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15  
16 **BEFORE THE INSURANCE COMMISSIONER**  
17 **OF THE STATE OF CALIFORNIA**  
18

19 In the Matter of the Rate Applications of  
20  
21 STATE FARM GENERAL INSURANCE  
22 COMPANY,  
23  
24 Applicant.  
25  
26  
27  
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File Nos. PA-2024-00011, PA-2024-00012,  
PA-2024-00013

**STIPULATION TO INTERIM RATE  
SUBJECT TO REFUNDS WITH  
INTEREST PENDING A FINAL  
DETERMINATION OF THE LEGALITY  
OF THE RATE; [PROPOSED] INTERIM  
RATE ORDER SUBJECT TO REFUNDS  
PENDING A FINAL DETERMINATION  
OF THE LEGALITY OF THE RATE**

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1           4.       The Department notified the public of the Applications on July 5, 2024 as to File  
2 Nos. 24-1271 and 24-1273, and on July 12, 2024 as to File No. 24-1330, pursuant to Insurance  
3 Code section 1861.05, subdivision (c).

4           5.       On September 3, 2024 for File Nos. 24-1271 and 24-1273 and September 10, 2024  
5 for File No. 24-1330, Applicant waived the 60-day and 180-day “deemed approved” dates set  
6 forth in Insurance Code section 1861.05(c) for these Applications with a five-day grace period for  
7 reactivation.

8           6.       On July 26, 2024, as to File No. 24-1271, August 19, 2024 as to File No. 24-1273,  
9 and August 26, 2024 as to File No. 24-1330, Intervenor Consumer Watchdog (“Intervenor”)  
10 submitted its Petition to Intervene, Petition for Hearing, and Notice of Intent to Seek  
11 Compensation in each of the Applications.

12           7.       On August 12, 2024 as to File No. 24-1271, September 5, 2024 as to File No. 24-  
13 1273, and September 3, 2024 as to File No. 24-1330, Applicant submitted its Answer to the  
14 Intervenor’s Petition for Hearing in each of the Applications.

15           8.       On August 24, 2024 as to File No. 24-1271, September 3, 2024 as to File No. 24-  
16 1273, and September 10, 2024 as to File No. 24-1330, the Commissioner granted Intervenor’s  
17 Petition to Intervene.

18           9.       On September 21, 2023, Governor Gavin Newsom of the State of California issued  
19 Executive Order N-13-23, requesting the Commissioner of Insurance to take prompt regulatory  
20 action in response to more frequent, severe wildfires as a result of climate change, including,  
21 without limitation, by: (1) “[i]mprov[ing] the efficiency, speed, and transparency of the  
22 Department’s rate approval process”; (2) “[t]ailor[ing] the rate approval process to account for all  
23 factors necessary to promote a robust, competitive insurance marketplace, including through  
24 potential revisions to the way catastrophe risks and insurer costs are accounted for”; and (3)  
25 “[m]aintain[ing] the long-term availability of homeowners and commercial property insurance  
26 coverage.”

27           10.      On January 7, 2025, Governor Newsom issued a Proclamation of a State of  
28 Emergency (“Proclamation”), due to the wildfires which had ignited in Los Angeles County and

1 burned over 1,200 acres as of the time the Proclamation was issued. In the Proclamation, the  
2 Governor directed “[a]ll agencies of the state government [to] utilize and employ state personnel,  
3 equipment, and facilities for the performance of any and all activities consistent with the direction  
4 of the Office of Emergency Services and the State Emergency Plan.”

5 11. On January 9, 2025, California Insurance Commissioner Ricardo Lara  
6 (“Commissioner”) issued a Moratorium on Cancellations and Nonrenewals in areas affected by  
7 the Palisades, Eaton, and several other fires (collectively, the “Palisades/Eaton Fires”), and called  
8 on all property insurers “to forego any pending nonrenewals and cancellations that are due to take  
9 effect on residential properties located within and around these wildfires.”

10 12. On January 13, 2025, the Commissioner issued a Declaration of Emergency  
11 Situation to address the effects of the magnitude of the Palisades/Eaton Fires in Southern  
12 California.

