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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 Application of

STATE FARM GENERAL INSURANCE
COMPANY,

Applicant.

File No. 24-1271; PA-2024-00012

**STATE FARM GENERAL INSURANCE
COMPANY'S RESPONSE TO MERRITT
DAVID FARREN'S PETITION TO
PARTICIPATE AND NOTICE OF
INTENT TO SEEK COMPENSATION**

1 State Farm General Insurance Company (“State Farm General”) responds to Merritt David
2 Farren’s (“Petitioner’s”) Petition to Participate and Notice of Intent to Seek Compensation
3 (“Petition”) as follows:¹

4 State Farm General understands the Petition to Pertain to File No. PA-2024-00012 only,
5 as the allegations in the Petition concern only Non-Tenant Homeowner’s insurance (meaning
6 insurance written for owner-occupied homes).

7 The Petition should be denied because none of the issues raised by the Petition, or facts
8 alleged in the Petition, are relevant to the issues in a California rate hearing under Proposition
9 103.

10 10 CCR § 2661.2 states:

11 Any person shall be permitted to intervene in any proceeding on any rate
12 application . . . ***if the issues to be raised by the intervenor or participant are***
13 ***relevant to the issues of the proceeding.*** . . . (emphasis added)

14 What is at issue in the hearing on State Farm General’s Non-Tenant rate application is
15 whether (1) State Farm General is entitled to its proposed rate increase; and (2) State Farm
16 General must pay refunds to the extent it has charged the interim rates allowed by the
17 Commissioner in his March 14, 2025 and May 13, 2025 Orders and, if so, in what amount. Issue
18 1 (which, for purposes of this Petition and Response, controls Issue 2) is to be determined under
19 the Commissioner’s regulations applicable to “Determination of Reasonable Rates”, 10 CCR
20 Chapter 5, Subchapter 4.8, Article 4. The boundaries of the hearing are expressly circumscribed
21 by 10 CCR § 2646.4(b):

22 A hearing on a rate application . . . shall be for the purpose of determining whether

23 (1) The insurer has properly applied the statute and these regulations in calculating
24 the maximum or minimum permitted earned premium; or

25
26 ¹ It appears that Petitioner failed to follow 10 C.C.R. § 2661.3(e). In addition, Petitioner sent
27 omitted material on May 24, 2025, over the long weekend, without updating the Proof Of Service
28 to reflect the date of sending the more complete Petition, thereby making the Proof Of Service
inaccurate. State Farm General overlooks these errors. As the Petition was not filed (or served
on the Parties to this proceeding) State Farm General has attached the materials received from
Petitioner. See Attachment 1.

1 (2) The maximum permitted earned premium or minimum permitted earned
2 premium calculated on the basis of the statute or these regulations, should be
3 adjusted as provided in section 2644.27. A request that the maximum
4 permitted earned premium or the minimum permitted earned premium should
5 be adjusted is referred to as a “variance request.”

6 The regulations set forth in Chapter 5, Subchapter 4.8, Article 4 (hereinafter “Article 4”)
7 prescribe a mathematical formula (10 CCR §§ 2644.2 and 2644.3) setting the “Maximum
8 Permitted Earned Premium” and the “Minimum Permitted Earned Premium.” Each component of
9 the formula is prescribed by regulation, including components for projected losses (2644.4,
10 2644.6, 2644.7), projected expenses (2644.8, 2644.10, 2644.12), projected investment income
11 (2644.19, 2644.20), the “catastrophe factor” (2644.5), the minimum and maximum rate of return
12 (2644.16), and assumed capital held as “loss reserves” (2644.21(b)), “unearned premium
13 reserves” (2644.21(a)), and “surplus” (i.e. unassigned equity capital) (2644.22). In addition there
14 are 11 “variances” listed in 10 CCR § 2644.27(f) which may be used by an insurer to adjust the
15 formula to specific circumstances.² That is to say, premiums for this insurance are determined by
16 an actuarial calculation as to which every component is controlled by regulation.

17 The Petition does not contain any allegation addressing any aspect of the formula or any
18 of its components. An insurance policy is not like a car (Kia v. Tesla), with a “value” based on
19 market perceptions, translatable to price, separate from the actuarial formula used to match price
20 to risk.

