Harvey Rosenfield, SBN 123082
Pamela Pressley, SBN 180362
William Pletcher, SBN 212664
Benjamin Powell, SBN 311624
Ryan Mellino, SBN 342497
CONSUMER WATCHDOG
6330 San Vicente Blvd., Suite 250
Los Angeles, CA 90048
Tel. (310) 392-0522
Fax (310) 861-0862
harvey@consumerwatchdog.org
pam@consumerwatchdog.org
will@consumerwatchdog.org
ben@consumerwatchdog.org
ryan@consumerwatchdog.org

Attorneys for CONSUMER WATCHDOG

BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of the Rate Applications of State Farm General Insurance Company, Applicant.	File Nos.: PA-2024-00011, PA-2024-00012, PA-2024-00013 **CONSUMER WATCHDOG'S APPENDIX OF EXHIBITS** **Hearing Date: April 8, 2025**

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

The exhibits listed below are attached hereto for ease of reference.

Exh.	Date	Title
1	Feb. 5, 2025	Consumer Watchdog letter to Commissioner Lara re State Farm Request for Emergency Interim Rate Approvals
2	Feb. 7, 2025	Consumer Watchdog's Response to Proposed Stipulation for Emergency Rate Approval
3	Feb. 19, 2025	Consumer Watchdog's Response to Proposed February 26, 2025 Informal Conference Re: State Farm General's Request for Emergency Interim Rate Approval
4	March 6, 2025	Consumer Watchdog's Analysis of Information Presented by State Farm at the February 26 Informal Conference Re: State Farm's Request for Emergency Interim Rate Approval
5	March 6, 2025	Consumer Watchdog's Additional Supplemental Information Concerning State Farm's Emergency Interim Rate Increase Request
6	March 11, 2025	State Farm letter to Commissioner Lara
7	March 12, 2025	Consumer Watchdog letter to Commissioner Lara in the Matter of the Rate Applications of State Farm General Insurance Company
8	March 12–13, 2025	Email correspondence between State Farm and Deputy Commissioner Lucy Wang
9	July 26, 2024	Consumer Watchdog's First Set of Discovery Requests Propounded on State Farm
10	August 23, 2024	Consumer Watchdog's Second Set of Discovery Requests Propounded on State Farm

DATED: March 24, 2025

Respectfully submitted,

Harvey Rosenfield
Pamela Pressley
William Pletcher
Benjamin Powell
Ryan Mellino
CONSUMER WATCHDOG

By: Pamela Pressley

Pamela Pressley
Attorneys for CONSUMER WATCHDOG

EXHIBIT 1

Via email

February 5, 2025

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

Re: State Farm Request for Emergency Interim Rate Approvals:
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:

Consumer Watchdog submits this preliminary response in opposition to State Farm General Insurance Company's ("State Farm") letter request ("Letter Request") for emergency interim rate increase approvals that it addressed to you on February 3, 2025.

In its Letter Request and subsequent communications, State Farm has emphasized that its emergency interim rate requests stem primarily from concerns about its credit rating—not from any immediate or long-term inability to process and pay wildfire claims. But one of the leading credit rating agencies, S&P Global Ratings, gave it a "AA" rating, and noted it was unlikely to change its ratings in the next two years, specifically taking into account risks to State Farm's capital from natural catastrophe losses.[1]

Consumers impacted by the recent wildfires in Los Angeles County should be confident in their ability to focus their limited resources on rebuilding their homes and households—not on propping up State Farm's credit rating. As State Farm itself has acknowledged, only one agency has downgraded its rating.[2] Meanwhile, other credit rating agencies have seen no need for a downgrade. State Farm's

---

[1] S&P Global Ratings, *State Farm Mutual Automobile Insurance 'AA' Ratings Affirmed*, June 28, 2024 ("S&P Rating"), available at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3205015.
[2] See Letter Request at p. 1.

EXPOSE. CONFRONT. CHANGE.
6330 San Vicente Blvd. Suite 250 Los Angeles, CA 90048
Tel: 310-392-0522 • Fax: 310-392-8874
www.ConsumerWatchdog.org

parent company, State Farm Mutual Automobile Insurance Company ("SFMAIC"), has supported its affiliates following catastrophes before, and there is no reason to expect it will not do so again—just as it did when its Texas affiliate faced financial trouble—given its nearly $200 billion in surplus and reserves.[3]

As an intervenor representing consumers in the pending rate proceedings for State Farm's homeowners, renters/condo, and rental dwelling rate applications, Consumer Watchdog has identified significant issues with State Farm's request for emergency interim rate approvals, which seeks to bypass the statutorily mandated prior approval process. Our concerns focus on the following four critical issues:

Proposition 103 and the Department's Regulations Require State Farm to Justify Its Request Before You Can Approve It.

The Proposition 103 system is designed to prevent unjustified, panic-driven rate increases from being approved, ensuring that any rate adjustments are thoroughly vetted and justified before implementation. Here, State Farm's request for immediate approval of substantial rate increases—22% for homeowners, 15% for renters and condo owners, and 38% for rental dwellings—without prior justification, lacks foundation in California's Proposition 103 regulatory framework. Proposition 103 mandates that the Insurance Commissioner must approve any rate changes before they take effect, ensuring that rates are not excessive and that thorough, impartial reviews are conducted.

Historically, when a rate has been challenged by a consumer advocate, as Consumer Watchdog has intervened here, no Commissioner has approved a rate increase exceeding 7% without a noticed public hearing, except when all parties have agreed to a settlement. State Farm has had ample opportunity since August to pursue or amend its dormant request but has chosen not to meaningfully engage with the California Department of Insurance or Consumer Watchdog in the required public rate review process to demonstrate that its proposed rates are justified.

If State Farm were genuinely concerned about expediting approval, it would follow proper procedure and promptly amend its rate applications—which, even a month after the fires started, it has failed to do. This process can proceed quickly—Consumer Watchdog remains willing to work with all parties on an expedited basis in response to these unprecedented wildfires. However, regulatory decisions must adhere to due process under the existing statutes and regulations and be supported

[3] SFMAIC financial statement as of September 30, 2024.

by evidence and analysis, not by unsupported claims of corporate urgency. In these circumstances, if State Farm is continuing to invoke its financial condition as a justification for its requested rate hikes, such a decision should at a minimum consider whether State Farm has overpaid for reinsurance purchased from its parent company, as well as the $194 billion available to State Farm's parent to support it.

Lack of Justification for Rate Increase

State Farm originally filed its request for an approximate $1 billion per year (30%) rate increase for its homeowners polices on June 27, 2024, invoking a provision of the prior approval regulations that requires demonstrating its "financial condition is such that its maximum permitted earned premium [allowed under the standard regulatory prior approval ratemaking formula] should be increased in order to protect the insurer's solvency" (Cal. Code Regs., tit. 10, § 2644.27(f)(6) ["Variance 6"]). Consumer Watchdog challenged the application, and its intervention was granted on August 14.[4]

Since then, State Farm has taken only minimal steps to advance its homeowners rate application and has failed to provide any valid justification for its requested rate increases in response to requests for information from Consumer Watchdog. For example, it has not disclosed critical information about the reinsurance it purchases from its parent company, SFMAIC, nor has it provided the actuarial data necessary to support its loss projections. Despite having three pending rate applications since last summer, State Farm has made no meaningful effort to meet its burden of proving that its requested increases comply with California's rate regulations, which protect consumers from excessive rates.

Without substantial justification, any emergency approval would be both premature and unwarranted. This shift raises serious concerns about State Farm's credibility, as it seeks preemptive approval, refuses to engage in the required review process,

[4] Also on June 27, 2024, State Farm filed an application for an overall 41.8% ($112 million) per year increase to its California Renters and Condominium Unitowners Programs and on July 5, 2024, filed an application for an overall 38.0% ($119 million) per year increase to its California Rental Dwelling Program. Consumer Watchdog challenged these applications and was granted intervention in both proceedings on September 3 and September 10, 2024, respectively.

and then retroactively attempts to justify its request by changing its rationale months later.

Credit Rating Concerns vs. Claims Distress

State Farm's primary concern, according to its Letter Request, is the risk of a Wall Street credit rating downgrade, which State Farm says would lead some banks to no longer accept its homeowners insurance policies as collateral backing for mortgages. But one of the world's leading credit rating agencies—S&P Global Ratings ("S&P")—does not segregate State Farm as a separate operating entity in its rating of SFMAIC. On June 28, 2024—one day after State Farm requested a rate increase based in part on credit rating concerns—S&P "affirmed the 'AA' insurer financial strength and issuer credit ratings on State Farm Mutual Automobile Insurance Co. and its core subsidiaries," and noted "[t]he stable outlook indicates our expectation that the company will remain the largest U.S. personal line insurer and maintain capital at the 99.99% level."[5]

Furthermore, if State Farm's primary concern is its credit rating rather than its ability to pay claims, this raises serious questions about whether the rate-setting process is the appropriate mechanism to address its problem. State Farm is essentially using credit rating risks as a pretext for an immediate rate increase, asking policyholders to protect it from a speculative downgrade, all while avoiding the requirement to disclose relevant financial data in a rate hearing.

While the Insurance Code grants the Insurance Commissioner a role in monitoring the financial condition and fundamental solvency of insurers, this power is intended to protect consumers' ability to have future claims paid, not to attempt to guarantee uncertain Wall Street credit opinions. Credit ratings are forward-looking assessments of the relative credit risks of an entity's financial obligations, considering factors such as business operations, marketplace conditions, financial ratios, cash flow, debt levels, market position, regulatory environment, management quality, geopolitical factors, peer comparisons, and industry trends. These evaluations go far beyond—and have little in common with—the actuarial risk assessments used in insurance rate-setting. The Commissioner and CDI do not have the expertise—nor should they attempt—to implement a rate increase solely to preserve a particular credit rating for a specific insurer. More importantly, the risk of a temporary credit downgrade, while undesirable for any company, is vastly different from risks of actual insolvency or an inability to pay claims as they come

[5] S&P Rating, *supra* note 1.

due—particularly when here the credit risks are complicated by the available support of SFMAIC.

State Farm Is Responsible for Six Months of Delay

State Farm's suggestion in its Letter Request that intervenors are somehow responsible for delays in the approval process is false. Since submitting its applications for proposed rate increases in June and July 2024, State Farm has made no meaningful effort to engage with Consumer Watchdog or provide the necessary information to justify its proposed homeowners insurance rates. Over the past five months since it was granted intervention, Consumer Watchdog has made at least 14 attempts to encourage State Farm to actively engage in the process and respond to its requests for information on its homeowners rate application, but the company has consistently declined.[6] State Farm's request could have been resolved months ago had it pursued the process diligently. It is State Farm's own inaction—not Consumer Watchdog's involvement—that has delayed this review. Therefore, State Farm should not now be allowed to claim urgency due to its own failure to engage with the required regulatory process.

---

[6] This includes emails from Consumer Watchdog to counsel for State Farm on at least the following dates: 9/13/24 (initial request for a three-way call with State Farm and CDI); 9/17/24 (follow-up on 9/13 email); 9/23/24 (follow-up on 9/17 email); 10/1/24 (follow-up email requesting a three-way call); 10/7/24 (email asking State Farm to respond to CDI); 10/10/24 (email confirming State Farm counsel's voicemail); 10/21/24 (follow-up on 10/10 email after no response); 11/26/24 (follow-up email stating still no response from State Farm counsel); 12/5/24 (email requesting expected response date); 12/16/24 (follow-up on 12/5 email asking for expected response date); 1/8/25 (follow-up email re responses to requests for information on its homeowners rate application); 1/21/25 (follow-up email to State Farm counsel re 12/5, 12/16, and 1/8 emails); 1/29/25 (call to CDI requesting a three-way call due to no State Farm response). The timeline shows repeated delays by State Farm's counsel in responding to requests for three-way calls and responses to requests for information related to their homeowners rate increase proposal. Despite multiple follow-ups from Consumer Watchdog between September 2024 and January 2025, State Farm counsel frequently postponed responses, citing personal and work-related reasons. This pattern indicates a lack of urgency and engagement from State Farm in responding to requests for information and conferences to move its homeowners rate application forward.

State Farm Has Not Proved That Its Reserves Will Not Cover Wildfire Losses

State Farm has yet to fully justify its emergency request. In the Nontenant Homeowners Note to Reviewer submitted in SERFF 2/5/25, State Farm's calculations indicate that $6.4 billion of catastrophe losses for 2025 would be needed to support a 22% increase to its Homeowners insurance rates. However, those calculations also 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. Using the unadjusted weighting scheme from State Farm's latest Homeowners rate filing, Consumer Watchdog's preliminary calculations suggest that State Farm's claims payouts from the recent wildfires would need to be on the order of $10 billion to justify the 22% increase. State Farm has not substantiated that wildfire claims are expected to reach even the lower of these amounts ($6.4 billion). As of the end of September 2024, State Farm held approximately $4.4 billion in loss & LAE reserves and policyholder surplus.[7] Additionally, the company has not provided detailed information regarding the reinsurance it has purchased from its parent company, nor has it explained why none of its parent's substantial resources are available to help protect California consumers, as they were available for Texas consumers in support of SFMAIC's Texas subsidiary.[8]

Given these circumstances, State Farm's request appears to be an attempt to shift speculative Wall Street risks (as opposed to basic solvency or ability to pay claims) onto consumers, rather than addressing a true financial shortfall that impacts its ability to pay wildfire claims. State Farm has not demonstrated why it cannot cover these anticipated claims without immediate premium increases. California consumers should not bear the burden of an unjustified rate hike when the company likely has the financial resources to meet its obligations, at least until it can provide the legally required proof that it needs additional funds.

---

[7] State Farm financial statement as of September 30, 2024.

[8] *State Farm Lloyds v. Rathgeber* (Tex. App. 2014) 453 S.W.3d 87, review granted, judgment vacated, and remanded by agreement (Tex., Mar. 6, 2015, No. 15-0023) 2015 WL 13954099 at *10–11 (noting "Amid its losses, there is no dispute that State Farm Lloyds would have been rendered statutorily insolvent absent large cash infusions, and thus it had turned to an affiliate, State Farm Mutual Automobile Insurance Company (State Farm Mutual), and obtained three advances—in November 2001, February 2002, and September 2002—in amounts totaling over one billion dollars.")