13 13. Previously in March 2024, Applicant had announced it would not offer renewals  
14 on approximately 30,000 homeowners, rental dwelling, and other property insurance policies and  
15 would also nonrenew all commercial apartment policies. On January 15, 2025, Applicant heeded  
16 the Commissioner’s January 9<sup>th</sup> call for insurers to voluntarily forego pending nonrenewals and  
17 cancellations in areas impacted by the Palisades/Eaton Fires, and paused the notification process  
18 on homeowner nonrenewals in not only the areas affected by the wildfires but also the entirety of  
19 Los Angeles County, thereby going beyond the Commissioner’s call and meaning that  
20 homeowners with policies with Applicant that were still in force as of January 7, 2025 in Los  
21 Angeles County, would still have the option to renew with Applicant for an additional one-year  
22 policy term despite having previously been identified for nonrenewal.

23 14. On February 3, 2025, Applicant submitted a letter to the Commissioner, requesting  
24 the Commissioner approve an immediate interim rate increase of 22% in its homeowners line  
25 (File No. 24-1271), 15% in its renter/condo tenant line (File No. 24-1273), and 38% in its rental  
26 dwelling line (File No. 24-1330) in the pending Applications (the “Interim Rate Request”)<sup>1</sup>,  
27 subject to refunds with interest following a full rate hearing should the Commissioner ultimately

28 <sup>1</sup> The Interim Rate Request is attached as Exhibit A and its contents incorporated herein by reference.

1 determine the Interim Rate increase was excessive. In its Interim Rate Request, Applicant  
2 reported that as of February 1, 2025, it has received more than 8,700 claims, has already paid  
3 more than \$1 billion to consumers, and it anticipates having to pay significant additional amounts  
4 as a result of the Palisades/ Eaton Fires. Additionally, Applicant stated its financial strength rating  
5 was downgraded in 2024 by rating agency A.M. Best and that some of Applicant's customers  
6 might have to find other insurance if further downgrades were to happen, due to mortgage lender  
7 requirements surrounding appropriate insurance coverage for mortgage collateral. Based on its  
8 initial data from the Palisades/Eaton Fires, Applicant provided updated preliminary template  
9 indications, in footnote 6 of the Interim Rate Request, for all lines in the Applications, indicating  
10 initial support for its Interim Rate Request, subject to being updated with final data at the end of  
11 the first quarter of 2025. Overall, Applicant represents that its financial projections show a  
12 continued decline in the surplus it needs to support the writing of its homeowners lines of  
13 insurance in California including by continuing to pay the future claims of its policyholders, such  
14 that the Commissioner should approve implementation of an interim rate increase during the  
15 pendency of a rate hearing on the Applications in order to avoid the danger of insolvency.

16 15. On February 5, 2025, Applicant filed its updated preliminary rate templates, that  
17 support footnote 6 of the Interim Rate Request, in the Applications on the publicly available  
18 System for Electronic Rate and Form Filings (SERFF). Applicant also provided information  
19 regarding its rating agency concerns.<sup>2</sup> (Collectively, the "Updated Information".)

20 16. On February 7, 2025, the Intervenor informed the Parties that it declined to  
21 stipulate to interim rates subject to refunds with interest in the Applications.

22 17. Based upon the Applications including the information regarding Applicant's  
23 concerning financial condition, the Interim Rate Request, the Updated Information, Applicant's  
24 currently in-effect rates, the preliminary information provided by Applicant regarding the  
25 devastating impacts of the Palisades/Eaton Fires on Applicant's financial condition, and  
26 Applicant's representations, all of which will be reviewed and tested at hearing prior to issuance  
27 of a final rate order, and without agreeing here with the Applicant's data, assumptions, or

28 <sup>2</sup> A copy of the rating agency information submitted by Applicant is attached here as Exhibit B.

