal made today during his meeting with the Department, SFG, and Consumer Watchdog. It was evident from the Commissioner's discussion that he has given this matter much thought and recognizes the current risk to the market as well as to SFG and its policyholders, and we appreciate that thorough analysis.

We address the two conditions the Commissioner suggested would be attached to approval of an interim rate, (1) financing from SFG's parent, and (2) an agreement regarding suspension of non-renewals for the Non-Tenant Homeowners line (i.e., owner-occupied residential insurance), and finally we address timing.

(1) Financing from SFG's parent: Subject to approval of the interim rate, SFG will secure a commitment from its parent, State Farm Mutual Automobile Insurance Company, to provide \$400 million in capital via a surplus note (which must be approved by the Illinois Department of Insurance), to be issued as soon as possible and before what would now be the effective date of the interim rate (June 1, 2025), and to be repaid with interest in due course. SFG may request additional capital in the future based on need and the prospects for a financial recovery.

¹ This communication is made to resolve State Farm General Insurance Company's request for an emergency interim rate. State Farm General takes the position that Evidence Code § 1152, through Government Code § 11415.60(a), applies to this communication.

(2) Agreement to suspension of Non-Tenant non-renewals: SFG will agree not to engage in further block non-renewals² for the Non-Tenant Homeowners line of business for the remainder of 2025. In considering its response to this component of the proposal, SFG has had to weigh the continuing reality that its California book is overweighted in relation to the resources it has to support the exposure of that book. SFG has concluded that it must complete the non-renewals announced in March, 2024, with the exception of the suspensions to which it has agreed for Los Angeles County. This represents a needed reduction in the book for purposes of aligning California risk to the resources SFG has to protect policyholders against that risk. We heard and understand the Commissioner's concern with policyholder uncertainty; we believe our proposal balances that concern with the need to reduce California risk.

With respect to timing, since making its emergency interim rate request on February 3, SFG has had to plan for alternatives depending upon the result of the request. Most specifically, following the February 26 meeting, SFG planned for alternatives if its request were denied at the two week deadline set by the Commissioner, which is tomorrow, March 12. And SFG had prepared to announce alternate plans on March 13 in the absence of approval. SFG can hold off on alternatives for another day in light of the Commissioner's comments about timing in today's meeting, but would have to know whether it will get the requested approval by Close Of Business on Thursday, March 13, in order to redirect those alternative plans. With all respect, we ask for a decision by that time.

Sincerely,



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² The distinction we are drawing is between "block" non-renewals to reduce risk, and non-renewals for failure to pay premium or to meet underwriting guidelines, as always occur in the ordinary course of prudent oversight of an insurance business.