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Attorneys for Applicant  
STATE FARM GENERAL INSURANCE  
COMPANY

**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

**STATE FARM GENERAL'S  
OPPOSITION TO CONSUMER  
WATCHDOG'S MOTION TO EXCLUDE  
TESTIMONY AND FURTHER  
BRIEFING REGARDING RBC  
CALCULATIONS**

1 State Farm General respectfully requests that the ALJ deny Consumer Watchdog's motion  
2 to exclude evidence to the extent it covers evidence of State Farm General's **RBC ratios**. State  
3 Farm General's RBC ratios were discussed by State Farm General's witness David Appel as part  
4 of his declaration and testimony in this interim rate hearing. CDI's witness Tina Shaw also  
5 discussed RBC ratios as part of her declaration, and State Farm General expects that RBC ratios  
6 will be further discussed by Ms. Shaw during her testimony at the interim rate hearing. State Farm  
7 General submits that it would be inappropriate to exclude this evidence for two reasons.

8 *First*, RBC ratios are publicly available information, and there is no basis to exclude this  
9 information under CIC § 739.8(a). Section 739.8(a) states:

10 All RBC Reports, *to the extent the information within those reports is not*  
11 *required to be set forth in a publicly available annual statement schedule*,  
12 and RBC Plans, including the results or report of any examination or  
13 analysis of an insurer performed pursuant to those plans, and any Corrective  
14 Order issued by the commissioner pursuant to examination or analysis, with  
15 respect to any domestic insurer or foreign insurer, that are filed with the  
commissioner constitute information that might be damaging to the insurer  
if made available to its competitors, and therefore shall be kept confidential  
by the commissioner.

16 (CIC § 739.8(a) [emphasis added].)

17 CIC § 739.8(a) refers specifically to "RBC Reports." The RBC ratio relied on by Mr.  
18 Appel and Ms. Shaw is not an "RBC Report." An RBC Report is defined as a "report" of the  
19 insurer's "RBC Levels ... in a form and containing such information as is required by the RBC  
20 Instructions." This is highly confidential information, as the statute recognizes, that "shall be kept  
21 confidential by the commissioner."

22 The RBC ratio relied on by Mr. Appel and Ms. Shaw, in contrast, *is a basic math*  
23 *calculation* that Mr. Appel and Ms. Shaw performed based on two numbers in State Farm  
24 General's publicly available annual statements. There is nothing confidential or protected about  
25 these numbers or the calculation. The two numbers used to calculate the RBC ratio are listed on  
26 lines 28 and 29 of the "Five-Year Historical Data" page of State Farm General's annual  
27 statements. The number on line 28 is the "Total adjusted capital." The number on line 29 is the

1 “Authorized control level risk-based capital.” **The RBC ratio is calculated by dividing the**  
2 **“Authorized control level risk-based capital” number by the “Total adjusted capital”**  
3 **number.** (See IRH-SFG-103-11 [describing how to calculate RBC ratio].)

4 Mr. Appel calculated the RBC ratios described in his declaration and hearing testimony by  
5 reviewing State Farm General’s annual reports, which are publicly available and which are in the  
6 record as exhibits. (See IRH-SFG-174-02 [lines 28 and 29 of Five-Year Historical Data page of  
7 State Farm General’s 2024 Annual Statement]; IRH-SFG-174-04-05 [lines 28 and 29 of Five-Year  
8 Historical Data page of State Farm General’s 2019 Annual Statement]; IRH-SFG-103-04, 12-14  
9 [Declaration of David Appel].) It is our understanding that Ms. Shaw likewise calculated the RBC  
10 ratios in her declarations based on the same annual statement information, although this has not  
11 yet been confirmed through her hearing testimony. (See IRH-CDI-001-05-10 [Declaration of  
12 Teena Shaw].)

13 There is accordingly no basis to exclude the RBC ratios in Mr. Appel or Ms. Shaw’s  
14 declarations or hearing testimony under CIC § 739.8(a). Indeed, the RBC ratios were calculated  
15 based on publicly available information that State Farm General was required to include in its  
16 annual statements, and which is accordingly exempt from the confidentiality obligations described  
17 in CIC § 739.8(a).