1 methodologies as set forth in the Applications or the Updated Information for purposes of a rate  
2 hearing to determine a final rate order, the Department agrees that Applicant has made a  
3 preliminary showing that it may be able to demonstrate, after a full rate hearing, that it may be  
4 entitled to a rate increase. The Department further agrees that Applicant has made a preliminary  
5 showing of exigent circumstances to justify an interim rate increase, subject to refunds with  
6 interest, such that the Commissioner should approve Applicant's request to implement an  
7 immediate interim rate increase, subject to refunds with interest following a full rate hearing on  
8 the Applications.

9 **STIPULATION AND REQUEST FOR INTERIM RATE ORDER**

10 1. The Parties stipulate and agree that the Commissioner has lawful authority to  
11 approve an interim rate pending a final determination of the legality of the rate. (*Calfarm Ins. Co.*  
12 *v. Deukmejian* (1989) 48 Cal.3d 805, 824-825 ("The power to grant interim relief is necessary for  
13 the due and efficient administration of Proposition 103[.]"); *20th Century Ins. Co. v. Garamendi*  
14 (1994) 8 Cal.4th 216, 245.)

15 2. The Parties stipulate and agree that, following a rate hearing in this matter, the  
16 Commissioner has lawful authority in this proceeding to require Applicant to pay refunds with  
17 interest to its policyholders for the difference between the interim rate and the final approved rate  
18 if the Commissioner ultimately determines in a final rate order that the interim rate order was  
19 excessive. The Parties further stipulate and agree that if Applicant fails to comply with the  
20 Commissioner's final rate order, the Commissioner can and will appropriately enforce  
21 compliance including without limitation the potential assessment of penalties for noncompliance.  
22 The Parties do not intend, by this Stipulation, to in any way impact the right of a Party to seek a  
23 stay of a final order pursuant to California Insurance Code § 1858.6.

24 3. The Parties stipulate and agree that an interim rate order, subject to refunds with  
25 interest following a rate hearing, by the Commissioner shall not be considered a final order or  
26 decision within the meaning of Insurance Code section 1861.09.

27 4. This Stipulation is made solely to reach a compromise among the Parties. Other  
28 than the Parties' agreement regarding the factual issue of an appropriate interim rate subject to

1 refunds with interest for the Applicant pending a final determination of its legality and the  
2 applicability of provisions of law regarding the Commissioner's lawful authority, the Parties'  
3 agreement to this Stipulation shall not represent any agreement regarding any of the other matters  
4 at issue in this rate proceeding.

5         5.       Based upon the Applications including the information regarding Applicant's  
6 concerning financial condition, the Interim Rate Request, the Updated Information, Applicant's  
7 currently in-effect rates, the preliminary information provided by Applicant regarding the  
8 devastating impacts of the Palisades/Eaton Fires on Applicant's financial condition, and  
9 Applicant's representations, all of which will be reviewed and tested at hearing prior to issuance  
10 of a final rate order, and without agreeing with the Applicant's data, assumptions, or  
11 methodologies as set forth in the Applications or the Updated Information for purposes of a rate  
12 hearing to determine a final rate order, the Department agrees that Applicant has made a  
13 preliminary showing that it may be able to demonstrate, after a full rate hearing, that it may be  
14 entitled to a rate increase. Accordingly, the Department believes and thereon alleges that based  
15 upon information currently available, an interim rate increase, subject to refunds with interest  
16 pending a final determination by the Commissioner of its legality, is appropriate in this instance  
17 and would be lawfully issued in support of the due and efficient administration of Proposition 103  
18 by the Commissioner as well as in furtherance of the Governor's Executive Order N-13-23 and  
19 the Commissioner's recent Proclamation. The Department further believes and thereon alleges  
20 that this Stipulation is in the public interest, in order to maintain maximum availability of  
21 homeowners insurance options in California, and that taken as a whole it is fundamentally fair,  
22 adequate, and reasonable.

