



March 28, 2025

Via email

Hon. Karl Fredric J. Seligman
Administrative Law Judge
Administrative Hearing Bureau
California Department of Insurance
1901 Harrison Street, 3rd Floor
Oakland, CA 94612

Re: CDI File Nos.: PA-2024-00011, PA-2024-00012, PA-2024-00013
Protecting Consumer Watchdog's Rights at the April 8 Hearing on
Stipulation for "Interim Rates"

Dear Judge Seligman:

Consumer Watchdog appreciates that you are presiding over this matter under a severely truncated timeline set by the Insurance Commissioner in his March 14, 2025 Order. It is clear, based on Your Honor's remarks during the conference with the parties on Wednesday, March 26, and in the March 27 Amended Notice of Hearing on Stipulation and Order ("March 27 Order"), that Your Honor seeks to uphold the requirements of Proposition 103 for consumer representation and public access—particularly the mandatory hearing procedures set forth in Insurance Code section 1861.08—in connection with the April 8, 2025 hearing on State Farm and the Department's stipulation proposing an overall \$921 million "emergency interim rate" increase.

However, Consumer Watchdog is compelled to object to the approach State Farm and the Department advocated, which was largely adopted in the March 27 Order. Those parties' disregard for the Department regulations that expressly govern this process threatens serious prejudice to Consumer Watchdog's right to protect the interests of current and future State Farm policyholders and undermines one of Proposition 103's key purposes: to maintain public confidence in the integrity of Department proceedings.

State Farm and the Department's Failure to Comply with 10 CCR 2656.1 Is Prejudicial to Consumer Watchdog

State Farm initially requested “emergency interim rate” increases in a letter directly to Commissioner Lara on February 3. Four days later, State Farm and the Department transmitted a “Stipulation to Interim Rate” directly to Commissioner Lara requesting that he immediately approve double digit rate increases for State Farm policyholders—without complying with Proposition 103’s prior approval rate hearing requirements. The Commissioner’s March 14 Order, calling for a hearing on the two-way Stipulation, expressly stated that 10 CCR § 2656.1 would apply. On March 17, the Department issued a Notice of Hearing with exhibits, including the Stipulation, which was transmitted to the Administrative Hearing Bureau (“AHB”). Because the Stipulation was proposed prior to taking any testimony in these matters, State Farm and the Department were required to file “supporting declarations” at the time the Stipulation was filed with AHB. (10 CCR 2656.1(c).) The regulation authorized Consumer Watchdog to file objections to the Stipulation within five days. (10 CCR 2656.1(f).)

1. Regulatory Noncompliance

Neither State Farm nor the Department met their obligation to file supporting declarations—the justification that is critical to Your Honor’s determination of whether the stipulated rate increase is lawful. Consumer Watchdog worked through the weekend and late into the night to file its objections on time—on March 24—but did so without the benefit of the declarations that were required to support the Stipulation. So we were surprised to learn at the March 26 conference that State Farm planned to file a multitude of declarations, including from outside experts—foreshadowing a “flood the zone” and “litigation by surprise” strategy—but stated that it could not do so until *April 2*, just 6 calendar days before the April 8 hearing, affording itself a total of *19 days* from the March 14 Order (and *58 days* from when the Stipulation was first presented to the Commissioner) to prepare the declarations and evidence in support of the Stipulation.

This approach is unlawful and unfair. As a general principle, it is not “due process” when some parties are required to follow the rules while other parties are allowed to change the rules at their convenience.

State Farm and the Department were required to submit supporting declarations *when they first filed* their Stipulation with AHB so that Consumer Watchdog could provide a careful and thoughtful analysis in its responsive objections; moreover, as State Farm acknowledged at the March 26 conference, it plans to use its delay in order to prepare a reply to Consumer Watchdog’s objections. As State Farm would have it, Consumer Watchdog will be punished for

filing its objections in compliance with the rules because now State Farm is going to use our timely objections to craft its declarations and submit additional briefing in opposition to them. In other words, State Farm will gain an advantage over Consumer Watchdog by its own failure to comply with the regulation.

