

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  
OPPOSITION TO STATE FARM  
GENERAL'S MOTION TO STRIKE  
PORTIONS OF CONSUMER  
WATCHDOG'S OBJECTIONS TO CDI  
AND STATE FARM'S TWO-WAY  
STIPULATION TO INTERIM RATE AND  
FOR AN ORDER EXCLUDING  
EVIDENCE**

1 State Farm’s Motion to Strike Portions of Consumer Watchdog’s Objections to CDI and  
2 State Farm’s Two-Way Stipulation to Interim Rate (“CWD March 24 Objections”), which  
3 reference news reports by the Wall Street Journal and ABC News misses the point and should be  
4 denied. State Farm contends the two news reports are not reliable, irrelevant, and hearsay. But  
5 these objections fail under California evidence law, which rules are more liberal in this  
6 administrative proceeding.

7 Under California law, hearsay is defined as a statement that is offered to prove the truth  
8 of the matter asserted. (Evid. Code, § 1200, subd. (a).). The ABC News and Wall Street Journal  
9 articles in Consumer Watchdog’s March 24 Objections were not presented for the truth of their  
10 content—i.e., not to establish that State Farm engaged in predatory pricing or that State Farm  
11 used its market power to nonrenew customers in order to pressure the Insurance Commissioner  
12 to grant the company rate increases. Rather, Consumer Watchdog cited those reports in its March  
13 24 Objections for the limited and non-hearsay purpose to establish that such public allegations  
14 exist. In this context—in light of these allegations—Consumer Watchdog argued it would be  
15 fundamentally unfair and *not* in the interests of justice to place the burden on State Farm  
16 policyholders (rather than its parent State Farm Mutual) to bail the company out of its financial  
17 distress in the form of “interim” rate hikes. (CWD March 24 Objections, pp. 20–21.)

18 Moreover, the subject matter of these two news reports—State Farm’s pricing and  
19 nonrenewal practices—were raised by Commissioner Lara and Deputy Commissioner Lucy  
20 Wang during and after the recent conferences held on State Farm’s extraordinary requests. Thus,  
21 the subject matters of the two reports are directly relevant to the hearing on the CDI and State  
22 Farm’s stipulation for “emergency interim rate” hikes. Consumer Watchdog’s position is that the  
23 issues raised in the news reports (which are the subject of some of Consumer Watchdog’s  
24 outstanding discovery requests) must be more fully investigated in the required formal  
25 evidentiary hearing noticed on State Farm’s applications *before* it can be determined whether  
26 State Farm is entitled to the \$900 million rate increase it has requested or some other rate.

1 **I. The News Reports Are From Highly Reputable News Sources and Directly Relevant**  
2 **to Issues and Evidence Raised by the Commissioner in Reviewing State Farm’s**  
3 **Extraordinary Interim Rate Request.**

4 While Consumer Watchdog is not presenting the news reports as “hearsay evidence,” it  
5 nevertheless responds briefly to refute State Farm’s evidentiary objections. Government Code  
6 section 11513(c) explicitly states that the technical rules relating to evidence and witnesses do  
7 not apply to administrative proceedings such as this. Government Code section 11513(c)  
8 provides, in pertinent part:

9 Any relevant evidence shall be admitted if it is the sort of evidence on  
10 which responsible persons are accustomed to rely in the conduct of serious  
11 affairs, regardless of the existence of any common law or statutory rule  
12 which might make improper the admission of the evidence over objection  
13 in civil actions.

14 First, Consumer Watchdog disagrees with State Farm’s claims that the news reports are  
15 “not the type of material on which responsible people would be accustomed to rely in the  
16 conduct of serious affairs.” The source of these news reports is the Wall Street Journal and ABC  
17 News. The former is a reputable, Pulitzer Prize–winning business news publication founded in  
18 1889. The latter, ABC News, is the winner of numerous awards for excellence in journalism and  
19 in television and radio broadcasts.

20 Second, State Farm’s relevance objections are baseless. As discussed in Consumer  
21 Watchdog’s March 24 Objections, the Commissioner confirmed at the February 26 conference  
22 that State Farm failed to seek the full rate increases it claimed it needed between 2017 and early  
23 2023.<sup>1</sup> As he noted, under Proposition 103, the company could have requested higher rates to  
24 maintain financial stability.<sup>2</sup> According to the Wall Street Journal report, rather than seek the full  
25 amount of the rate hikes it claimed it needed, State Farm engaged in an anticompetitive strategy  
under which “it sold policies at premiums it knew were unsustainably low” in order to  
underprice its competition and “allow[] it to dominate market share.”<sup>3</sup> Thus, the subject matter of

26 <sup>1</sup> Mar. 17, 2025 Notice of Hearing, Exh. O: Feb. 26, 2025 Transcript, p. 19:5–15.

27 <sup>2</sup> Mar. 17, 2025 Notice of Hearing, Exh. O: Feb. 26, 2025 Transcript, p. 23:5–13.