* * * *

The bottom line is that State Farm is entitled to a homeowners rate increase only if it can provide actuarial data, subject to public review, that demonstrates the increase is necessary to cover expected claims, reasonable expenses, and a fair profit. As outlined above, State Farm chose not to actively pursue its rate request or engage with the parties involved in the pending proceedings. Instead, it is attempting to use the emergency conditions faced by thousands of Los Angeles-area homeowners to impose an unjustified rate increase on policyholders statewide. This request is based on a rationale unsupported by the Insurance Code. Given these facts, Consumer Watchdog urges the Commissioner and the Department of Insurance to reject State Farm's request for emergency interim rate approval. The Department should follow the existing procedures outlined in the Insurance Code and regulations, allowing this matter to proceed to a hearing or settlement, even on an expedited basis. Approving State Farm's proposed interim rate without sufficient justification and in disregard of the required procedures would set a dangerous precedent and unfairly impact California policyholders.

Sincerely,

William Pletcher

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

Vanessa Wells, Esq., Hogan Lovells
Counsel for State Farm General

EXHIBIT 2

Consumer Watchdog

Via email

February 7, 2025

Nikki McKennedy, Assistant Chief Counsel
Melissa Wurster, Attorney
Rate Enforcement Bureau
California Department of Insurance
1901 Harrison Street, 6th Floor
Oakland, CA 94612
nikki.mckennedy@insurance.ca.gov
melissa.wurster@insurance.ca.gov

Re: Consumer Watchdog's Response to Proposed Stipulation For Emergency Interim Rate Approval
PA-2024-00012/SFMA-134139896 – Homeowners;
PA-2024-00011/SFMA-134139931 – Renters and Condo; and
PA-2024-00013/SFMA-134139850 – Rental Dwelling

Dear Nikki:

Four days ago, on Monday, February 3, State Farm issued a news release accompanied by a letter it sent directly to the Insurance Commissioner (copying the Department and Consumer Watchdog) asking that he bypass the prior approval rate review process required by California law in the pending rate proceedings and unilaterally take unprecedented "emergency action" to immediately approve, effective May 1, 2025, "interim" rate increases of 22% ($760 million) for the company's homeowners insurance policies, 38% ($122 million) for its rental dwelling policies, and 15% ($39 million) for its renters and condo policies. State Farm's letter request portrayed its financial condition after the Los Angeles wildfires as dire, primarily emphasizing concerns about its credit rating, but it did not provide *any* data or calculations to support its proposed "interim" rates.

On our three-way call with the Department and State Farm later that same Monday afternoon, Consumer Watchdog requested that State Farm submit updated rate templates and financial data that would support its proposed "interim" rate increases. The next day on Tuesday morning, you circulated a proposed draft stipulation under which the Commissioner would immediately approve the "interim" rate increases proposed by State Farm *before* they have been fully justified, and then a hearing would be noticed for State Farm to subsequently meet its burden of proof that it was entitled to the "interim" rates or some potentially higher or lower rates subject to refunds. On Wednesday morning, the company submitted partially updated rate templates that primarily changed the effective date to May 1 and updated and changed its methodology for calculating its provision for projected catastrophe losses, including an "estimated" provision for the January 2025 wildfires of more than $6 billion that was not adequately supported. 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. State Farm now claims that almost half of its loss payments in California for homeowners insurance will come from catastrophe events, which is completely unrealistic and unsupported. Later on Wednesday afternoon, State Farm provided some additional information about its Wall Street credit rating. You granted Consumer Watchdog's request for 48 hours to review this information and decide whether we would join the Commissioner and State Farm in the proposed stipulation.

After giving very serious consideration to State Farm's unprecedented request for a total of $921 million in "interim" rate increases together with the information provided to date, Consumer Watchdog has determined it cannot agree to the proposed stipulation for the following reasons:

1) State Farm's proposal seeking "interim" rate relief does not comport with the requirements of California law. There has been no showing that State Farm's current rates are inadequate as calculated under the standard regulatory ratemaking formula. In fact, State Farm's own "interim" calculations show that the current rate falls 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). Furthermore, <u>our actuaries have concluded that the limited information provided to us does not justify *any* increase under the applicable ratemaking regulations for State Farm's homeowners line</u>. Based on our actuaries' preliminary review of the updated templates State Farm provided on Wednesday along with all other data and information provided to date, Consumer Watchdog's calculations of the *maximum* permitted rates under the regulations without any solvency variance (which has yet to be justified) are -0.1% for homeowners, +8.1% for renters and condo, and +30.6% for rental dwelling. (See attached analysis by Consumer Watchdog's actuary Ben Armstrong.)
2) There is no basis for granting interim rate relief and diverting from the statutory requirement to hold a hearing on State Farm's requests for rates exceeding 7% based on its claims of deteriorating financial strength. Despite repeated requests over the last five months, State Farm has yet to turn over any documents requested by Consumer Watchdog that would be necessary to support its claims that it is at risk of becoming insolvent, including information that would show whether State Farm is overpaying for reinsurance purchased from its parent company.
3) State Farm has not explained why its parent company, with $194 billion in reserves and surplus, is unable to help protect California consumers.[1] In contrast to SFMAIC not being willing to assist SFG, SFMAIC provided more than $1 billion to its Texas affiliate—State Farm Lloyds ("SFL").[2]

[1] SFMAIC financial statement as of September 30, 2024.
[2] State Farm Lloyds 2002 Annual Statement, Page 3, Line 31 "Surplus Notes".

4) State Farm says it needs the money to maintain its credit rating, so it can continue to insure mortgages. But State Farm provides no authority or justification for ordering massive rate hikes in order to improve State Farm's Wall Street credit rating. Under California law, State Farm is entitled to rates that are necessary to cover claims, reasonable expenses, and a fair profit. Forcing policyholders to recapitalize the company in order to maintain State Farm's credit rating, without any return on their investment, is improper under the law. This is especially true given that State Farm is a wholly-owned subsidiary of SFMAIC, which has $194 billion in reserves and surplus. Indeed, State Farm's letter request relies on the opinion of only one credit rating agency to the exclusion of contradictory ratings. As noted in our February 5 letter to the Commissioner and the parties, one of the world's leading credit rating agencies—S&P Global Ratings—does not segregate State Farm as a separate operating entity in its rating of SFMAIC and has "affirmed the 'AA' insurer financial strength and issuer credit ratings on State Farm Mutual Automobile Insurance Co. and its core subsidiaries," noting "[t]he stable outlook indicates our expectation that the company will remain the largest U.S. personal line insurer and maintain capital at the 99.99% level."[3]
5) The proposed stipulation does not contain any commitments by State Farm agreeing that it will not immediately file a new or amended rate application seeking even higher rates under new regulations allowing for catastrophe models to project greater cat losses and including reinsurance costs or that it will not challenge the Commissioner's final rate order and any ultimate refund obligation in court.

Under these circumstances, absent a three-way stipulation including petitioner Consumer Watchdog, the Insurance Code requires that the Commissioner must hold a hearing in response to our timely petition on State Farm's requested rates exceeding 7% prior to approval. Any stipulations that the parties may reach in the course of the proceeding must be reviewed by an impartial administrative law judge with the opportunity for objections and a hearing, or the matter can proceed to an evidentiary hearing as required by the Insurance Code, the Administrative Procedure Act, and the Department's rate proceeding regulations.

Sincerely,

Pamela Pressley

PAMELA PRESSLEY
Senior Staff Attorney
CONSUMER WATCHDOG

cc:

Vanessa Wells, Esq., Hogan Lovells
Counsel for State Farm General

---

[3] https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3205015.

Date: February 7, 2025

To: All Parties

From: Ben Armstrong, FCAS, MAAA
Staff Actuary, Consumer Watchdog

Re: Consumer Watchdog's Review of Proposed Stipulation For Emergency Interim Rate Approval
PA-2024-00012/SFMA-134139896 – Homeowners;
PA-2024-00011/SFMA-134139931 – Renters and Condo; and
PA-2024-00013/SFMA-134139850 – Rental Dwelling

In connection with considering the Department's proposed settlement stipulation for emergency "interim" rates requested by State Farm, we have reviewed the above-captioned filings, as well as the updates and additional information submitted by State Farm General Insurance Company (State Farm), along with other information.

The files we received from State Farm on 2/5/25 in support of their proposed 22% interim rate increase for non-tenant homeowners, 38% for its rental dwelling policies, and 15% for its renters and condo policies are problematic for several reasons:

- The partially-updated Rate Templates and Exhibit 9 files are inconsistent with one another from a timing perspective. Exhibit 9, used to calculate the catastrophe adjustment factor, uses actual catastrophe loss data through 2024 along with "estimated" catastrophe loss data for the first weeks of January, 2025. The Rate Template use non-catastrophe loss data through 2023Q4.
- Exhibit 9, page 2 uses an unsupported weighting scheme, which is different than that proposed by State Farm in its original filing, that pushes additional weight to the latest partial year (January 2025 in this case), apparently to leverage the effects of the devastating wildfires in Los Angeles.
- Exhibit 9, page 5 uses the same Projected Annual AIY Trend values as the original filings from mid-2024.
- State Farm's revised catastrophe adjustment factors, along with its original excessive selected trends and development factors result in inflated rate indications in all three filings.

Based on the limited information we have received, Consumer Watchdog has prepared updated rate indications that attempt to initially address, within the severe time constraints imposed by CDI, many of the issues noted above. The following corrections to the State Farm calculations are reflected in this analysis:

EXPOSE. CONFRONT. CHANGE.
6330 San Vicente Blvd. Suite 250 Los Angeles, CA 90048
Tel: 310-392-0522 • Fax: 310-392-8874
www.ConsumerWatchdog.org

- We have reverted to the CAT/AIY weighting schemes used by State Farm in their original filings, to avoid placing an excessive amount of weight on the partial 2025 year.
- In the cat load calculation, we are using a Projected Annual AIY trend derived from the AIY data provided on Exhibit 9, page 2.
- We are selecting trend and development factors that are more actuarially sound and result in a more reasonable rate indication.

Based on my preliminary review of the updated templates State Farm provided on Wednesday along with all other data and information provided to date, my analysis indicates the *maximum* permitted rates under the regulations without any solvency variance (which has not been justified) are -0.1% for homeowners, +8.1% for renters and condo, and +30.6% for rental dwelling. (See attached Rate Templates.)

PRIOR APPROVAL RATE TEMPLATE FOR PROPERTY & LIABILITY LINES
SUMMARY

Coverage/Form/Program	Latest Year Adjusted Annual Premium ($)	Minimum Permitted Earned Premium ($)	Maximum Permitted Earned Premium ($)	Change at Minimum %	Change at Maximum %	Proposed %
Non-Tenant Homeowners	3,430,903,314	2,490,877,162	3,427,122,660	-27.4%	-0.1%	-0.1%
Combined	**3,430,903,314**	**2,490,877,162**	**3,427,122,660**	**-27.4%**	**-0.1%**	**-0.1%**

Combined Total Earned Exposures for Latest Year: 1,241,211

Coverage/Form/Program	Average Earned Premium $ per Exposure				Latest Year Earned Exposures
	Latest Year Adjusted	Minimum Permitted	Maximum Permitted	Proposed	
Non-Tenant Homeowners	2,764.16	2,006.81	2,761.11	2,761.11	1,241,211
Combined	**2,764.16**	**2,006.81**	**2,761.11**	**2,761.11**	**1,241,211**

Coverage/Form/Program	Latest Year Adjusted Annual Premium ($)	Latest Year Projected Ultimate Loss & DCCE ($)	Latest Year Projected Ultimate Loss & DCCE Ratio
Non-Tenant Homeowners	3,430,903,314	2,130,036,805	62.1%
Combined	**3,430,903,314**	**2,130,036,805**	**62.1%**

State of California	**Company:**	**State Farm General Insurance Company**
Department of Insurance (CDI)	**Line:**	**Homeowners Multiple Peril**
	CDI File # (Department Use Only):	

VARIANCE - NONE

RATE CHANGE CALCULATION

Completed by:	Ben Armstrong, FCAS, MAAA
Date Completed:	2/6/2025
Prior Effective Date:	9/1/2024
Proposed Effective Date:	5/1/2025
Detailed Line Description:	Homeowners Multiple Peril
Coverage:	Non-Tenant Homeowners

Data Provided by Filer	**20214**	**20224**	**20234**	**Projected**
Prem_Written			2,227,883,896	2,227,883,896
Prem_Earned			2,154,664,657	2,154,664,657
Prem_Adj			1.275	
Prem_Trend			1.248	8.1%
Misc_Fees			0	0
Exposures_Earned			1,241,211	1,241,211
Losses			462,360,937	462,360,937
DCCE			7,077,408	7,077,408
Loss_Devt			1.725	
DCCE_Devt			6.943	
Loss_Trend			1.389	12.3%
DCCE_Trend			1.389	12.3%
CAT_Adj			1.811	
Anc_Income			0	0
Credibility				100.0%
ExpRatio_Excluded				1.2%
FIT_Inv				16.0%
Yield				4.3%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final		***Data as of:***	***2022***	33.2%
LevFact_Final		***Data as of:***	***2022***	0.95
PremTaxRate				2.4%
SurplusRatio				1.05
ResRatio_UPR		***Data as of:***	***2022***	0.52
ResRatio_Loss		***Data as of:***	***2022***	0.87
ROR_RiskFree		***Data as of:***	***April 2024***	4.8%
ROR_Min				-6.0%
ROR_Max				10.8%

Calculations	**20214**	**20224**	**20234**	
Prem_Adjusted			3,430,903,314	3,430,903,314
Losses_Adjusted			2,006,410,076	2,006,410,076
DCCE_Adjusted			123,626,729	123,626,729
LossDCCERatio_Adjusted			62.1%	62.1%
TCRLP_perExp			2,764.16	2,764.16
LossDCCE_perExp			1,716.09	1,716.09
CompLossDCCE_perExp			1,761.34	1,761.34
CredLoss_perExp			1,716.09	1,716.09
Anc_Inc_perExp			0.00	0.00
InvInc_Fixed				4.0%
InvInc_Variable				7.2%
Net_AnnualTrend				3.8%
Comp_Trend				2.5%
Max_Profit				14.4%
Min_Profit				-8.0%
UW_Profit				4.7%
Min_Denom				0.82
Max_Denom				0.60
Min_Premium				$2,006.81
Max_Premium				$2,761.11
CHANGE_AT_MIN				**-27.4%**
CHANGE_AT_MAX				**-0.1%**