23         6.       Accordingly, based upon all of the foregoing, the Applications, the Interim Rate  
24 Request, the Updated Information, Applicant's currently in-effect rates, and such other  
25 information and representations provided by Applicant, the Parties stipulate and agree that  
26 Applicant shall implement an overall interim rate increase, subject to potential refunds with  
27 interest following a full rate hearing and final determination of the legality of the rate by the  
28 Commissioner, to be implemented with an effective date of May 1, 2025 for new and renewal

business, as follows:

File No.	Line	Interim Rate Subject to Refunds with Interest following Rate Hearing
24-1271	Homeowners Non-Tenant HO-3	+21.8%
24-1273	Overall Renter/Condo Tenant	+15%
24-1330	Rental Dwelling	+38%

7. Additionally, Applicant stipulates and agrees that it will maintain appropriate records of all policyholders charged an interim rate through the Commissioner's final determination of the legality of the rate, in order to be able to effect any appropriate refunds with interest if necessary following a full rate hearing on the Applications. If the Commissioner ultimately determines that the interim rate in effect during the pendency of the rate hearing was excessive and that Applicant is required to issue any refunds with interest, Applicant agrees that (1) it will not contest the Commissioner's authority in this proceeding to issue an order requiring refunds with interest; and (2) it will issue such refunds with interest as soon as practical but in any event will commence the process of issuing refunds no later than 120 days following the Commissioner's final rate determination, subject to any stay issued pursuant to Insurance Code section 1858.6. Additionally, Applicant agrees that it will report in writing to the Department once any and all such refunds with interest have been paid, and that such report shall be publicly available.

8. Moreover, Applicant stipulates and agrees that, after an interim rate has been ordered but before a full rate hearing has been completed and the Commissioner has issued a final rate order, Applicant will not withdraw the currently pending Applications, without the Department's prior agreement and approval. If for any reason the pending Applications are withdrawn after an interim rate has been implemented but prior to the completion of a full rate hearing and the issuance of a final rate order by the Commissioner, Applicant stipulates and agrees that it will issue refunds with interest of the entirety of the premiums collected pursuant to



1 the Commissioner's interim rate order, as soon as practical but in no event later than 180 days  
2 following the withdrawal.

3 9. The Department asserts that at the rate hearing on the Applications to determine  
4 whether the requested rates and stipulated interim rate are supportable and not excessive,  
5 inadequate, and/or unfairly discriminatory, and should be approved as a final rate order of the  
6 Commissioner, Department staff will examine and offer evidence and recommendations  
7 regarding, without limitation, whether, based upon the updated data through the first quarter of  
8 2025, or another mutually agreed-upon stipulated updated data cut-off date, the Commissioner  
9 should enter findings and an order that Applicant's requested rates are reasonable and not  
10 excessive, inadequate, unfairly discriminatory, or otherwise in violation in Proposition 103, as  
11 well as such other issues as may be raised in a Notice of Hearing or during a rate hearing on the  
12 Applications.

13 10. The Parties stipulate and agree that for purposes of a full rate hearing on the  
14 Applications, Applicant shall update the Applications with a complete set of rate-setting data  
15 through the end of the first quarter of 2025, or another mutually agreed-upon date as may be  
16 approved by an administrative law judge.

17 11. The Parties stipulate and agree that the Commissioner shall retain jurisdiction for  
18 the purpose of enforcing the provisions and terms of this Stipulation and the Order requested  
19 thereon.

20 12. The undersigned represent and warrant under penalty of perjury under the laws of  
21 the State of California that they have full and complete authority to enter into and bind the party  
22 on whose behalf they are signing to all of the terms of this Stipulation.

23 Based on all of the foregoing, the parties respectfully request that the Commissioner issue  
24 an Interim Rate Order Subject to Refunds with Interest Pending a Final Determination of the  
25 Legality of the Rate, based upon the terms of the Stipulation as set forth above to resolve the  
26 above-described legal and factual issues.

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Dated: February 7, 2025

STATE FARM GENERAL INSURANCE  
COMPANY

By:   
\_\_\_\_\_  
Vanessa Wells  
HOGAN LOVELLS US LLP  
*Attorneys for Applicant State Farm General  
Insurance Company*

Dated: February 7, 2025

CALIFORNIA DEPARTMENT OF  
INSURANCE

By:   
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