



Via email

March 12, 2025

The Honorable Ricardo Lara
Commissioner of Insurance
California Department of Insurance
300 Capitol Mall, 17th Floor
Sacramento, CA 95814
commissionerlara@insurance.ca.gov

Re: *In the Matter of the Rate Applications of State Farm General Insurance Company*
PA-2024-00012/SFMA-134139896 – Homeowners;
PA-2024-00011/SFMA-134139931 – Renters and Condo; and
PA-2024-00013/SFMA-134139850 – Rental Dwelling

Dear Commissioner Lara:

Thank you for the opportunity yesterday to further discuss State Farm's "interim" rate request. As you noted during our video teleconference on March 11, 2025, State Farm General's (SFG) request for immediate approval of an over \$900 million increase across its homeowners, renters and condo, and rental dwelling policies is a critical issue for California consumers who are increasingly concerned about rising insurance rates and the availability of competitive options in the insurance marketplace.¹

Consumer Watchdog reiterates its opposition to SFG's request for "emergency interim rate" increases in PA-2024-00012, PA-2024-00011, and PA-2024-00013 to be implemented before State Farm's fully justifies them in a prior approval hearing as required by Proposition 103.

As outlined in our prior correspondence and supporting memoranda, SFG has failed to demonstrate any legitimate justification for such an extraordinary request. It has acknowledged in its presentation to you at the February 26 informal conference that it has the funds to cover losses from the Los Angeles fires. The additional information provided by SFG concerning its general financial condition has not been subjected to the thorough public review that is required by Proposition 103.

You also cited in yesterday's teleconference with the parties your concern that SFG's cat load projection used in its interim rate calculation "doubled" from its original June filing. SFG's projection is based on its own revised methodology and includes an "estimated" provision for the

¹ 22% (\$760 million, an average increase of \$600 annually per policyholder) for the company's homeowners insurance policies, 38% (\$122 million) for its rental dwelling policies, and 15% (\$39 million) for its renters and condo policies.

January 2025 wildfires of more than \$6 billion that was not adequately supported. Moreover, this means that SFG projects that almost half of its loss payments in California for homeowners insurance will come from catastrophe events, which is completely unrealistic and unsupported.

Additionally, we present two further arguments against granting the interim rate request:

1. A Capital Infusion from the Parent Company Will Improve RBC Position; Policyholders Must Benefit From Any Capital Infusion They Are Required to Make.

In its letter response last night, SFG stated its parent company would provide \$400 in capital via a surplus note to be repaid with interest, which would be subject to approval by the Illinois Department of Insurance. Additionally, SFG conditioned that \$400 million infusion on your approval *of the full amount of the over \$900 million in “interim” rate increases* that it seeks without any offset to policyholders in the size of the requested emergency rate increase.

But as you have identified, State Farm Mutual Auto Insurance Company, SFG’s parent entity, has the financial capacity to stabilize SFG’s RBC position. SFG’s parent has over \$145 billion in surplus, making the \$500 million capital infusion that you proposed at the meeting as a precondition of your decision to grant the company interim rate increases, only approximately 0.34% of its total surplus. Moreover, a \$500 million capital infusion from the parent company to SFG would appear to sufficiently improve RBC levels to create a \$150 million cushion (according to our analysis of the limited data provided by State Farm), and therefore eliminate the purported need for an immediate rate increase prior to a hearing. This approach also aligns with industry precedent, where parent companies support affiliates in times of financial stress without burdening policyholders with unsubstantiated rate hikes—and the parent company has undertaken similar financial interventions in other states. There is no reason why California policyholders should be treated differently from State Farm policyholders in other states or bear the cost prior to SFG proving up its requested rates as required by Proposition 103 when alternative means of financial stabilization exist within the State Farm corporate structure.

2. SFG’s Non-Renewal and Cancellation Moratorium Should Apply Statewide, to All Existing Policyholders, and Extend Through 2026.

Your second precondition to granting State Farm unprecedented “emergency interim rate” relief is that the company suspend all currently pending non-renewals and cancellations statewide for the rest of this year, i.e. nine months. During yesterday’s teleconference and its March 11 response letter, State Farm countered with a pledge to refrain from “*block* non-renewals” for one year for only its Non-Tenant Homeowners line. Moreover, as stated in its March 11 letter and email communications today, SFG’s proposal would allow it to continue the remaining 11,000 nonrenewals under its yet unapproved rule filing submitted in March 2024, with the exception of those in LA County that were pending within 90 days prior to the January 7 fires.

Consistent with your comments emphasizing the need for stability in the California homeowners’ insurance market, you should require SFG to extend its current non-renewal and cancellation moratorium for all State Farm policyholders, including the remaining 11,000 under the March 2024 rule filing, and through at least the end of 2026, rather than 2025. Given the substantial rate increases SFG has already received (most recently, 20%) and the significant capital support available from its parent company, extending the moratorium will provide policyholders with

much-needed security and prevent further market destabilization. This commitment would demonstrate good faith on SFG's part while allowing a transparent and properly noticed rate hearing process to proceed without undue pressure on consumers.

In light of these considerations, we urge you to reject SFG's "emergency interim rate" request and instead direct the company to seek financial support from its parent while allowing its full rate application to be evaluated through an appropriate and required lawful hearing process. We stand ready to engage in a thorough and expeditious review of SFG's June 2024 application in accordance with Proposition 103's requirements.

Sincerely,

A handwritten signature in black ink that reads "William Pletcher". The signature is fluid and cursive, with the first name "William" and last name "Pletcher" clearly distinguishable.

WILLIAM PLETCHER

Litigation Director

PAMELA PRESSLEY

Senior Staff Attorney

CONSUMER WATCHDOG

cc: Michael Martinez, Chief Deputy Commissioner
Nikki McKennedy, Assistant Chief Counsel, Rate Enforcement Bureau
Vanessa Wells, Hogan Lovells, Counsel for State Farm General