State of California
Department of Insurance (CDI)

Company: State Farm General Insurance Company
Line: Homeowners Multiple Peril
CDI File # (Department Use Only):

PRIOR APPROVAL RATE TEMPLATE FOR PROPERTY & LIABILITY LINES
SUMMARY

Coverage/Form/Program	Latest Year Adjusted Annual Premium ($)	Minimum Permitted Earned Premium ($)	Maximum Permitted Earned Premium ($)	Change at Minimum %	Change at Maximum %	Proposed %
Rental Dwelling	316,197,286	300,031,035	412,803,639	-5.1%	30.6%	30.6%
Combined	**316,197,286**	**300,031,035**	**412,803,639**	**-5.1%**	**30.6%**	**30.6%**

Combined Total Earned Exposures for Latest Year: **268,242**

Coverage/Form/Program	Average Earned Premium $ per Exposure				Latest Year Earned Exposures
	Latest Year Adjusted	Minimum Permitted	Maximum Permitted	Proposed	
Rental Dwelling	1,178.78	1,122.81	1,544.84	1,538.92	268,242
Combined	**1,178.78**	**1,118.51**	**1,538.92**	**1,538.92**	**268,242**

Coverage/Form/Program	Latest Year Adjusted Annual Premium ($)	Latest Year Projected Ultimate Loss & DCCE ($)	Latest Year Projected Ultimate Loss & DCCE Ratio
Rental Dwelling	316,197,286	235,409,726	74.5%
Combined	**316,197,286**	**235,409,726**	**74.5%**

State of California	**Company:**	**State Farm General Insurance Company**
Department of Insurance (CDI)	**Line:**	**Homeowners Multiple Peril**
	CDI File # (Department Use Only):	

VARIANCE - NONE

RATE CHANGE CALCULATION

Completed by:	Ben Armstrong, FCAS, MAAA
Date Completed:	2/7/2025
Prior Effective Date:	9/1/2024
Proposed Effective Date:	5/1/2025
Detailed Line Description:	Homeowners Multiple Peril
Coverage:	Rental Dwelling

Data Provided by Filer	**20214**	**20224**	**20234**	**Projected**
Prem_Written		250,686,950	264,147,957	514,834,907
Prem_Earned		224,541,727	237,052,820	461,594,546
Prem_Adj		1.116	1.114	
Prem_Trend		1.275	1.197	6.5%
Misc_Fees		0	0	0
Exposures_Earned		269,166	268,242	537,408
Losses		90,011,514	53,841,768	143,853,283
DCCE		2,494,294	1,099,047	3,593,341
Loss_Devt		1.243	1.887	
DCCE_Devt		4.224	9.781	
Loss_Trend		1.588	1.408	12.8%
DCCE_Trend		1.588	1.408	12.8%
CAT_Adj		1.443	1.488	
Anc_Income		0	0	0
Credibility				100.0%
ExpRatio_Excluded				1.2%
FIT_Inv				16.0%
Yield				4.3%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final		***Data as of:***	***2022***	33.2%
LevFact_Final		***Data as of:***	***2022***	0.95
PremTaxRate				2.4%
SurplusRatio				1.05
ResRatio_UPR		***Data as of:***	***2022***	0.52
ResRatio_Loss		***Data as of:***	***2022***	0.87
ROR_RiskFree		***Data as of:***	***April 2024***	4.8%
ROR_Min				-6.0%
ROR_Max				10.8%

Calculations	**20214**	**20224**	**20234**	
Prem_Adjusted		319,723,512	316,197,286	635,920,797
Losses_Adjusted		256,440,065	212,882,274	469,322,338
DCCE_Adjusted		24,145,653	22,527,453	46,673,106
LossDCCERatio_Adjusted		87.8%	74.5%	81.1%
TCRLP_perExp		1,187.83	1,178.78	1,183.31
LossDCCE_perExp		1,042.43	877.60	960.16
CompLossDCCE_perExp		766.77	760.93	763.85
CredLoss_perExp		1,042.43	877.60	960.16
Anc_Inc_perExp		0.00	0.00	0.00
InvInc_Fixed				4.0%
InvInc_Variable				7.2%
Net_AnnualTrend				5.9%
Comp_Trend				3.9%
Max_Profit				14.4%
Min_Profit				-8.0%
UW_Profit				4.7%
Min_Denom				0.82
Max_Denom				0.60
Min_Premium				$1,122.81
Max_Premium				$1,544.84
CHANGE_AT_MIN				**-5.1%**
CHANGE_AT_MAX				**30.6%**

PRIOR APPROVAL RATE TEMPLATE FOR PROPERTY & LIABILITY LINES
SUMMARY

Coverage/Form/Program	Latest Year Adjusted Annual Premium ($)	Minimum Permitted Earned Premium ($)	Maximum Permitted Earned Premium ($)	Change at Minimum %	Change at Maximum %	Proposed %
Renters	92,588,089	73,332,284	100,895,675	-20.8%	9.0%	9.0%
Condominium Unitowners	182,031,850	142,445,062	195,985,858	-21.7%	7.7%	7.7%
Combined	**274,619,939**	**215,777,346**	**296,881,533**	**-21.4%**	**8.1%**	**8.1%**

Combined Total Earned Exposures for Latest Year: 707,971

Coverage/Form/Program	Average Earned Premium $ per Exposure				Latest Year Earned Exposures
	Latest Year Adjusted	Minimum Permitted	Maximum Permitted	Proposed	
Renters	167.67	132.80	182.71	182.71	552,216
Condominium Unitowners	1,168.71	914.55	1,258.30	1,258.30	155,755
Combined	**387.90**	**304.78**	**419.34**	**419.34**	**707,971**

Coverage/Form/Program	Latest Year Adjusted Annual Premium ($)	Latest Year Projected Ultimate Loss & DCCE ($)	Latest Year Projected Ultimate Loss & DCCE Ratio
Renters	92,588,089	62,709,019	67.7%
Condominium Unitowners	182,031,850	121,809,790	66.9%
Combined	**274,619,939**	**184,518,809**	**67.2%**

State of California	**Company:**	**State Farm General Insurance Company**
Department of Insurance (CDI)	**Line:**	**Homeowners Multiple Peril**
	CDI File # (Department Use Only):	

VARIANCE - NONE

RATE CHANGE CALCULATION

Completed by:	Ben Armstrong, FCAS, MAAA
Date Completed:	2/7/2025
Prior Effective Date:	4/1/2021
Proposed Effective Date:	5/1/2025
Detailed Line Description:	Homeowners Multiple Peril
Coverage:	Renters

Data Provided by Filer	**20214**	**20224**	**20234**	**Projected**
Prem_Written			81,891,624	81,891,624
Prem_Earned			91,684,036	91,684,036
Prem_Adj			1.000	
Prem_Trend			1.010	0.3%
Misc_Fees			0	0
Exposures_Earned			552,216	552,216
Losses			30,203,359	30,203,359
DCCE			348,278	348,278
Loss_Devt			1.610	
DCCE_Devt			8.628	
Loss_Trend			1.116	3.9%
DCCE_Trend			1.116	3.9%
CAT_Adj			1.088	
Anc_Income			0	0
Credibility				100.0%
ExpRatio_Excluded				1.2%
FIT_Inv				16.0%
Yield				4.3%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final		***Data as of:***	***2022***	33.2%
LevFact_Final		***Data as of:***	***2022***	0.95
PremTaxRate				2.4%
SurplusRatio				1.05
ResRatio_UPR		***Data as of:***	***2022***	0.52
ResRatio_Loss		***Data as of:***	***2022***	0.87
ROR_RiskFree		***Data as of:***	***April 2024***	4.8%
ROR_Min				-6.0%
ROR_Max				10.8%

Calculations	**20214**	**20224**	**20234**	
Prem_Adjusted			92,588,089	92,588,089
Losses_Adjusted			59,060,196	59,060,196
DCCE_Adjusted			3,648,824	3,648,824
LossDCCERatio_Adjusted			67.7%	67.7%
TCRLP_perExp			167.67	167.67
LossDCCE_perExp			113.56	113.56
CompLossDCCE_perExp			119.98	119.98
CredLoss_perExp			113.56	113.56
Anc_Inc_perExp			0.00	0.00
InvInc_Fixed				4.0%
InvInc_Variable				7.2%
Net_AnnualTrend				3.6%
Comp_Trend				15.1%
Max_Profit				14.4%
Min_Profit				-8.0%
UW_Profit				4.7%
Min_Denom				0.82
Max_Denom				0.60
Min_Premium				$132.80
Max_Premium				$182.71
CHANGE_AT_MIN				**-20.8%**
CHANGE_AT_MAX				**9.0%**

State of California	**Company:**	**State Farm General Insurance Company**
Department of Insurance (CDI)	**Line:**	**Homeowners Multiple Peril**
	CDI File # (Department Use Only):	

VARIANCE - NONE

RATE CHANGE CALCULATION

Completed by:	Ben Armstrong, FCAS, MAAA
Date Completed:	2/7/2025
Prior Effective Date:	9/1/2024
Proposed Effective Date:	5/1/2025
Detailed Line Description:	Homeowners Multiple Peril
Coverage:	Condominium Unitowners

Data Provided by Filer	**20214**	**20224**	**20234**	**Projected**
Prem_Written			116,579,826	116,579,826
Prem_Earned			113,491,565	113,491,565
Prem_Adj			1.268	
Prem_Trend			1.265	8.6%
Misc_Fees			0	0
Exposures_Earned			155,755	155,755
Losses			51,217,017	51,217,017
DCCE			1,032,009	1,032,009
Loss_Devt			1.485	
DCCE_Devt			4.644	
Loss_Trend			1.391	12.3%
DCCE_Trend			1.391	12.3%
CAT_Adj			1.083	
Anc_Income			0	0
Credibility				100.0%
ExpRatio_Excluded				1.2%
FIT_Inv				16.0%
Yield				4.3%

CDI Parameters				
FIT_UW				21.0%
EffStd_Final		***Data as of:***	***2022***	33.2%
LevFact_Final		***Data as of:***	***2022***	0.95
PremTaxRate				2.4%
SurplusRatio				1.05
ResRatio_UPR		***Data as of:***	***2022***	0.52
ResRatio_Loss		***Data as of:***	***2022***	0.87
ROR_RiskFree		***Data as of:***	***April 2024***	4.8%
ROR_Min				-6.0%
ROR_Max				10.8%

Calculations	**20214**	**20224**	**20234**	
Prem_Adjusted			182,031,850	182,031,850
Losses_Adjusted			114,589,220	114,589,220
DCCE_Adjusted			7,220,569	7,220,569
LossDCCERatio_Adjusted			66.9%	66.9%
TCRLP_perExp			1,168.71	1,168.71
LossDCCE_perExp			782.06	782.06
CompLossDCCE_perExp			742.60	742.60
CredLoss_perExp			782.06	782.06
Anc_Inc_perExp			0.00	0.00
InvInc_Fixed				4.0%
InvInc_Variable				7.2%
Net_AnnualTrend				3.4%
Comp_Trend				2.2%
Max_Profit				14.4%
Min_Profit				-8.0%
UW_Profit				4.7%
Min_Denom				0.82
Max_Denom				0.60
Min_Premium				$914.55
Max_Premium				$1,258.30
CHANGE_AT_MIN				**-21.7%**
CHANGE_AT_MAX				**7.7%**

EXHIBIT 3

Consumer Watchdog

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

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,

William Pletcher

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
California Department of Insurance, Rate Enforcement Bureau

Vanessa Wells, Hogan Lovells
Counsel for State Farm General

EXHIBIT 4

Consumer Watchdog

Via email

March 6, 2025

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

Re: Analysis of Information Presented by State Farm at the February 26 Informal Conference Re: State Farm'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:

New information from the February 26, 2025, informal conference *confirms* that you should *reject* State Farm General's "emergency interim rate" requests: 22% for homeowners insurance (an average increase of $600 annually per homeowner policy), 38% for rental dwelling policies, and 15% for renters and condos. State Farm has demonstrated its claimed need for these increases stems from its own mismanagement and potentially unlawful, anticompetitive behavior that has damaged California's insurance market, not the recent Los Angeles fires. State Farm has not presented a basis for approving any "interim" rates without holding the mandatory public hearing required by Insurance Code section 1861.05(c) because there has been no showing that the company's current rates are plainly invalid or inadequate – and it would thus be unlawful to approve the emergency rate under these circumstances.