Nothing in the regulation authorizes a delay of 17 days in presenting the supporting justification for the Stipulation nor permits State Farm to file a “reply” to Consumer Watchdog’s objections. This process reverses the statutory and regulatory requirements, which place the burden of proof on State Farm to justify the legality and fundamental fairness of the extraordinary “interim rate relief” it seeks. (Ins. Code § 1861.05(b).)

2. Prejudicial Timeline

As proposed by State Farm and the Department, the March 27 Order gives Consumer Watchdog *three working days*, including April 7 (a travel day), to review State Farm and the Department’s untimely submissions, marshal witnesses, and formulate a response, which is to be filed no later than April 8, the commencement date of the hearing, while at the same time preparing for cross-examination and oral argument. Based on years of experience contesting excessive rate increases, this timeline will deny Consumer Watchdog the opportunity to fully evaluate the materials and present the strongest possible analysis to Your Honor on April 8.

State Farm and the Department’s Unlawful Proposal to Amend the Stipulation

State Farm and the Department also announced at the March 26 conference that they intend to “amend” the Stipulation on which the April 8 hearing was originally noticed to include other terms, which they struggled to specify, and requested permission to file a new Stipulation on April 2, which was granted by the March 27 Order. This too conflicts with the regulation that governs the April 8 hearing, the purpose of which, per the Commissioner’s March 14 Order, is to review the Stipulation that the Department filed with the Commissioner on February 7 and with AHB on March 17.

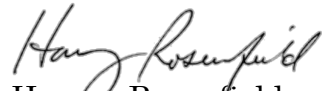
At the March 26 conference, State Farm and the Department made the nonsensical argument that Consumer Watchdog should have been able to figure out the unwritten terms of the deal from the email traffic between the Commissioner’s representative and State Farm prior to the hearing and should have assumed that the Stipulation had been amended accordingly. All that we know from those communications is that there was *no agreement* by State Farm to the Commissioner’s proposed terms, and certainly no new agreement between the Department and State Farm. The regulation plainly requires a written stipulation to be filed with the Administrative Law Judge, not guesswork or email references to

an evolving set of terms. Indeed, State Farm's insistence that it cannot produce the "new" stipulation until April 2 strongly suggests that the Department and State Farm are still negotiating their deal.

The law does not permit last minute modifications that conflict with the statutory mandate of public notice and participation. An eleventh-hour change in the Stipulation deprives Consumer Watchdog, and the public, of the right to carefully review and effectively challenge the nearly \$1 billion increase State Farm wants *now*—but, as even the Commissioner noted, has to this date failed to justify. When we raised these concerns at the March 26 conference, Your Honor suggested that undue prejudice might be avoided if Consumer Watchdog is granted liberal discovery rights, such as the opportunity to cross-examine State Farm's witnesses at the hearing, and offered the prospect of extending the hearing for additional days if necessary. The March 27 Order reiterates those reassurances. However, respectfully, the Department's regulations generally, and 10 CCR 2656.1 specifically, require parties to prepare and file written declarations and responsive objections with sufficient time in advance of the hearing to avoid surprise and/or potentially untruthful statements that cannot easily be rebutted via cross examination, and to aid the other parties in the proceeding (here, Consumer Watchdog) to make their best and most professional case. Indeed, Government Code section 11514, cited in footnote 8 of the March 27 Order as authority for the Department and State Farm to file declarations in support of the Stipulation by April 2, requires that affidavits proposed to be introduced into evidence be filed "*10 or more days prior* to a hearing or a continued hearing."

For these reasons, Consumer Watchdog strongly objects to the process as presently structured; it threatens our ability to present a careful and comprehensive opposition to the State Farm/Department Stipulation less than two weeks away. We ask that you defend Consumer Watchdog's right to independently protect the public, which, as the positions of the aligned parties demonstrate, is more necessary than ever at this critical moment.

Sincerely,

A handwritten signature in cursive script, appearing to read "Harvey Rosenfield".

Harvey Rosenfield

Counsel 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 March 28, 2025, I caused service of true and correct copies of the document entitled

CONSUMER WATCHDOG LETTER TO ALJ SELIGMAN

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 28, 2025 at Los Angeles, California.



Kaitlyn Gentile

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