

SFG-NW-24

RDP Filing Memo

STATE FARM GENERAL INSURANCE COMPANY
California Rental Dwelling Program
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 63.0%. This filing represents a request for an overall 38.0% change for the California Rental Dwelling Program.

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 template submitted with this filing is 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 +6.7%. Primary consideration was given to the resulting net trend selection, given the constraint that requires the same trend period for frequency, severity, and premium. Loss trend data can be volatile, particularly for the weather-related perils covered within this program. Selection of a mid-term trend (20-point) strikes a balance between responsiveness and stability.

Development: We selected loss development on a paid basis. 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.

Catastrophe Adjustment: We calculated the catastrophe adjustment 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.

No variance has been requested related to CDI Filing #24-652. As stated in that filing, the changes were reviewed for rate impact and determined that there was no material rate impact. All selections continue to remain actuarially sound as it relates to our prospective, retained book of business.

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II. Summary of Indications and Changes

Shown below is the indicated rate change based on the CDI regulations and the overall proposed change.

Program	Indicated Rate Change	Summary of Changes
Rental Dwelling Program	63.0%	38.0%

III. Rental Dwelling Program Changes

A. Basic Premiums

We propose a basic premium change that results in a statewide average 38.0% change for the Rental Dwelling Program. Exhibit 14A shows the current and proposed statewide base rate.

IV. Minimum Premium

In State Farm's prior Rental Dwelling Program rate filing, CDI Filing #23-563, 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, 0.2% of Rental Dwelling Policyholders are impacted by the Minimum Premium rule.