Key Findings from the Meeting

- **State Farm Can Cover Los Angeles Wildfire Losses**: State Farm's Treasurer and Chief Financial Officer confirmed to you that its "ability to handle [claims from] the fires is not in question."[1] State Farm has sufficient resources to pay anticipated Los Angeles wildfire claims-estimated at $212 million after reinsurance – even before likely payments from potentially responsible third parties such as Southern California Edison.[2]

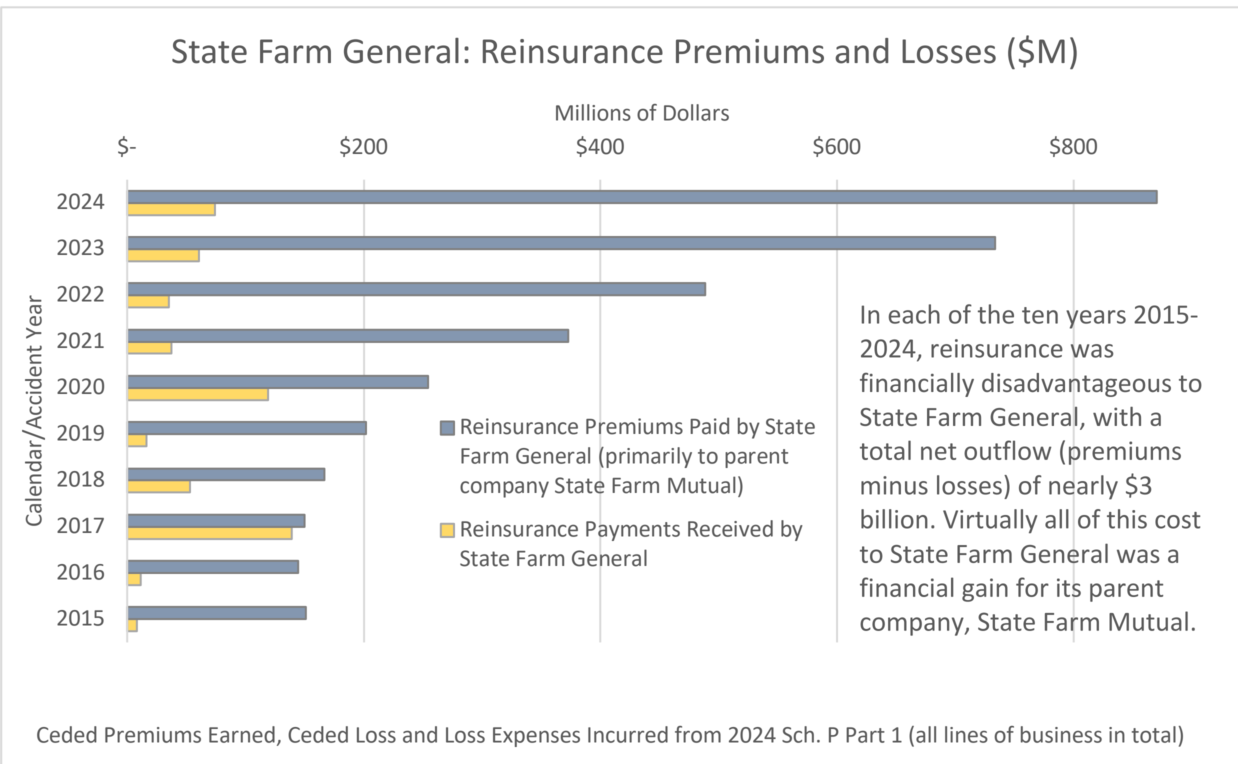
---

[1] Feb. 26, 2025 Transcript at 15:20-16:9.
[2] Feb. 26, 2025 Transcript at 15:20-16:6.

EXPOSE. CONFRONT. CHANGE.
6330 San Vicente Blvd. Suite 250 Los Angeles, CA 90048
Tel: 310-392-0522 • Fax: 310-392-8874
www.ConsumerWatchdog.org

- **Financial Mismanagement, Not Catastrophe Losses**: You confirmed at the hearing that State Farm failed to seek the full rate increases it claimed it needed between 2017 and early 2023.[3] As you noted, under Proposition 103, the company could have requested higher rates to maintain financial stability.[4] Instead, per a *Wall Street Journal* analysis, State Farm engaged in an anticompetitive strategy to underprice competitors to gain market share. You should not sanction this type of predatory pricing by rewarding this now-failed business strategy with customer-funded bailouts. You should instead take seriously the allegations in the article and investigate these alleged anticompetitive pricing strategies that weakened the California insurance market and has harmed thousands of consumers.[5]

- **Reinsurance Transfers Benefit the Parent, Not Policyholders**: State Farm has long denied that its parent company took advantage of State Farm through reinsurance contracts that benefitted the parent at the direct expense of California policyholders. It has repeatedly claimed that the reinsurance contracts State Farm bought from its parent company "significantly benefitted" California policyholders. Data provided by State Farm as presented by Consumer Watchdog in our February 26 letter and the graph below refute the company's argument:



---

[3] Feb. 26, 2025 Transcript at 19:5-15.

[4] Feb. 26, 2025 Transcript at 23:5-13 (Commissioner Lara noting "nothing in Prop 103 impedes you from asking for the actual rate that you need" and "this is an ongoing frustration with me that we keep asking, you know, companies to be forthwith about what is the actual rate they need . . . as opposed to simply, you know, death by 1,000 cuts here with constant 6.9's; right?")

[5] J. Eaglesham & S. Pulliam, "State Farm Was All In on California—Until It Pulled the Plug Before the Fires," WSJ, Feb. 6, 2025.

As shown in this graph, in each of the ten years 2015-2024, reinsurance was disadvantageous to State Farm General but beneficial to its parent State Farm Mutual – a total de-capitalization of the California affiliate to the multistate parent to the tune of nearly $3 billion. Moreover, at the February 26 conference, State Farm acknowledged in response to a question from Consumer Watchdog that all of the $5 billion the company claims that SFG has benefitted from its reinsurance program with State Farm Mutual came from one single event – the 2025 Los Angeles wildfires.[6]

Without the 2025 fires, State Farm has lost money on its reinsurance agreements every year for the past decade—including during the severe wildfire years of 2017 and 2018, when it paid nearly $5 billion in direct claims. Even in those years, while all other major homeowners insurers in California received substantial net recoveries from reinsurance, State Farm paid out more in reinsurance premiums than it received in recoveries.

Moreover, the majority of State Farm's reinsurance is provided by its parent company. Between 2015 and 2024, over 80% of State Farm's reinsurance premiums were paid to affiliates, with 85% of that amount going directly to the parent. As a result, the parent has consistently profited from its reinsurance agreements with State Farm, while State Farm's surplus has steadily declined.

- **Lack of Transparency:** Despite repeated requests from CDI staff and Consumer Watchdog, State Farm has chosen not to share data that might justify its requested rate hikes. As you noted, under Proposition 103, when an insurance company wants to change its rates, it must apply for and publicly justify the change. After first requesting the rate increases last June and July, both Consumer Watchdog and CDI staff immediately sought more information. At the February 26 conference, a CDI official stated: "we are not currently satisfied that State Farm has proven it is entitled to an overall rate increase at the level that they've requested…."[7] We agree. Notwithstanding over a dozen requests Consumer Watchdog has made since last summer, State Farm has to date refused to provide the data that would support its demands.

- **No Commitment to Expanding Coverage**: Under your questioning, State Farm made clear that approving the rate increases will *not* result in the company doing more business in California. When you asked that question, State Farm's Treasurer and Chief Financial Officer said, "No."[8] He described this as a "short term" problem. But that is the same answer State Farm gave Consumer Watchdog when it asked that question of State Farm related to its 2023 rate increase requests, including the 20% homeowners insurance rate increase that took effect in March 2024. There is no end in sight – either for further requests for "emergency" rate increases or State Farm's non-renewal of more and more customers.

- **Parent Company Abandoning State Farm**: At the meeting, State Farm tried to orphan itself from its parent company. The company's representatives – people who are actually *employed by State Farm Mutual* – went so far as to suggest that your approval of the "emergency" rate increases was necessary to convince its parent company to come to its aid,

---

[6] Feb. 26, 2025 Transcript at 58:10-23.
[7] Feb. 26, 2025 Transcript at 28:1-6.
[8] Feb. 26, 2025 Transcript at 37:10-15.

equating the parent to just another potential investor. The parent company has benefitted enormously from California policyholders' premiums over the preceding decades – but now that the consequences of the company's mismanagement are plain to see due to anticompetitive policies that decreased market access for homeowners, it wants to use California consumers as an unlimited, untapped source of bailout funds.

As you know, Consumer Watchdog disputes your assertion that you have the power to grant "interim" rate increases without a public hearing required by law, unless the rate is plainly invalid under the regulations, which neither State Farm nor CDI has ever claimed here.

But the immediate question is whether State Farm has justified its request for a massive rate increase. It has not, and indeed, amidst State Farm's smokescreen of assertions, it is clear that its concern is its credit rating status on Wall Street and to escape the market consequences of its alleged anticompetitive misconduct. Rather than explore other means of raising capital available to any business, State Farm wants you to allow them to reach into the wallets of their own customers as a source of bailout funds for its own mismanagement – over $600 more per homeowners insurance customer every year. If it were raising capital from these same consumers through other means, through some form of securities or bonds, they would at least receive some benefit.

If State Farm's financial condition due to its own actions is so dire that it cannot wait for its rate applications to be approved under the required procedures, however, rather than requiring State Farm's customers to bail out the company without receiving any stake in the company in return, State Farm's Illinois parent company should use some of its $145 billion in surplus to replenish State Farm's coffers.

Consumer Watchdog urges you to reject State Farm's request for "emergency interim rate" increases.

Sincerely,

William Pletcher

WILLIAM PLETCHER
Litigation Director
PAMELA PRESSLEY
Senior Staff Attorney
CONSUMER WATCHDOG

cc: Michael Martinez, Chief Deputy Commissioner
Nikki McKennedy, Assistant Chief Counsel, Rate Enforcement Bureau
Vanessa Wells, Hogan Lovells, Counsel for State Farm General

EXHIBIT 5

Consumer Watchdog

Via email

March 6, 2025

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

Re: Additional Supplemental Information concerning State Farm's Emergency Interim Rate Increase Request
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:

I write to bring your attention to recent statements[1] made by Mr. Haden Kirkpatrick, Vice President of Innovation and Venture Capital at State Farm,[2] that expose troubling contradictions in the company's stance on policy cancellations in California. His recorded remarks suggest that State Farm is not simply reacting to financial risk but is deliberately using cancellations and the threat of future cancellations to pressure the Department of Insurance for rate increases—directly contradicting the company's public assurances to you and CDI that it will remain in the market if granted an emergency interim rate adjustment.

State Farm is telling you one thing, and an executive, in unguarded moments, admits another. As Insurance Commissioner, you have a duty to uncover the truth and ensure that insurers do not exploit policyholders as leverage to extract rate increases without the full scrutiny required by Proposition 103.

At the recent informal meeting on State Farm's emergency interim rate increase request on February 26, 2025, you directly asked State Farm:

[1] https://youtu.be/DRnLed7wxd4?si=ntYoHCxx4XSuF7Rr
[2] Unconfirmed media reports suggest that Mr. Kirkpatrick's employment may have been recently terminated by State Farm.

> "[I]f I were to approve this interim rate increase, would you commit to [not] non-renewing your existing customers?"[3]

State Farm responded with a lengthy answer, stating "that's an appropriate way to think about it,"[4] and emphasizing that an "ability for State Farm General to be rate adequate, to have the ability to be self-sustaining is just so critical looking forward to send that positive signal to allow us to have a bridge to the future."[5]

But Mr. Kirkpatrick is clear that his job, which he states includes overseeing two companies, including an insurance company[6], is to "future proof the company."[7] And in his recorded conversation, Mr. Kirkpatrick provided a starkly different perspective. He described how State Farm evaluates its financial exposure and approaches the Department for rate increases. He stated:

> "We'll go to the Department of Insurance and say we're overexposed here, you have to let us catch up our rating… and they'll say 'eh' because the Department of Insurance and the Insurance Commissioner is an elected position in California. He'll say 'nah.' And we'll say, 'Okay, then we are going to cancel these policies.'"[8]

These remarks strongly suggest that policy cancellations are being wielded as a strategic bargaining tool rather than as a necessary response to financial risk. This contradicts the impression State Farm sought to convey at the meeting—that it would remain in the market if rate relief were granted, and calls into question the transparency and good faith of State Farm's dealings with both regulators and policyholders.

Additionally, Mr. Kirkpatrick's statements contradict State Farm's position on the alleged regulatory obstacles to obtaining necessary rate increases. When asked whether State Farm's withdrawal from the California market was "orchestrated," on the recording, Mr. Kirkpatrick appeared to agree, attributing the orchestration to regulatory delays and political considerations.[9] Yet at the February 26 meeting, you reminded State Farm:

---

[3] Feb. 26, 2025 Transcript at 38:25-39:2.
[4] Feb. 26, 2025 Transcript at 39:5 -10.
[5] Feb. 26, 2025 Transcript at 40:2-6.
[6] https://youtu.be/DRnLed7wxd4?si=ntYoHCxx4XSuF7Rr at approx. time stamp 00:04:26:13 - 00:04:33:19.
[7] https://youtu.be/DRnLed7wxd4?si=ntYoHCxx4XSuF7Rr at approx. time stamp 00:05:23:24 - 00:05:33:03.
[8] https://youtu.be/DRnLed7wxd4?si=ntYoHCxx4XSuF7Rr at approx. time stamp 00:06:42:20 - 00:07:07:17.
[9] https://youtu.be/DRnLed7wxd4?si=ntYoHCxx4XSuF7Rr at approx. time stamp 00:05:51:19 - 00:08:13:10.

> "[N]othing in Prop 103 impedes you from asking for the actual rate that you need."[10]

State Farm responded by acknowledging that message, stating:

> "[B]eing responsive to that message from you and your staff, we began to work towards those larger rating paces that led to the last rate increase with you, so I acknowledge what you're saying."[11]

Despite this acknowledgment, Mr. Kirkpatrick's recorded remarks indicate that State Farm sees policy cancellations as a negotiating tactic, rather than an unavoidable consequence of regulatory constraints.

Finally, at the meeting, State Farm insisted to you that it "want[s] to be in the California market," "to continue to serve the millions of customers in the State of California," and that "we want to support the California market."[12] But Mr. Kirkpatrick's comments suggest a different attitude toward certain California homeowners at State Farm:

> "Like in Marin County and Northern California, or some of the fringe areas, like where the Palisades are, there should never be houses built in the first place"

because Californians are building homes in these locations "where they have natural areas around them for their ego."[13] This statement reflects a dismissive attitude toward large portions of the state, raising further concerns about State Farm's true commitment to maintaining coverage for homeowners in California.

Given the ongoing insurance crisis in California and the vital role of the Department of Insurance in protecting consumers, we urge you to investigate this matter further. State Farm's statements at the February 26 meeting are inconsistent with Mr. Kirkpatrick's more candid remarks, and this discrepancy warrants closer scrutiny. At a minimum, this is yet another reason to give notice of an expedited formal hearing on State Farm's rate application—where company officials can be placed under oath and cross-examined about conflicting statements. California consumers deserve to know whether this insurer is truly committed to serving them or merely using the threat of cancellation of their coverage as a bargaining chip. California consumers should not be threatened with the loss of coverage due to orchestrated strategic corporate maneuvers.

There is no justification for approving an unprecedented interim rate increase request, especially if State Farm intends to pocket the cash and abandon consumers. Consumers should not be forced to fund State Farm's exit strategy from the California market.