18 *Second*, there is no basis to exclude the RBC ratios under CIC § 739.8(c), which states:

19 It is the further judgment of the Legislature that the RBC Instructions, RBC  
20 Reports, Adjusted RBC Reports, RBC Plans, and Revised RBC Plans are  
21 intended solely for use by the commissioner in monitoring the solvency of  
22 insurers and the need for possible corrective action with respect to insurers,  
23 and shall not be used by the commissioner for ratemaking nor considered or  
24 introduced as evidence in any rate proceeding, nor used by the  
25 commissioner to calculate or derive any elements of an appropriate  
26 premium level or rate of return for any line of insurance that an insurer or  
27 any affiliate is authorized to write.

28 **This provision does not apply to RBC ratios by its plain terms.** An RBC Ratio is not an “RBC  
Report,” as previously explained. CIC § 739.8(c) protects the highly confidential RBC Report  
from being “introduced as evidence in any rate proceeding”; it does not apply to the RBC ratio by

1 its plain text. Nor is the RBC ratio an “RBC Instruction,” “Adjusted RBC Report,” “RBC Plan,”  
2 or “Revised RBC Plan.”

3 An “RBC Instruction” is defined as “the RBC Report, including risk-based capital  
4 instructions adopted by the NAIC, and as the RBC Instructions may be amended by the NAIC  
5 from time to time in accordance with the procedures adopted by the NAIC.” CIC § 739(i). An  
6 RBC ratio is not an RBC Report. Nor did Mr. Appel consult or rely on NAIC instructions.  
7 Instead, as Mr. Appel explained in his testimony, he calculated the RBC ratio by looking up two  
8 publicly available numbers in State Farm General’s annual statements and dividing those two  
9 numbers to determine the RBC ratio. Ms. Shaw states that she consulted the NAIC Instructions,  
10 and State Farm General will allow CDI to address that issue. However, State Farm General does  
11 not believe that Ms. Shaw’s RBC ratios should be excluded from evidence, because they are not  
12 covered by CIC § 739(c). Again, the RBC ratio is based on a very simple calculation from two  
13 publicly available numbers and is nowhere mentioned in the statute under discussion.

14 An “Adjusted RBC Report” is defined “as a Risk-Based Capital (RBC) report that has  
15 been adjusted by the commissioner in accordance with subdivision (b) or (c) of Section 739.2.”  
16 CIC § 739(a). This provision does not apply, because the RBC ratio is not an RBC Report, nor  
17 has it been adjusted by the commissioner.

18 An “RBC Plan” “means a comprehensive financial plan containing the elements specified  
19 in subdivision (b) of Section 739.3. If the commissioner rejects the RBC Plan, and it is revised by  
20 the insurer, with or without the commissioner’s recommendation, the plan shall be called the  
21 ‘Revised RBC Plan.’ ” CIC § 739(k). The RBC ratio is not an “RBC Plan.” It is not a  
22 comprehensive financial plan—it is a math calculation performed based on two numbers in State  
23 Farm General’s annual statements. Nor has the RBC ratio an RBC Plan that has been revised by  
24 the insurer; it is thus not a Revised RBC Plan.

25 Consumer Watchdog cites legislative history, but this supports State Farm General’s  
26 position, not Consumer Watchdog’s. The summary of Senate Bill No. 1179, which was adopted  
27 as CIC § 739.8, applies to the “annual risk-based capital *report*”—not the ratio. (Declaration of

1 Ryan Mellino in Support of Consumer Watchdog's Motion to Exclude Testimony and Further  
2 Briefing Regarding RBC Calculations, Ex. B at 1.).

3 In short, the RBC ratios discussed by Mr. Appel and Ms. Shaw are not described in CIC  
4 § 739.8(a) or (c). There is thus no basis for excluding these RBC ratios from these proceedings.  
5 To be clear, State Farm General agrees that RBC reports, and other confidential RBC information,  
6 should *not* be admitted into evidence in this interim rate proceeding. However, CIC § 739.8 by its  
7 plain terms does not prevent the admission of publicly available information about *RBC ratios* into  
8 evidence in this proceeding.

9  
10 Dated: April 9, 2025

11 Respectfully submitted,

12 **HOGAN LOVELLS US LLP**

13  
14 /s/ Jordan D. Teti

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*Attorneys for State Farm General Insurance  
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