28 <sup>3</sup> Jean Eaglesham & Susan Pulliam, *State Farm Was All In on California—Until It Pulled the Plug Before the Fires*, Wall Street Journal, Feb. 6, 2025. Ms. Pulliam is a Pulitzer Prize–winning journalist. (See <https://www.wsj.com/news/author/susan-pulliam>.)

1 the Wall Street Journal is directly relevant to whether State Farm’s financial condition is the  
2 result of its own management decisions, rather than the inability to get approval of higher rates  
3 as State Farm has repeatedly claimed.

4 The ABC News article was raised by Deputy Commissioner Lucy Wang in the course of  
5 email communications with State Farm after the Commissioner’s February 26 and March 11  
6 conferences regarding State Farm’s “emergency interim rate” increase requests. In the course of  
7 discussing the Commissioner’s request that State Farm agree to halt all homeowners insurance  
8 nonrenewals as a condition of any “interim rate” relief, Deputy Commissioner Wang quoted  
9 from the ABC News article<sup>4</sup> which stated: “[Kirkpatrick – former Vice President for Innovation  
10 and Venture Capital] appears to describe a bargaining situation with the department of insurance.  
11 He describes a final bargaining chip of threatening to cancel policies.” (CWD Appendix, Exh. 8,  
12 [Mar. 13, 2025 7:34 AM Lucy Wang Email to State Farm] at p. 2.) In light of this and other  
13 similar news reports, Deputy Commissioner Wang went on to say in her March 13  
14 communication that “given State Farm's continued claims, the reality is it needs to provide  
15 stronger documentation of its financial condition. It is hard to distinguish between what is truth  
16 and what is fiction.” (CWD Appendix, Exh. 8, Mar. 13, 2025 7:34 AM Lucy Wang email to  
17 State Farm, p. 3.) The next day, the Commissioner ordered the April 8 hearing on the CDI and  
18 State Farm stipulation. Thus, the subject matter of the ABC News report is directly relevant to  
19 any proposed interim rate stipulation terms regarding State Farm’s nonrenewals and the overall  
20 fairness of such terms.

21 **II. The News Reports Are Not Hearsay Since Consumer Watchdog Is Not Seeking to**  
22 **Admit Them for the Truth.**

23 Since Consumer Watchdog is not offering the Wall Street Journal and ABC News reports  
24 to prove the truth of the matters asserted therein, they are not hearsay as defined under the  
25 standard civil rules of evidence. (Evid. Code, § 1200, subd. (a) (defining “[h]earsay evidence” as

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26  
27 <sup>4</sup> Marc Cota-Robles, *State Farm exec fired after secret recording appears to show him*  
28 *discussing rate hikes*, ABC News, Mar. 10, 2025, available at <https://abc7.com/post/state-farm-exec-haden-kirkpatrick-fired-secret-recording-appears-show-discussing-rake-hikes-socal-wildfires/16003843/>.

“evidence of a statement that was made other than by a witness while testifying at the hearing and that is offered to prove the truth of the matter stated”).) Even if Consumer Watchdog intended to do so, however, Government Code section 11513(d) specifically allows hearsay evidence in this administrative proceeding, stating:

Hearsay evidence may be used for the purpose of supplementing or explaining other evidence but over timely objection shall not be sufficient in itself to support a finding unless it would be admissible over objection in civil actions.

At most, State Farm’s hearsay objections are merely a “timely objection” under Government Code section 11513(d), and it is for the Administrative Law Judge to determine whether hearsay evidence, to the extent there is any in the record, supplements or explains other evidence in the record on which he may rely for a finding. As noted, the matters discussed in the news reports are the subject of some of Consumer Watchdog’s outstanding discovery requests and so it would be entirely premature to rule on any request to strike all discussion of them before the record has been fully developed on these issues.

Consumer Watchdog offers this evidence for the limited purpose, as described above, to establish that there are serious allegations about State Farm's business practices, including predatory pricing issues and State Farm's brinksmanship bargaining with CDI, that are relevant to this proceeding, to the extent that they inform State Farm's business practices which have led it to now seek an interim rate, and whether such an interim rate should be approved.

## CONCLUSION

For all the foregoing reasons, State Farm's Motion to Strike Portions of Consumer Watchdog's Objections should be denied.

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1 DATED: April 4, 2025

Respectfully submitted,

2 Harvey Rosenfield

3 Pamela Pressley

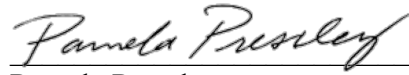
4 William Pletcher

5 Benjamin Powell

6 Ryan Mellino

CONSUMER WATCHDOG

7 By:



Pamela Pressley

Attorneys for CONSUMER WATCHDOG

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

On April 4, 2025, I caused service of true and correct copies of the document entitled

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

- I declare under penalty of perjury that the foregoing is true and correct. Executed on April 4, 2025 at Los Angeles, California.

Kaitlyn Gentile  
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

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

### *Attorneys for Applicant*

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

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

### *Attorneys for Applicant*

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

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

### *Attorneys for Applicant*

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

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

*Attorneys for CDI*