---

[10] Feb. 26, 2025 Transcript at 23:12-13.
[11] Feb. 26, 2025 Transcript at 23:18-22.
[12] Feb. 26, 2025 Transcript at 38:1-22.
[13] https://youtu.be/DRnLed7wxd4?si=ntYoHCxx4XSuF7Rr at approx. time stamp 00:09:57:13 - 00:10:36:07.

Thank you for your attention to this urgent issue. I appreciate your dedication to ensuring fairness and stability in California's insurance market.

Sincerely,

William Pletcher

WILLIAM PLETCHER
Litigation Director
PAMELA PRESSLEY
Senior Staff Attorney
CONSUMER WATCHDOG

cc: Michael Martinez, Chief Deputy Commissioner
Nikki McKennedy, Assistant Chief Counsel, Rate Enforcement Bureau
Vanessa Wells, Hogan Lovells, Counsel for State Farm General

EXHIBIT 6

March 11, 2025

The Honorable Ricardo Lara
Commissioner of Insurance
California Department of Insurance
300 Capitol Mall, 17th Floor
Sacramento, CA 95814
via email: commissionerlara@insurance.ca.gov

Re: State Farm General Insurance Company Request for Emergency Interim Rate Approval

Commissioner Lara,

Thank you for your time during our February 26 meeting as we answered your questions about State Farm General's Request for Emergency Interim Rate Approval. Throughout the pendency of these rate applications, and since our emergency request, we have been focused on providing you and your staff the information you need to safeguard the public's interests. We strongly believe this is best achieved by emergency approval of an interim rate, which indicates to providers of capital and rating agencies that there is a path for State Farm General (SFG) and the larger homeowners market toward a sustainable future even in the face of recent catastrophes.

Meanwhile, we have refrained from 'relitigating' before you our disagreements with intervenor Consumer Watchdog, as a public hearing is the place for a full and fair airing of relevant matters prior to a decision on a final rate. But as you continue to consider our request, we are compelled to correct the intervenor's ongoing mischaracterizations and misunderstandings. They propound an alternate reality where property insurers are making enormous profits in California but are inexplicably pulling back from the market. As we have said for many months, our aim is to create a path forward for SFG, its customers and the California market. We had hoped that given this crisis, all parties would work toward a solution, but evidently that is not the intervenor's goal.

- **The Commissioner has interim rate authority here.** Contrary to assertions, no one is suggesting there won't be a public hearing prior to a final rate approval absent settlement, fully consistent with Prop 103. And "plainly invalid rates" *under the regulations* is not the only legally recognized basis for an interim rate approval, as shown by past court decisions recognizing such authority to remedy unconstitutionally confiscatory rates, for example. The Commissioner has broad authority and discretion under Prop 103, and nothing in that law forbids him from taking emergency action to protect consumers from an approaching insolvency by granting the insurer an interim rate increase.

- **SFG has pursued needed rate with urgency and transparency.** Since these solvency-based rate applications were originally filed last summer, SFG has maintained continuous communications with the California Department of Insurance (CDI) as together we tried to work through the novel issues presented. We have publicly provided hundreds of pages of data and responded to every request from CDI in SERFF, including providing relevant data from confidential trade secret documents and inviting CDI to advise us what further information from those documents may be needed. And we have voluntarily responded to every Request for Information (RFI) from the intervenor. As counsel for

CDI noted at the February 26 meeting, "we have determined [that SFG has] made a preliminary showing that they can get the interim rates subject to refunds with interest, if necessary."[1] SFG is prepared to further support its rate request in a public hearing, including through full first quarter 2025 data when it becomes available later in the spring.

- **SFG's reinsurance program is structured to protect its own solvency for the benefit of its customers.** It is because of reinsurance that SFG hasn't already been forced to massively reduce its book of business. And it is because of reinsurance that SFG still has a chance to retain much of that business, assuming an emergency rate is approved. The fact that SFG paid more for reinsurance over an arbitrary time period than it received back in recoveries isn't evidence of a 'bad deal' any more than is a homeowner paying for insurance even in years their house didn't burn down – because no one can know in advance when it will. Otherwise, no one would buy insurance at all. Catastrophe reinsurance, even more than primary insurance, is all about coverage for infrequent but very high severity events. SFG's reinsurance premium payments to State Farm Mutual Automobile Insurance Company (its primary reinsurer) have provided SFG with an average of $4.0 billion in annual coverage over the last 10 years, and $8.8 billion in the most recent treaty year. Based on market insights from our reinsurance broker, placing this much coverage with third party reinsurers would be at a rate significantly higher than that charged by State Farm Mutual, if it could be placed at all under today's difficult reinsurance market conditions in which many reinsurers are viewing CA wildfire as too volatile to allocate more capacity to the peril. In any case, the Los Angeles wildfires, for which SFG will retain roughly $200 million while receiving billions of dollars of reinsurance recoveries from State Farm Mutual, illustrate with crystal clarity why SFG prudently administers a robust reinsurance program, and that it is designed to protect SFG's solvency and not to maximize reinsurer profits.

- **Subrogation recoveries have been properly allocated between SFG and its reinsurers.** Another aspect of the intervenor's confusion around reinsurance appears to stem from the treatment and timing of subrogation recoveries from the 2017 and 2018 wildfires. Subrogation recoveries received in 2020 and later years related to these earlier fires were contractually owed to internal and external reinsurers to the extent that the losses from the events exceeded losses SFG was required to retain under its reinsurance contracts. In essence, the reinsurers were reimbursed for their share of the losses that they absorbed in the first place. Without this contractual obligation to pass through subrogation recoveries to reinsurers, the availability and cost of reinsurance would be far more challenging for primary insurers than it is today.

- **Any allegation of "anticompetitive strategy" or "predatory pricing" by SFG is baseless.** The idea that SFG purposely kept its rates artificially low so that it could grab market share is so far from the truth that it's hardly worth responding, but we direct you to a recently published piece[2] from a long-time industry observer who deftly summarizes its preposterous nature. He notes: "State Farm's rapid growth … was the result of being the last insurer standing. This is a common problem for State Farm. When everyone else leaves in a hurry, and they remain, suddenly all the business flows to them. They are guilty of being slow to turn off the spigot and join the others in a panic. If State Farm was a public company, as opposed to a mutual controlled by policyholders, investors would hate this behavior. As a

[1] See Transcript of February 26, 2025 meeting between the parties, at 28:7-9.

[2] See Brian Sullivan, "Setting the Record Straight: State Farm Didn't Burn California," Property Insurance Report, March 6, 2025 (https://df9fd9b6ab64495ad759-f14ba961ae89374e6d5a8ee602c09059.ssl.cf5.rackcdn.com/1919.pdf?i=817248).

regulator, or as a consumer, or a consumer group, this market-stabilizing activity is exactly the kind of thing you hope for out of your market leader." He says that SFG warned of rate inadequacy "very publicly" and "over and over as they requested substantial rate increases." Continuing: "Verifying these claims were financial statements … showing enormous underwriting losses that were draining available capital. … State Farm was not lowballing the market. They were charging the maximum [the historical regulatory approach] would allow. To suggest that State Farm was intentionally charging too little is to ignore the available facts." Finally, it's important to remember that during much of the last decade, the rating regulations were applied (over SFG's objection) to reduce SFG's allowable rate by the imputed investment income of its parent company. That issue was not resolved until litigation upholding SFG's objection finally concluded in 2022, which then allowed SFG additional rate in CDI's rating formula.

- **Any allegation of SFG "manipulating" regulators or the public through its emergency request is likewise baseless.** The intervenor points to recent social media coverage of unofficial comments in a personal setting from an individual no longer associated with any State Farm company. This person was never an officer of SFG, never supervised any officers of SFG and was never involved in or had any responsibility for business decisions relating to SFG or its California operations, including anything to do with our pending rate requests or exposure reduction measures. SFG's actions and communications have been grounded in our attempts to be forthright with you and with the public about the economic realities we face and the difficult choices before us.

- **Writing new policies doesn't make any sense at this time.** Having blamed SFG's problems on growing too much without securing sufficient rate increases, the intervenor suggests the remedy is more of the same. This fails to understand basic economic realities of the business of insurance. Increasing our risk exposure wouldn't be responsible for an insurer that's already struggling to maintain statutorily-required levels of surplus for the exposure it already has.

- **Our rate request isn't about SFG's so-called "Wall Street credit rating."** As the intervenor well knows, SFG is not listed on any stock exchange, nor is its parent, which is a mutual company with no shareholders. SFG does not use any external financing such that its "credit rating" would matter. Rather, we're seeking to prevent an additional downgrade to SFG's "financial strength rating," as determined by independent rating agencies, which is a metric used by mortgage lenders to determine whether policyholders can use SFG insurance to meet the mortgage lenders' insurance requirements. In addition to AM Best's downgrade of SFG's financial strength rating last year, S&P Global Ratings recently announced that it has placed SFG on what it calls a "CreditWatch with negative implications," a review process that "could lead to a rating downgrade by multiple notches."[3] As explained previously, a downgrade of sufficient magnitude could mean mortgage lenders might not accept SFG insurance as adequate protection for their mortgage collateral (i.e. the insured structure). If that were to happen, homeowners with a mortgage might be forced to find other insurance – likely the FAIR Plan - without any action at all on SFG's part. That is, the primary concern here is *for our policyholders*, as SFG has explained to the intervenor from the day it requested an interim rate. This potential impact on consumers is what drives the urgency behind our emergency request.

---

[3] See https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/type/HTML/id/3328722 ("State Farm General Insurance Co. 'AA' Ratings Placed On CreditWatch Negative On Weakening Capital Position," published February 25, 2025.

- **Consideration of parental support depends on emergency rate approval.** As we explained on February 26th, "the State Farm Mutual Board is comprised of all external, independent directors except for the State Farm Mutual CEO" and "their fiduciary duties require them to exercise reasonable care, judgment, and diligence [around] what is in State Farm Mutual's best interest as an entity and its policyholder group as a whole." State Farm Mutual has policyholders in all 50 states, including California residents who may not own a home or have any SFG products. It would be imprudent to ask State Farm Mutual's Board of Directors to consider injecting capital into a company whose prospects for repayment are grim without emergency rate approval and continuing transformational reforms to the market. It has been noted that State Farm Mutual has offered capital support to an affiliate in the past, such as in the case of Texas. That example is actually instructive, as the rating environment there has in fact allowed that particular surplus note to be entirely repaid, with interest. Without realistic prospects for an affiliate to be able to stand on its own, parental support would merely temporarily mask whatever is contributing to its financial distress and the affiliate would before too long revert to where SFG is today. That said, we reiterate our assertion at the meeting that an emergency rate approval would be a positive sign in support of a request from SFG to the State Farm Mutual Board of Directors for financial assistance.

In conclusion, Commissioner, in the interest of our customers and the entire California insurance market, we respectfully urge you to grant our emergency interim rate request with immediacy, while leaving any remaining issues to be resolved at a full public hearing if the parties are unable to first reach a settlement.

Sincerely,

Dan Krause
President and Chief Executive Officer
State Farm General Insurance Company

Mark Schwamberger
Vice President and Treasurer
State Farm General Insurance Company

Keesha-Lu Mitra
Vice President and General Counsel
State Farm General Insurance Company

CC: Michael Martinez, Chief Deputy Commissioner, California Department of Insurance
Nikki McKennedy, Assistant Chief Counsel, California Department of Insurance
Pamela Pressley, Senior Staff Attorney, Consumer Watchdog
Vanessa Wells, Esq., Hogan Lovells

EXHIBIT 7

Via email

March 12, 2025

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

Re: *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:

Thank you for the opportunity yesterday to further discuss State Farm's "interim" rate request. As you noted during our video teleconference on March 11, 2025, State Farm General's (SFG) request for immediate approval of an over $900 million increase across its homeowners, renters and condo, and rental dwelling policies is a critical issue for California consumers who are increasingly concerned about rising insurance rates and the availability of competitive options in the insurance marketplace.[1]

Consumer Watchdog reiterates its opposition to SFG's request for "emergency interim rate" increases in PA-2024-00012, PA-2024-00011, and PA-2024-00013 to be implemented before State Farm's fully justifies them in a prior approval hearing as required by Proposition 103.

As outlined in our prior correspondence and supporting memoranda, SFG has failed to demonstrate any legitimate justification for such an extraordinary request. It has acknowledged in its presentation to you at the February 26 informal conference that it has the funds to cover losses from the Los Angeles fires. The additional information provided by SFG concerning its general financial condition has not been subjected to the thorough public review that is required by Proposition 103.

You also cited in yesterday's teleconference with the parties your concern that SFG's cat load projection used in its interim rate calculation "doubled" from its original June filing. SFG's projection is based on its own revised methodology and includes an "estimated" provision for the

[1] 22% ($760 million, an average increase of $600 annually per policyholder) for the company's homeowners insurance policies, 38% ($122 million) for its rental dwelling policies, and 15% ($39 million) for its renters and condo policies.

January 2025 wildfires of more than $6 billion that was not adequately supported. Moreover, this means that SFG projects that almost half of its loss payments in California for homeowners insurance will come from catastrophe events, which is completely unrealistic and unsupported.

Additionally, we present two further arguments against granting the interim rate request:

1. **A Capital Infusion from the Parent Company Will Improve RBC Position; Policyholders Must Benefit From Any Capital Infusion They Are Required to Make.**

In its letter response last night, SFG stated its parent company would provide $400 in capital via a surplus note to be repaid with interest, which would be subject to approval by the Illinois Department of Insurance. Additionally, SFG conditioned that $400 million infusion on your approval *of the full amount of the over $900 million in "interim" rate increases* that it seeks without any offset to policyholders in the size of the requested emergency rate increase.

But as you have identified, State Farm Mutual Auto Insurance Company, SFG's parent entity, has the financial capacity to stabilize SFG's RBC position. SFG's parent has over $145 billion in surplus, making the $500 million capital infusion that you proposed at the meeting as a precondition of your decision to grant the company interim rate increases, only approximately 0.34% of its total surplus. Moreover, a $500 million capital infusion from the parent company to SFG would appear to sufficiently improve RBC levels to create a $150 million cushion (according to our analysis of the limited data provided by State Farm), and therefore eliminate the purported need for an immediate rate increase prior to a hearing. This approach also aligns with industry precedent, where parent companies support affiliates in times of financial stress without burdening policyholders with unsubstantiated rate hikes—and the parent company has undertaken similar financial interventions in other states. There is no reason why California policyholders should be treated differently from State Farm policyholders in other states or bear the cost prior to SFG proving up its requested rates as required by Proposition 103 when alternative means of financial stabilization exist within the State Farm corporate structure.

