

SFG-NW-23

STATE FARM GENERAL INSURANCE COMPANY
California Tenant Homeowners
Filing Memorandum
Effective Dates: 01/01/2025 Renewal Business

I. Indicated Rate Change and Rate Revision

The indicated change at the maximum permitted premium derived in accordance with all ratemaking parameters and methods prescribed in the CDI regulations and further described below is 56.5%. This filing represents a request for an overall 41.7% change for California Tenant Homeowners.

With this filing we are making a change to our catastrophe definition to include all wildfire designated claims as catastrophe, where previously only individual events with a significant number of submitted claims were considered catastrophe. This enhancement will allow us to examine the wildfire risk more holistically and will provide additional stability to our non-catastrophe loss trends and development. Please see Exhibit 9 for more details.

The rate templates submitted with this filing are based on the following selections:

Trend: Selections consider the appropriateness of the trend period for frequency, severity, and pure premium, as well as the corresponding premium trend, to result in the most actuarially sound selection. Our selections result in a net trend of +4.4% for Renters, and a net trend of +4.6% for Condominium Unitowners. Primary consideration was given to the resulting net trend selection, given the constraint that requires the same trend period for frequency, severity, and premium. Selection of mid to longer-term trends (20-point for Renters and Condominium Unitowners) strikes a balance between responsiveness and stability.

Development: We selected loss development on a paid basis for both lines. The use of incurred loss development factors can allow for changes in development patterns to become known sooner than may occur with paid development, however, we believe recent changes in development patterns are reflected in the paid data within this filing. Paid development was used due to reserving changes that occurred in January 2023, making the use of incurred development inappropriate without adjustment. In January 2023, case reserves on newly opened claims were increased to more closely reflect the ultimate amount to be paid. We evaluated possible adjustments to the historical data, which heavily rely on assumptions, and determined that the resulting ultimate losses were similar to the results from the standard loss development on a paid basis. As such, the paid development is reasonable and appropriate for this filing. The DCCE development is based on a dollar basis for both lines.

Catastrophe Adjustment: We calculated the catastrophe adjustment by form, using AIY as the base, applying geometric weights to the more recent years, and without applying any trend to the losses.

Variances: Although other variances may be supported, we have only included variance 6. This is NOT to suggest that additional variances and other methodologies used by State Farm General are not appropriate and supportable, and we reserve the right to introduce them if necessary, during the review of this filing or in future filings. Please see Exhibit 13 for more details on this variance request.

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II. Summary of Indications and Changes by Policy Form

Shown below are the indicated rate changes based on the CDI regulations and the overall proposed changes by policy form.

Policy Form	Indicated Rate Change	Summary of Changes
Renters	59.1%	52.0%
Condominium Unitowners	55.1%	36.0%
Tenant Homeowners	56.5%	41.7%

III. Homeowners Program Changes

A. Renters Changes

1. Basic Premiums

We propose a basic premium change that results in a statewide average 52.0% change for Renters. Exhibit 14A shows the current and proposed statewide base rate.

B. Condominium Unitowners Changes

1. Basic Premiums

We propose basic premium and Condominiums Building Property – Increased Limits changes that result in a statewide average 36.0% change for Condominium Unitowners. Exhibit 14A shows the current and proposed statewide base rate. The Condominiums Building Property – Increased Limits rate was developed by applying the proposed base rate change to the current rate.

IV. Minimum Premium

In State Farm's prior Homeowners rate filing, CDI Filing #23-613, the Department had inquired on the development of the Minimum Premium. Due to the requested rate changes and the financial condition of the company, this filing only adjusts base rates with no updates to the Minimum Premium rule. With the proposed changes in this filing 2.0% of Renters, and <0.01% of Condominium Unitowners are impacted by the Minimum Premium rule.

The Rate Manual shows changes to the Homeowners policy form due to the Homeowners rate filing SFMA-134139896, which currently has the same effective date. There are no changes to that policy form requested in this filing.