1	HOGAN LOVELLS US LLP	
2	Vanessa Wells (Bar No. 121279) 855 Main Street, Suite 200	
	Redwood City, CA 94063	
3	Telephone: (650) 463-4000	
4	Facsimile: (650) 463-4199 vanessa.wells@hoganlovells.com	
5	vanessa.wens@nogamovens.com	
6	Michael M. Maddigan (Bar No. 163450)	
	Jordan D. Teti (Bar No. 284714) 1999 Avenue of the Stars, Suite 1400	
7	Los Angeles, CA 90067	
8	Telephone: (310) 785-4600	
9	Facsimile: (310) 785-4601 michael.maddigan@hoganlovells.com	
10	jordan.teti@hoganlovells.com	
11	Katherine Wellington (Massachusetts Bar No.	
	688577)	
12	125 High Street, Suite 2010 Boston, MA 02110	
13	Telephone: (617) 371-1000	
14	Facsimile: (617) 371-1037	
	katherine.wellington@hoganlovells.com	
15	Attorneys for Applicant	
16	STATE FARM GENERAL INSURANCE	
17	COMPANY	
18		ANCE COMMISSIONED
19	BEFORE THE INSURANCE COMMISSIONER	
20	OF THE STATE OF CALIFORNIA	
21	In the Matter of the Rate Applications of	File Nos. PA-2024-00011, PA-2024-00012, PA-2024-00013
22	STATE FARM GENERAL INSURANCE	
23	COMPANY,	DECLARATION OF NANCY P. WATKINS
24	Applicant.	
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DECLARATION OF NANCY P. WATKINS

I, Nancy Watkins, declare as follows:

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- 2. My name is Nancy Watkins, and my business address is 2261 Market Street, Suite 5485, San Francisco, California. I am a Principal and Consulting Actuary with Milliman, Inc. ("Milliman"). I am a Fellow of the Casualty Actuarial Society ("CAS") and a Member of the American Academy of Actuaries ("AAA").
- 3. State Farm General Insurance Company ("SFG") is currently engaged in a hearing involving California rate applications for its Non-Tenant Homeowners, Renter/Condo, and Rental Dwelling programs. The hearing includes testimony submitted by Consumer Watchdog ("CW") regarding a Stipulation between the California Department of Insurance ("CDI") and SFG.¹
- I was asked by counsel for SFG to provide my opinion, from an actuarial perspective, on certain CW objections to the proposed SFG interim rates, as contained in the Declaration of Benjamin A. Armstrong, Staff Actuary for CW. I submitted a declaration summarizing my findings on April 2, 2025.²
- I understand that CDI has submitted a motion³ to limit or exclude my in-person 5. testimony in this matter ("CDI Motion") on the basis of a potential conflict of interest with an existing engagement that I currently hold with CDI. The scope of that engagement, as detailed in the CDI Motion, is to assist CDI in developing and implementing new regulations regarding the allowance of reinsurance for homeowners and commercial property ratemaking. This involves consideration of catastrophe models, for which new regulations are also being implemented, although I did not assist CDI with that portion of the regulation.

¹ Consumer Watchdog's Objections to CDI and State Farm's Two-Way Stipulation to Interim Rate, March 24, 2025 ("CW Objections"), Consumer Watchdog's Appendix of Exhibits, March 24, 2025 ("CW Exhibits"), Declaration of Benjamin A. Armstrong in Support of Consumer Watchdog's Objections to CDI and State Farm's Two-Way Stipulation to Interim Rate, March 24, 2025 ("Armstrong Decl.").

² Declaration of Nancy P. Watkins in support of State Farm General's Interim Rate Request and Response to Consumer Watchdog's Pre-Hearing Objections, April 2, 2025.

³ California Department of Insurance's Motion to Limit Testimony of, or in the Alternative Exclude, State Farm General's Retained Expert Witness Nancy Watkins Based on Her Current Consulting Agreement with the Department, April 7, 2025.

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- 6. In my contract with CDI, I agreed to avoid actual or potential conflicts of interest, and not have any personal financial interest or benefit which directly or indirectly arises from the CDI engagement. In evaluating whether to take on the expert witness assignment for SFG, I determined that there was no actual or potential for conflict because the scope of my testimony would not involve the cost of reinsurance, or any changes to regulations that CDI has made or is making with my involvement. Specifically, I opined on CW's reselected assumptions for trend (premiums, loss, and AIY), loss development, and catastrophe weighting, and CW's objections to the time period of the data used by SFG in its interim rate indications. To be clear, those issues do not involve the net cost of reinsurance or any changes to CDI's regulations, which are the issues I am consulting on for CDI. I thus did not perceive, and do not perceive, any conflict between the scope of my assignment and testimony in this matter, and the issues on which I am working for CDI.
- 7. None of the issues within my scope in this matter deals with any consideration or calculation of a reinsurance cost or use of a catastrophe model. I specifically indicated in my declaration that I understand that the SFG interim rates, arising from filings submitted in July/August 2024, are not subject to prospective changes in regulation occurring after the filings were submitted. This understanding is based on CCR 2644.28. The CDI's new catastrophe model and reinsurance regulations were issued in December 2024.
- 8. As part of my contract with CDI, I agreed not to disclose confidential information provided to me pursuant to the CDI contract. After reviewing my declaration, the CDI stated that it "believes" I have "not disclosed any confidential data or work product from" my "work with CDI to this Court."4
- 9. The CDI is correct in its belief. My declaration provides a thorough list of the data and information I relied upon for my testimony, none of which arose from my CDI engagement.

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⁴ CDI Motion, Page 2 at 11-13.

- 10. I have abided by my contract with CDI and have not disclosed confidential CDI information to SFG, counsel, or anyone else. Moreover, in my opinion none of the information I was privy to on CDI's behalf would in any way benefit SFG in this matter.
- 11. As far as I understand, CDI believes that there is a potential conflict of interest because I may be asked by CW on cross-examination about confidential issues outside the scope of my SFG engagement and declaration. However, I am not aware of any question that CW would ask that would require me to disclose confidential information. My ability to explain the actuarial assumptions within a rate indication and understand the published California ratemaking regulations does not require confidential information. I have not reviewed any information with respect to reinsurance or the new regulations as it pertains to the SFG rate filings. I am not prepared to testify on those issues and as such would decline to testify on them.
- 12. I believe that my duty as an expert allows me to confine my in-person testimony at the interim hearing to the scope of work enumerated in my declaration with respect to the interim rate applications. I do not plan to answer, nor am I required to answer, questions about matters outside this scope, especially if they touch on a confidential engagement for another client. In the unlikely event such questions were to arise, I would request that the judge allow me to decline to answer.
- 13. The CDI Motion also raises issues about what might happen under the SFG rate update if SFG were subject to the new regulations. That situation has not occurred, nor would I expect it to occur during this interim hearing. I have not examined this issue with respect to SFG's interim rate applications and could not provide testimony about it.
- 14. In conclusion, I am an independent expert who translates technical actuarial concepts to decision-makers on a variety of different topics, many of which involve some aspect of state regulation. I work for many different clients, including regulators and regulated entities, and the value of my services (including testimony in this proceeding) is increased by my independence from any specific entity and my understanding of multiple viewpoints. I do not believe that either of the engagements I have undertaken with SFG or CDI hinders me in any way from providing objective and independent actuarial services.