2. **SFG's Non-Renewal and Cancellation Moratorium Should Apply Statewide, to All Existing Policyholders, and Extend Through 2026.**

Your second precondition to granting State Farm unprecedented "emergency interim rate" relief is that the company suspend all currently pending non-renewals and cancellations statewide for the rest of this year, i.e. nine months. During yesterday's teleconference and its March 11 response letter, State Farm countered with a pledge to refrain from "*block* non-renewals" for one year for only its Non-Tenant Homeowners line. Moreover, as stated in its March 11 letter and email communications today, SFG's proposal would allow it to continue the remaining 11,000 nonrenewals under its yet unapproved rule filing submitted in March 2024, with the exception of those in LA County that were pending within 90 days prior to the January 7 fires.

Consistent with your comments emphasizing the need for stability in the California homeowners' insurance market, you should require SFG to extend its current non-renewal and cancellation moratorium for all State Farm policyholders, including the remaining 11,000 under the March 2024 rule filing, and through at least the end of 2026, rather than 2025. Given the substantial rate increases SFG has already received (most recently, 20%) and the significant capital support available from its parent company, extending the moratorium will provide policyholders with much-needed security and prevent further market destabilization. This commitment would demonstrate good faith on SFG's part while allowing a transparent and properly noticed rate hearing process to proceed without undue pressure on consumers.

In light of these considerations, we urge you to reject SFG's "emergency interim rate" request and instead direct the company to seek financial support from its parent while allowing its full rate application to be evaluated through an appropriate and required lawful hearing process. We stand ready to engage in a thorough and expeditious review of SFG's June 2024 application in accordance with Proposition 103's requirements.

Sincerely,

William Pletcher

WILLIAM PLETCHER
Litigation Director
PAMELA PRESSLEY
Senior Staff Attorney
CONSUMER WATCHDOG

cc: Michael Martinez, Chief Deputy Commissioner
Nikki McKennedy, Assistant Chief Counsel, Rate Enforcement Bureau
Vanessa Wells, Hogan Lovells, Counsel for State Farm General

EXHIBIT 8

Subject: RE: State Farm Letter Responding to 3/11/2025 Proposal
Date: Thursday, March 13, 2025 at 1:13:37 PM Pacific Daylight Time
From: Wells, Vanessa
To: Wang, Lucy
CC: Martinez, Michael, McKennedy, Nikki, Pam Pressley, David Grow

Deputy Commissioner Wang, I have consulted with my client, and State Farm General provides this response to your email of 7:35 this morning:

We understand the difficult decision the Commissioner has to make and all that he is balancing. Your response this morning was surprising and concerning. It is surprising in its assertions and concerning given the implications for our customers and for the insurance market in California. State Farm operates with integrity, and we take great issue with any suggestion to the contrary. State Farm General Insurance Company (State Farm General) stands behind the information we provided directly to the Commissioner; that information clearly demonstrates the significantly weakened financial condition of State Farm General and the need for this interim rate. Your own department agrees with that statement as do other official and respected sources who evaluate State Farm General's financial strength and claims paying ability, including the Illinois Department of Insurance (SFG's domestic solvency regulator) and external rating agencies.

We posit the following unequivocal truths regarding State Farm, which numerous independent entities clearly establish, regarding State Farm General's concerning financial condition. Over the last several months, State Farm General has engaged in conversations with the CDI and State Farm General's domiciliary financial solvency regulator to educate on State Farm General's financial condition. Commissioner Lara himself expressed concern after reviewing State Farm General's most recently filed annual statement; he noted the need to strengthen surplus and the RBC ratio. As we have shared numerous times, State Farm General's RBC ratio has triggered company action level and is on the cusp of triggering regulatory action level. This is despite the RBC ratio being calculated ***BEFORE*** taking into consideration the losses from the California wildfires. The CDI's own Financial Analysis Division is fully aware of State Farm General's financial condition. In fact, CDI staff recommended approval, and Commissioner Lara specifically noted he believed there was support for interim rate pending a full rate hearing. Without rehashing all the information already provided, you are well aware of copious documentation provided through SERFF to justify State Farm General's financial position and externally also well aware of the fact that an independent third party, S&P Global Ratings, who rates the company's financial health, has placed State Farm General's financial strength rating on a credit watch with negative implications. They indicated their review process could result in lowering the current rating by multiple notches. This decision follows an earlier downgrade of State Farm General's financial strength rating by AM Best in March 2024. These official sources and clear transparency on our part strongly refute the assertion about it being hard to determine what is truth and what is fiction.

We understand there may be differences of opinion but we will not accept impugnment of State Farm's credibility, reputation, and character based on a false narrative of a lack of transparency and doubt as to the credibility of our financial statements and related information.

Regarding reported comments by an individual no longer associated with State Farm, we disavow any suggestion of 'manipulation' or using policy renewals as a 'bargaining chip.' As the facts above highlight, State Farm General's actions and communications are grounded in forthrightly explaining economic realities and the difficult choices before us.

We again urge that you adopt the CDI team's recommendation. If the Commissioner's decision has been made, we are similarly situated to move ahead with our necessary actions to address State Farm General's financial stability. Our goal continues to be a sustainable California insurance marketplace, a goal on which we hope we continue to be aligned. We look forward to hearing the Commissioner's decision by close of business today.

From: Wang, Lucy <Lucy.Wang@insurance.ca.gov>
Sent: Thursday, March 13, 2025 7:34 AM
To: Wells, Vanessa <vanessa.wells@hoganlovells.com>
Cc: Martinez, Michael <Michael.Martinez@insurance.ca.gov>; McKennedy, Nikki <Nikki.McKennedy@insurance.ca.gov>; Pam Pressley <pam@consumerwatchdog.org>; David Grow <david.grow.jhns@statefarm.com>
Subject: Re: State Farm Letter Responding to 3/11/2025 Proposal

[EXTERNAL]
Dear Ms. Wells,

The Commissioner is disappointed with State Farm's response, especially in light of the following news he has been reading and inundated with by others. Here is a brief sample:

https://abc7.com/post/state-farm-exec-haden-kirkpatrick-fired-secret-recording-appears-show-discussing-rate-hikes-socal-wildfires/16003843/

ABC Los Angeles: State Farm exec fired after secret recording appears to show him discussing rate hikes

LOS ANGELES (KABC) -- A State Farm executive has been fired after apparently making comments about the insurance company's recent rate hikes following the devastating SoCal wildfires.

In a shocking turn of events, Haden Kirkpatrick was fired after an undercover video appears to show him talking about rate hikes. What's worse -- the comments were made in reference to fire victims in the Pacific Palisades.

"Where the Palisades are, there should never be houses built there in the first place, where people want to be built in areas where they have natural areas around them for their ego. But they're also... its a (expletive) desert," Kirkpatrick is heard saying in the recording.

Kirkpatrick was a vice president for innovation and venture capital at State Farm. According to reporting from the L.A. Times, he was recorded during a Tinder date - saying that a request for rate hikes was "kind of" orchestrated "but not in the way you would think."

In the video, he appears to describe a bargaining situation with the department of insurance. He describes a final bargaining chip of threatening to cancel policies.

https://www.latimes.com/business/story/2025-03-07/state-farm-executive-haden-kirkpatrick-fired-after-saying-rate-hikes-are-orchestrated

https://www.latimes.com/business/story/2025-03-10/state-farm-seeks-emergency-rate-hike-amid-questions-over-finances-fire-response

https://www.sfchronicle.com/california/article/state-farm-insurance-video-20210883.php

At this juncture, given State Farm's continued claims, the reality is it needs to provide stronger documentation of its financial condition. It is hard to distinguish between what is truth and what is fiction. This is the information that the Department has asked for, and not received, since State Farm filed its rate applications in June.

As discussed many times, the Commissioner needs to balance his dual responsibilities to both consumers and a stable insurance market. If State Farm cannot help achieve this balance, then an expedited rate hearing may be the only answer. Please consider the above and let me know if State Farm has any further input before the Commissioner issues his decision. Thank you.

Sincerely yours,

Lucy Wang

Lucy F. Wang

Deputy Commissioner / Special Counsel

California Department of Insurance

1901 Harrison Street

Oakland, CA 94612

Email: lucy.wang@insurance.ca.gov

Office: 415.538.4377

Fax: 510.238.7830

From: Wells, Vanessa <vanessa.wells@hoganlovells.com>
Sent: Wednesday, March 12, 2025 10:09 PM
To: Wang, Lucy <Lucy.Wang@insurance.ca.gov>
Cc: Martinez, Michael <Michael.Martinez@insurance.ca.gov>; McKennedy, Nikki <Nikki.McKennedy@insurance.ca.gov>; Pam Pressley <pam@consumerwatchdog.org>; David Grow <david.grow.jhns@statefarm.com>
Subject: RE: State Farm Letter Responding to 3/11/2025 Proposal

Deputy Commissioner, Thank you for such an immediate response. I have consulted with my client. SFG leadership earnestly and urgently urges that foregoing completion of the announced nonrenewals, given existing dire circumstances as we have worked to explain, would be contrary to the prudent management of the company and would further jeopardize its future in this State. The Commissioner has underscored his interest in the measures SFG is taking to shore up SFG's financial strength. These specifically-tailored non renewals announced in March, 2024 are an essential, indispensable component of those measures, along with additional rate—which, as our discussions show, could be approved tomorrow. Neither is sufficient alone. One results in a reduction in PML—a measurable reduction in risk exposure—which (aside from reducing risk) creates a meaningful impact on reinsurance costs. The other supports rate adequacy, which is fundamental and crucial to any insurance product, thereby constituting a crucial first step to eventually restoring SFG's financial strength. Following extensive consideration and reconsideration of the request to suspend the remaining non-renewals necessary to adjust the book, in light of the realities explained in this note and throughout the process, and for the sake of our policyholder group as a whole, we must respectfully decline this condition. We have labored to provide alternatives, specifically offering the SFG companion policy to any non-renewed policyholder selecting a FAIR Plan policy. SFG looks forward to receiving the Commissioner's decision on its emergency rate request tomorrow so that it can plan accordingly.

Vanessa Wells
Partner

Hogan Lovells US LLP
855 Main Street
Suite 200
Redwood City, CA 94063

Tel: +1 650 463 4000
Direct: +1 650 463 4022
Fax: +1 650 463 4199
Email: vanessa.wells@hoganlovells.com
www.hoganlovells.com

Please consider the environment before printing this e-mail.

From: Wang, Lucy <Lucy.Wang@insurance.ca.gov>
Sent: Wednesday, March 12, 2025 6:33 PM
To: Wells, Vanessa <vanessa.wells@hoganlovells.com>
Cc: Martinez, Michael <Michael.Martinez@insurance.ca.gov>; McKennedy, Nikki <Nikki.McKennedy@insurance.ca.gov>; Pam Pressley <pam@consumerwatchdog.org>; David Grow <david.grow.jhns@statefarm.com>
Subject: Re: State Farm Letter Responding to 3/11/2025 Proposal

[EXTERNAL]

Dear Ms. Wells,

I appreciate the additional information. Given we are talking about the last 11,000 non-renewals, the Commissioner believes State Farm can forgo moving forward with these. We have an order prepared and can issue that tomorrow. It includes all the interim rate increases recommended by the Department with an effective date of June 1, 2025. We appreciate all the efforts that have gone into reaching this point. We are close to reaching an agreement that is good for State Farm's customers and for California's insurance market. I don't have any further questions at this time and ask State Farm to consider the Commissioner's request to hold off on these last 11,000 non-renewals.

Thank you.

Sincerely yours,

Lucy Wang

Get [Outlook for iOS]

From: Wells, Vanessa <vanessa.wells@hoganlovells.com>
Sent: Wednesday, March 12, 2025 6:18:58 PM
To: Wang, Lucy <Lucy.Wang@insurance.ca.gov>
Cc: Martinez, Michael <Michael.Martinez@insurance.ca.gov>; McKennedy, Nikki <Nikki.McKennedy@insurance.ca.gov>; Pam Pressley <pam@consumerwatchdog.org>; David Grow <david.grow.jhns@statefarm.com>
Subject: RE: State Farm Letter Responding to 3/11/2025 Proposal

Dear Deputy Commissioner,

As you requested, I have found some further details regarding the non-renewals announced in 2024. Originally, SFG announced 29,764 non-renewals. Of these, 12,677 were completed. 1875 non-renewals were suspended due to moratorium bulletins issued by the Commissioner in 2024 (I believe Bulletins 2024-12 and 2024-13). State Farm subsequently suspended 4,196 non-renewals in LA County. ((Note that a non-renewal can only issue as to the next renewal following a voluntary or mandatory suspension.) This leaves 11,016 non-renewals not impacted by voluntary or mandatory suspension, as described in my earlier email.

As before, SFG remains alert to any further questions you may have on this critical matter.

Vanessa Wells
Partner

Hogan Lovells US LLP
855 Main Street
Suite 200

EXHIBIT 9

Harvey Rosenfield, SBN 123082
Pamela Pressley, SBN 180362
Benjamin Powell, SBN 311624
Ryan Mellino, SBN 342497
CONSUMER WATCHDOG
6330 San Vicente Blvd., Suite 250
Los Angeles, CA 90048
Tel. (310) 392-0522
Fax (310) 861-0862
harvey@consumerwatchdog.org
pam@consumerwatchdog.org
ben@consumerwatchdog.org
ryan@consumerwatchdog.org

Attorneys for CONSUMER WATCHDOG

BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of the Rate Application of

State Farm General Insurance Company,

Applicant.

File No.: 24-1271

CONSUMER WATCHDOG'S FIRST SET OF DISCOVERY REQUESTS PROPOUNDED ON STATE FARM GENERAL INSURANCE COMPANY

DEMANDING PARTY: CONSUMER WATCHDOG
RESPONDING PARTIES: STATE FARM GENERAL INSURANCE COMPANY
SET NUMBER: ONE

Pursuant to California Code of Regulations, title 10 (“10 CCR”), § 2655.1 and Government Code section 11507.6, liberally construed, Intervenor Consumer Watchdog, hereby propounds the following discovery requests on STATE FARM GENERAL INSURANCE COMPANY.

Consumer Watchdog requests that delivery of documents be made to Pamela Pressley at the offices of Consumer Watchdog, located at 6330 San Vicente Boulevard, Suite 250, Los Angeles, California 90048. To the extent possible, Consumer Watchdog requests that YOU produce DOCUMENTS in electronic format, such as PDF, or WORD or EXCEL as applicable. Responsive documents should be produced either in the order they are kept or in correlation to the request to which they are responsive, and Consumer Watchdog requests that YOU identify which documents are responsive to which requests.

Pursuant to 10 CCR § 2655.1(b), if YOU do not produce a responsive DOCUMENT, YOU must specifically identify the DOCUMENT along with the specific objection pursuant to which the item is withheld. In addition, YOU are required to precisely specify why the objection applies. Moreover, if an item is withheld pursuant to a privilege, YOU must describe the nature of the item in such a manner to enable a determination as to the applicability of the privilege so stated.

Pursuant to 10 CCR § 2655.1(a), YOU have an ongoing duty to produce additional items that are responsive to these requests as new items become relevant or are identified.

DEFINITIONS

1. The terms “STATE FARM,” “YOU,” and “YOUR” refer to applicant STATE FARM GENERAL INSURANCE COMPANY and applicants’ agents, employees, attorneys, accountants, investigators, and anyone else acting on their behalf.

2. The term “DOCUMENT” or “DOCUMENTS” means all items that are discoverable pursuant to Government Code section 11507.6, liberally construed, including, but

not limited to, any written, printed, filmed, microfilmed, computerized, recorded or graphic matter of any nature whatsoever, whether original or copy, including, but not limited to, all correspondence, email, notes, memoranda, minutes, logs, calendars, drafts, ledgers, account records, data, journals, bills, receipts, reports, analyses, accountings, schedules, policies, contracts, agreements, records, drawings, plans, designs, details, schematics, diagrams, models and any other writings as defined in section 250 of the Evidence Code. "DOCUMENT" or "DOCUMENTS" also includes all preliminary versions, revisions, drafts, and amendments of any of the foregoing, all attachments or appendices to any of the foregoing, and all copies of the foregoing that contain any commentary, notations, or alterations or that are otherwise not identical to the original. "DOCUMENT" or "DOCUMENTS" also includes any "STATEMENT" or "STATEMENTS," as defined below.

3. "STATEMENT" or "STATEMENTS" shall have the same meaning as that term is defined in Government Code section 11507.6, liberally construed to include: "written statements by the person signed or otherwise authenticated by him or her, stenographic, mechanical, electrical or other recordings, or transcripts thereof, of oral statements by the person, and written reports or summaries of these statements."

4. The term "RELATED TO" means constitutes, contains, embodies, comprises, reflects, identifies, states, deals with, comments on, responds to, describes, analyzes, was made by, was used to determine, was consulted by YOU or any witness YOU intend to call at the hearing on this matter, or is in any way pertinent to the subject matter described in the request.

5. The term "EXHIBIT" means such exhibit or attachment that was included with the APPLICATION.

6. The term "APPLICATION" means the Prior Approval Rate Application with California Department of Insurance file number 24-1271, which is the subject of this hearing, including all updates and revisions, including those required pursuant to any orders issued by the Administrative Law Judge.

7. The term "AFFILIATES" means all entities effectively controlling YOU or controlled by YOU or associated with YOU in any way under common ownership or control.

8. The term "PREDECESSOR" refers to any company within the State Farm Group family of companies that wrote homeowners insurance in California during the time period applicable to the request, including but not limited to State Farm General Insurance Company.

DISCOVERY REQUESTS

1. Provide all DOCUMENTS YOU believe YOU might offer into evidence in this matter.

2. Provide the names and addresses of persons who are witnesses to the subject matter of this proceeding, including all persons who had a role in preparation of the APPLICATION.

3. Provide the names and addresses of persons who are witnesses who have knowledge regarding the DOCUMENTS and issues that are the subject of the document requests contained herein.

4. Provide the names and addresses of persons YOU intend to call as witnesses to testify at the hearing on this matter.

5. Provide any, and all, STATEMENTS pertaining to the subject matter of the proceeding made by any witness that YOU propose to call to testify at the hearing on this matter.

6. Provide any, and all, STATEMENTS pertaining to the subject matter of the proceeding made by any other persons having personal knowledge of the APPLICATION.

7. Provide all DOCUMENTS RELATED TO the APPLICATION, including all correspondence between individuals who assisted in compiling the APPLICATION.

8. Provide all DOCUMENTS exchanged between YOU and any witness YOU intend to call in this proceeding.

9. Provide all DOCUMENTS RELATED TO the APPLICATION exchanged between YOU and the California Department of Insurance including correspondence, but not including DOCUMENTS previously provided to Consumer Watchdog.

10. Provide the actuarial report and underlying workpapers supporting the Statement of Actuarial Opinion of the Loss and Loss Adjustment Expense Reserves as of December 31, 2023.

11. Provide the most recent actuarial report and underlying workpapers for Loss and Loss Adjustment Expense Reserves, if later than December 31, 2023.

12. Provide all DOCUMENTS related to the calculation of the NAIC IRIS ratios as of December 31, 2023.

13. Provide all DOCUMENTS related to the most recent calculation of the NAIC IRIS ratios, if later than December 31, 2023.

14. Provide all DOCUMENTS, reports, data, analyses, and calculations related to the Reinsurance Attestation Supplement for 2023.

15. Provide the most recent Own Risk and Solvency Assessment ("ORSA") report along with any related documents.

16. Provide the Risk-Based Capital Report and Calculation underlying the "Authorized control level risk-based capital" values set forth in the 2023 Annual Statement at Page 17, Line 29.

17. Provide the most recent Risk-Based Capital Report and Calculation, if later than that shown in the 2023 Annual Statement.

18. Provide all DOCUMENTS exchanged during the period from January 1, 2023 to the present between State Farm General Insurance Company and the "rating agencies" referenced in Exhibit 13, Page 1, Section D of the Application.

19. Provide all DOCUMENTS exchanged during the period from January 1, 2023 to the present dealing with solvency issues between State Farm General Insurance Company and the "IL DOI" as referenced in Exhibit 13, Page 1, Section D of the Application as State Farm General Insurance Company's solvency regulator.

20. Provide the loss trend data in Exhibit 8 of the Application by cause of loss.

21. Provide all DOCUMENTS RELATED TO the statements in Notes (3) and (6) on page 2 of Exhibit 9 that "Adjustments have been made as needed to incorporate any significant changes in our contract and in the distribution of our book of business."

DATED: July 26, 2024

Respectfully submitted,

Harvey Rosenfield
Pamela Pressley
Benjamin Powell
Ryan Mellino
CONSUMER WATCHDOG

By: Pamela Pressley
Pamela Pressley
Attorneys for CONSUMER WATCHDOG

PROOF OF SERVICE
BY OVERNIGHT OR U.S. MAIL, FAX TRANSMISSION, EMAIL TRANSMISSION AND/OR PERSONAL SERVICE

State of California, City of Los Angeles, County of Los Angeles

I am employed in the City and County of Los Angeles, State of California. I am over the age of 18 years and not a party to the within action. My business address is 6330 South San Vicente Boulevard, Suite 250, Los Angeles, California 90048, and I am employed in the city and county where this service is occurring.

On July 26, 2024, I caused service of true and correct copies of the document entitled

CONSUMER WATCHDOG'S FIRST SET OF DISCOVERY REQUESTS PROPOUNDED ON STATE FARM GENERAL INSURANCE COMPANY

upon the persons named in the attached service list, in the following manner:

1. If marked FAX SERVICE, by facsimile transmission this date to the FAX number stated to the person(s) named.

2. If marked EMAIL, by electronic mail transmission this date to the email address stated.

3. If marked U.S. MAIL or OVERNIGHT or HAND DELIVERED, by placing this date for collection for regular or overnight mailing true copies of the within document in sealed envelopes, addressed to each of the persons so listed. I am readily familiar with the regular practice of collection and processing of correspondence for mailing of U.S. Mail and for sending of Overnight mail. If mailed by U.S. Mail, these envelopes would be deposited this day in the ordinary course of business with the U.S. Postal Service. If mailed Overnight, these envelopes would be deposited this day in a box or other facility regularly maintained by the express service carrier, or delivered this day to an authorized courier or driver authorized by the express service carrier to receive documents, in the ordinary course of business, fully prepaid.

I declare under penalty of perjury that the foregoing is true and correct. Executed on July 26, 2024 at Los Angeles, California.

Kaitlyn Gentile

Service List

Nikki McKennedy
Rate Enforcement Bureau
California Department of Insurance
1901 Harrison Street, 6th Floor
Oakland, CA 94612
Tel. (415) 538-4500
Fax (510) 238-7830
Nikki.McKennedy@insurance.ca.gov

☐ FAX
☐ U.S. MAIL
☐ OVERNIGHT MAIL
☐ HAND DELIVERED
☒ EMAIL

Jon Phenix
Public Advisor
Edward Wu
Acting Public Advisor
Tina Warren
Office of the Public Advisor
California Department of Insurance
300 Capitol Mall, 17th Floor
Sacramento, CA 95814
Tel. (916) 492-3705
Fax (510) 238-7830
Jon.Phenix@insurance.ca.gov
Edward.Wu@insurance.ca.gov
Tina.Warren@insurance.ca.gov

☐ FAX
☐ U.S. MAIL
☐ OVERNIGHT MAIL
☐ HAND DELIVERED
☒ EMAIL

Nicole Pettis
Pricing Manager
State Farm
One State Farm Plaza
Bloomington, IL 61710
Tel. 309-766-2265
nicole.pettis.m3ht@statefarm.com

☐ FAX
☒ U.S. MAIL
☐ OVERNIGHT MAIL
☐ HAND DELIVERED
☒ EMAIL

EXHIBIT 10

Harvey Rosenfield, SBN 123082
Pamela Pressley, SBN 180362
Benjamin Powell, SBN 311624
Ryan Mellino, SBN 342497
CONSUMER WATCHDOG
6330 San Vicente Blvd., Suite 250
Los Angeles, CA 90048
Tel. (310) 392-0522
Fax (310) 861-0862
harvey@consumerwatchdog.org
pam@consumerwatchdog.org
ben@consumerwatchdog.org
ryan@consumerwatchdog.org

Attorneys for CONSUMER WATCHDOG

BEFORE THE INSURANCE COMMISSIONER

OF THE STATE OF CALIFORNIA

In the Matter of the Rate Application of State Farm General Insurance Company, Applicant.	File No.: PA-2024-00012 **CONSUMER WATCHDOG'S SECOND SET OF DISCOVERY REQUESTS PROPOUNDED ON STATE FARM GENERAL INSURANCE COMPANY**

DEMANDING PARTY: CONSUMER WATCHDOG
RESPONDING PARTIES: STATE FARM GENERAL INSURANCE COMPANY
SET NUMBER: TWO

Pursuant to California Code of Regulations, title 10 ("10 CCR"), section 2655.1 and Government Code section 11507.6, liberally construed, Intervenor Consumer Watchdog, hereby propounds the following discovery requests on STATE FARM GENERAL INSURANCE COMPANY.

Consumer Watchdog requests that delivery of documents be made to Pamela Pressley at the offices of Consumer Watchdog, located at 6330 San Vicente Boulevard, Suite 250, Los Angeles, California 90048. To the extent possible, Consumer Watchdog requests that YOU produce DOCUMENTS in electronic format, such as PDF, WORD, or EXCEL, as applicable. Responsive documents should be produced either in the order they are kept or in correlation to the request to which they are responsive, and Consumer Watchdog requests that YOU identify which documents are responsive to which requests.

Pursuant to 10 CCR § 2655.1(b), if YOU do not produce a responsive DOCUMENT, YOU must specifically identify the DOCUMENT along with the specific objection pursuant to which the item is withheld. In addition, YOU are required to precisely specify why the objection applies. Moreover, if an item is withheld pursuant to a privilege, YOU must describe the nature of the item in such a manner to enable a determination as to the applicability of the privilege so stated.

Pursuant to 10 CCR § 2655.1(a), YOU have an ongoing duty to produce additional items that are responsive to these requests as new items become relevant or are identified.

DEFINITIONS

1. The terms "STATE FARM," "YOU," and "YOUR" refer to applicant STATE FARM GENERAL INSURANCE COMPANY and applicants' agents, employees, attorneys, accountants, investigators, and anyone else acting on their behalf.

2. The term "DOCUMENT" or "DOCUMENTS" means all items that are discoverable pursuant to Government Code section 11507.6, liberally construed, including, but

not limited to, any written, printed, filmed, microfilmed, computerized, recorded or graphic matter of any nature whatsoever, whether original or copy, including, but not limited to, all correspondence, email, notes, memoranda, minutes, logs, calendars, drafts, ledgers, account records, data, journals, bills, receipts, reports, analyses, accountings, schedules, policies, contracts, agreements, records, drawings, plans, designs, details, schematics, diagrams, models and any other writings as defined in section 250 of the Evidence Code. “DOCUMENT” or “DOCUMENTS” also includes all preliminary versions, revisions, drafts, and amendments of any of the foregoing, all attachments or appendices to any of the foregoing, and all copies of the foregoing that contain any commentary, notations, or alterations or that are otherwise not identical to the original. “DOCUMENT” or “DOCUMENTS” also includes any “STATEMENT” or “STATEMENTS,” as defined below.

3. “STATEMENT” or “STATEMENTS” shall have the same meaning as that term is defined in Government Code section 11507.6, liberally construed to include: “written statements by the person signed or otherwise authenticated by him or her, stenographic, mechanical, electrical or other recordings, or transcripts thereof, of oral statements by the person, and written reports or summaries of these statements.”

4. The term “RELATED TO” means constitutes, contains, embodies, comprises, reflects, identifies, states, deals with, comments on, responds to, describes, analyzes, was made by, was used to determine, was consulted by YOU or any witness YOU intend to call at the hearing on this matter, or is in any way pertinent to the subject matter described in the request.

5. The term “EXHIBIT” means such exhibit or attachment that was included with the APPLICATION.

6. The term “APPLICATION” means the Prior Approval Rate Application with California Department of Insurance file number 24-1271, which is the subject of this hearing, including all updates and revisions, including those required pursuant to any orders issued by the Administrative Law Judge.

7. The term “AFFILIATES” means all entities effectively controlling YOU or controlled by YOU or associated with YOU in any way under common ownership or control.

8. The term "PREDECESSOR" refers to any company within the State Farm Group family of companies that wrote homeowners insurance in California during the time period applicable to the request, including but not limited to State Farm General Insurance Company.

DISCOVERY REQUESTS

22. YOUR response to the California Department of Insurance's 7/10/2024 Objections (the "7/10/2024 Objections") stated in part: "The forecast analysis process was mainly performed using the R statistical language, therefore, many of the requested calculations cannot be directly provided in a spreadsheet presentation format." Provide all DOCUMENTS, including but not limited to computer code and data files, RELATED TO the forecast analysis mainly performed using the R statistical language. Also provide a complete description of what else other than the R statistical language STATE FARM used in the forecast analysis process.

23. YOUR response to the 7/10/2024 Objections, Nos. 5 and 6, stated in part: "The selected leverage factor of 50% (surplus-to-premium ratio of 2.0) supports the risk adjusted capital needed to write business within the state of California." Provide all DOCUMENTS, including but not limited to computer code and data files, used by STATE FARM in deriving its numerical value of the risk adjusted capital needed to write business within the state of California.

24. YOUR response to the 7/10/2024 Objections, Nos. 5 and 6, stated in part: "The selected rate of return of 15% reflects the selected leverage factor, the current insurance environment, and the surplus position of State Farm General." Provide all DOCUMENTS, analyses, and calculations used in deriving the 15% value.

25. YOUR response to the 7/10/2024 Objections, Nos. 5 and 6, stated in part: "To support the catastrophe risk component, a study was done that analyzed catastrophe reinsurance program quotes from internal and publicly available data for both traditional and non-traditional reinsurers." Provide that study, and all DOCUMENTS RELATED TO that study.

26. YOUR response to the 7/10/2024 Objections, No. 4a, stated in part: "Refer to Exhibit E for Non-Catastrophe pure premium trend selections by segment." Provide comparable trend values, including all underlying data and calculations, based on renewal business only.

27. YOUR response to the 7/10/2024 Objections, No. 4b, stated in part: "Refer to Exhibit F for historical trends from the corresponding filings. The projected pure premium trend selections are reasonable when compared to historical trends." Provide the corresponding premium trend values, including all underlying data and calculations.

28. Provide the following DOCUMENTS for STATE FARM for each year from 2020 to 2024:

a. Reinsurance Summary Supplemental;
b. Supplemental Compensation Exhibit;
c. Audited Financial Reports;
d. Management's Report of Internal Control Over Financial Reporting;
e. Notification of Adverse Financial Condition;
f. Corporate Governance Annual Disclosure;
g. Form F-Enterprise Risk Report;
h. Group Capital Calculation.

29. 10 CCR § 2644.9(c) states: "any Wildfire Risk Model . . . that is used, in whole or in part, in an insurer's rating plan shall be provided to the Commissioner as part of an insurer's complete rate application." 10 CCR § 2644.9(f) provides that "[a]ny rating plan, or Wildfire Risk Model submitted to the Commissioner in connection with a complete rate application . . . shall be available for public inspection pursuant to Insurance Code sections 1861.05, subdivision (b), and 1861.07 . . . ." As required by regulation, provide all Wildfire Risk Models STATE FARM has "used, in whole or in part, in [its] rating plan," including, but not limited to, the "catastrophe models" referred to in YOUR response to the 7/10/2024 Objections, Nos. 5 and 6. Provide the actual models themselves, not only documentation concerning the models.

30. YOUR Answer to Consumer Watchdog's Petition for Hearing stated in part (4:25–26): "The reinsurance agreements at issue are filed annually with State Farm General's regulator to ensure the terms are fair and reasonable for the affiliated companies." Please provide copies of those reinsurance agreements from 2015 to the present.

31. YOUR Answer to Consumer Watchdog's Petition for Hearing stated in part (6:11–12): "State Farm's solvency regulator has initiated company action level supervision over the Company." Provide all documents exchanged between STATE FARM and STATE FARM's solvency regulator regarding the company action level supervision over the Company from 2020 to the present.

32. For each catastrophe model used in the filing, provide all catastrophe risk metrics and analytics (e.g., PML, TVaR, Standard Deviation, size of loss distribution, etc.) that STATE FARM used during 2020 to the present for any purpose, including, but not limited to, capital adequacy, capital allocation, underwriting, exposure management, and reinsurance.

33. YOUR Answer to Consumer Watchdog's Petition for Hearing stated in part (4:20–22): "Reinsurance is necessary to protect California's policyholders against catastrophic events, such as the 2017 wildfires, where State Farm experienced over $3 billion in loss." By contrast, the 2023 Annual Statement for SFGIC shows total direct incurred (= paid + case reserves + IBNR reserves) losses PLUS defense and cost containment expenses PLUS adjusting and other expenses for ALL events for ALL coverages in accident year 2017 of less than $2.8 billion. (2023 SFGIC Annual Statement, Schedule P – Part 1A – Summary, Column (26), Line (5)). Please provide all DOCUMENTS reflecting the "over $3 billion in loss" value given in YOUR Answer.

34. YOUR Answer to Consumer Watchdog's Petition for Hearing stated in part (4:22–25): "CW's allegation that State Farm's reinsurance agreement 'is not a true transfer of risk' is conclusory and ignores the important role reinsurance plays in protecting State Farm's policyholders and ensuring that State Farm can meet risk metrics considered by regulators." Please provide all DOCUMENTS listing and/or explaining the risk metrics that STATE FARM stated are considered by regulators. Additionally, provide all DOCUMENTS demonstrating the value of, and derivation of, the values of those metrics for STATE FARM from 2020 to the present.

35. Provide all DOCUMENTS supporting YOUR statement regarding the allegedly "important role reinsurance plays in protecting State Farm's policyholders," given the facts that:

a. From 2014 to 2023, the reinsurance recovery rate (ceded loss and loss adjustment expense ratio) averaged less than 19%. (2023 SFGIC Annual Statement, Schedule P – Part 1A – Summary, Columns (2), (27) and (30).) This means that for every $100 of reinsurance premium, the income of STATE FARM decreased by about $80.

b. The reinsurance recovery rate was less than 100% in every year from 2014 to 2023, including years with a catastrophe (e.g., 2017). This means in every year, even in years with a catastrophe, STATE FARM's financial condition would have been better without reinsurance.

c. The vast majority of STATE FARM's reinsurance was with State Farm Mutual ("SFM"), about 80% in 2023 (2023 SFGIC Annual Statement, Schedule F, Part 3, Column (6)), meaning that SFM is extracting hundreds of millions of dollars of profit a year from STATE FARM policyholders.

36. Provide all Hazard Analyses performed by or on behalf of STATE FARM from 2020 to the present for any purpose, including, but not limited to, capital adequacy, capital allocation, underwriting, exposure management, and reinsurance.

37. Provide all Dynamic Financial Analyses performed by or on behalf of STATE FARM from 2020 to the present for any purpose, including, but not limited to, capital adequacy, capital allocation, underwriting, exposure management, and reinsurance.

38. Provide all Enterprise Risk Management Analyses performed by or on behalf of STATE FARM from 2020 to the present for any purpose, including, but not limited to, capital adequacy, capital allocation, underwriting, exposure management, and reinsurance.

//

//

//

//

//

//

DATED: August 23, 2024

Respectfully submitted,

Harvey Rosenfield
Pamela Pressley
Benjamin Powell
Ryan Mellino
CONSUMER WATCHDOG

By: Ryan Mellino

Ryan Mellino
Attorneys for CONSUMER WATCHDOG

PROOF OF SERVICE
BY OVERNIGHT OR U.S. MAIL, FAX TRANSMISSION,
EMAIL TRANSMISSION AND/OR PERSONAL SERVICE

State of California, City of Los Angeles, County of Los Angeles

I am employed in the City and County of Los Angeles, State of California. I am over the age of 18 years and not a party to the within action. My business address is 6330 South San Vicente Boulevard, Suite 250, Los Angeles, California 90048, and I am employed in the city and county where this service is occurring.

On August 23, 2024, I caused service of true and correct copies of the document entitled

CONSUMER WATCHDOG'S SECOND SET OF DISCOVERY REQUESTS PROPOUNDED ON STATE FARM GENERAL INSURANCE COMPANY

upon the persons named in the attached service list, in the following manner:

1. If marked FAX SERVICE, by facsimile transmission this date to the FAX number stated to the person(s) named.

2. If marked EMAIL, by electronic mail transmission this date to the email address stated.

3. If marked U.S. MAIL or OVERNIGHT or HAND DELIVERED, by placing this date for collection for regular or overnight mailing true copies of the within document in sealed envelopes, addressed to each of the persons so listed. I am readily familiar with the regular practice of collection and processing of correspondence for mailing of U.S. Mail and for sending of Overnight mail. If mailed by U.S. Mail, these envelopes would be deposited this day in the ordinary course of business with the U.S. Postal Service. If mailed Overnight, these envelopes would be deposited this day in a box or other facility regularly maintained by the express service carrier, or delivered this day to an authorized courier or driver authorized by the express service carrier to receive documents, in the ordinary course of business, fully prepaid.

I declare under penalty of perjury that the foregoing is true and correct. Executed on August 23, 2024 at Los Angeles, California.

Katt M. Gt

Kaitlyn Gentile

Service List

Nikki McKennedy
Melissa Wurster
Daniel Wade
Rate Enforcement Bureau
California Department of Insurance
1901 Harrison Street, 6th Floor
Oakland, CA 94612
Tel. (415) 538-4500
Fax (510) 238-7830
Nikki.McKennedy@insurance.ca.gov
Melissa.Wurster@insurance.ca.gov
Daniel.Wade@insurance.ca.gov

☐ FAX
☐ U.S. MAIL
☐ OVERNIGHT MAIL
☐ HAND DELIVERED
☒ EMAIL

Vanessa O. Wells
Victoria C. Brown
Hogan Lovells US LLP
855 Main Street, Suite 200
Redwood City, CA 94063
Tel: (650) 463-4000
Fax: (650) 463-4199
Vanessa.Wells@hoganlovells.com
Victoria.Brown@hoganlovells.com

☐ FAX
☐ U.S. MAIL
☐ OVERNIGHT MAIL
☐ HAND DELIVERED
☒ EMAIL

PROOF OF SERVICE
BY OVERNIGHT OR U.S. MAIL, FAX TRANSMISSION,
EMAIL TRANSMISSION AND/OR PERSONAL SERVICE

State of California, City of Los Angeles, County of Los Angeles

I am employed in the City and County of Los Angeles, State of California. I am over the age of 18 years and not a party to the within action. My business address is 6330 South San Vicente Boulevard, Suite 250, Los Angeles, California 90048, and I am employed in the city and county where this service is occurring.

On March 24, 2025, I caused service of true and correct copies of the document entitled

CONSUMER WATCHDOG'S APPENDIX OF EXHIBITS

upon the persons named in the attached service list, in the following manner:

1. If marked FAX SERVICE, by facsimile transmission this date to the FAX number stated to the person(s) named.

2. If marked EMAIL, by electronic mail transmission this date to the email address stated.

3. If marked U.S. MAIL or OVERNIGHT or HAND DELIVERED, by placing this date for collection for regular or overnight mailing true copies of the within document in sealed envelopes, addressed to each of the persons so listed. I am readily familiar with the regular practice of collection and processing of correspondence for mailing of U.S. Mail and for sending of Overnight mail. If mailed by U.S. Mail, these envelopes would be deposited this day in the ordinary course of business with the U.S. Postal Service. If mailed Overnight, these envelopes would be deposited this day in a box or other facility regularly maintained by the express service carrier, or delivered this day to an authorized courier or driver authorized by the express service carrier to receive documents, in the ordinary course of business, fully prepaid.

I declare under penalty of perjury that the foregoing is true and correct. Executed on March 24, 2025 at Los Angeles, California.

Katt M. G

Kaitlyn Gentile

Service List

Hon. Karl Fredric J. Seligman Administrative Law Judge Administrative Hearing Bureau **California Department of Insurance** 1901 Harrison Street, 3rd Floor Oakland, CA 94612 Tel.: (415) 538-4243 Fax: (510) 238-7828 Florinda.Cristobal@insurance.ca.gov Camille.Johnson@insurance.ca.gov	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL
Vanessa Wells Victoria Brown **Hogan Lovells US LLP** 855 Main Street, Suite 200 Redwood City, CA 94063 Tel.: (650) 463-4000 Fax: (650) 463-4199 Vanessa.Wells@hoganlovells.com Victoria.Brown@hoganloverlls.com *Attorneys for Applicant*	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL
Katherine Wellington **Hogan Lovells US LLP** 125 High Street, Suite 2010 Boston, MA 02110 Tel.: (617) 371-1000 Fax: (617) 371-1037 Katherine.Wellington@hoganlovells.com *Attorneys for Applicant*	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL
Jordan D. Teti **Hogan Lovells US LLP** 1999 Avenue of the Stars, Suite 1400 Los Angeles, CA 90067 Tel.: (310) 785-4600 Fax: (310) 785-4601 Jordan.Teti@hoganlovells.com *Attorneys for Applicant*	☐ FAX ☐ U.S. MAIL ☐ OVERNIGHT MAIL ☐ HAND DELIVERED ☒ EMAIL

Nikki McKennedy
Jennifer McCune
Daniel Wade
Duncan Montgomery
California Department of Insurance
1901 Harrison Street, 6th Floor
Oakland, CA 94612
Tel.: (415) 538-4500
Fax: (510) 238-7830
Nikki.McKennedy @insurance.ca.gov
Jennifer.McCune@insurance.ca.gov
Daniel.Wade@insurance.ca.gov
Duncan.Montgomery@insurance.ca.gov

Attorneys for CDI

☐ FAX
☐ U.S. MAIL
☐ OVERNIGHT MAIL
☐ HAND DELIVERED
☒ EMAIL