21 Numbered paragraph 2 at pages 14 through 16 appears to summarize Petitioner’s
22 complaints about State Farm General. State Farm General is committed to supporting its
23 customers in their recovery from the largest fire events we have ever experienced in this state. As
24 this is not the appropriate forum, State Farm General refrains from responding to each of
25 Petitioner’s complaints. State Farm General claims handlers remain on the ground to work with

26 _____
27 ² At the time this rate application was submitted in June, 2024, 10 CCR § 2644.7(f)
28 included 9 variances. Section 2644.27(f) as it existed at that time is the regulation that applies
here. See 10 CCR § 2644.28. The amended rate application submitted on May 19, 2025 uses the
current regulatory numbering in an attempt to avoid confusion.

1 customers individually to understand the facts of their loss, identify the damages and applicable
2 coverages, and ultimately resolve their claims. State Farm General is available to work with
3 Petitioner on these issues. Moreover, where appropriate, State Farm General's claim
4 communications provide customers with contact information for the unit of the California
5 Department of Insurance which reviews claims practices.

6 That said, the numbers used to project rates are the real numbers. For example, as of May
7 20, 2025, State Farm General had received approximately 12,750 total claims from the LA Fires
8 and had paid over \$3.6 billion to State Farm customers.

9 Because Petitioner's Petitioner identifies no issues that are properly addressed in a rate
10 hearing, the Petition should not be granted.

11 State Farm General also objects to the Petition on the grounds that Petitioner claims that
12 he represents the interests of consumers, but has not met the requirements of 10 CCR § 2662.2(a).

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16 Dated: May 27, 2025

HOGAN LOVELLS US LLP

17
18 By: /s/ Vanessa Wells

19 Vanessa Wells

20 Attorneys for Applicant
21 STATE FARM GENERAL INSURANCE
22 COMPANY
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1 VERIFICATION

2 I, Adam Swope, declare as follows:

3 I hold the title and position of Assistant Vice President and Actuary Property & Casualty
4 Actuarial at State Farm Mutual Insurance Company (“State Farm”). Pursuant to California Code
5 of Regulations, title 10, section 2652.3(a), I make this Verification for and on State Farm’s behalf.
6 I worked on State Farm’s application—California Department of Insurance File No. 24-1271—
7 and am listed as a State Farm contact person in this filing. I have read the document entitled “State
8 Farm General Insurance Company’s Response to Merritt David Farren’s Petition to Participate
9 and Notice of Intent to Seek Compensation” and am familiar with the contents of that document.
10 The factual matters stated in that document are true and correct to the best of my knowledge and
11 belief.

12 I declare under penalty of perjury under the laws of the State of California that the
13 foregoing is true and correct, and that this Verification was executed on May 27, 2025 at
14 Bloomington, Illinois.

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18 Adam Swope, FCAS, CPCU, MAA
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ATTACHMENT 1

From: MERRITT FARREN <merritt@farrenllp.com>
Sent: Saturday, May 24, 2025 1:50 PM
To: Nicole Pettis <nicole.pettis.m3ht@statefarm.com>
Subject: [EXTERNAL] Fwd: Peition

You don't often get email from merritt@farrenllp.com. [Learn why this is important](#)

Dear Ms Hosel - apologies for the multiple emails, but I thought it best to resend the entire document, which includes not just Exhibit A but the Proof of Service.

A copy of the entire document is attached.

Thank you for your assistance,

Merritt Farren

Begin forwarded message:

From: MERRITT FARREN <merritt@farrenllp.com>
Subject: Fwd: Peition
Date: May 24, 2025 at 11:33:35 AM PDT
To: "nicole.pettis.m3ht@statefarm.com" <nicole.pettis.m3ht@statefarm.com>

Dear Ms. Pettis - further to my email below, please find a copy of Exhibit A for the Petition to Participate sent to you on May 22, 2025, which somehow was missed by the document scanner used to scan the petition.

My apologies for the error.

All the best,

Merritt David Farren

Begin forwarded message:

From: Merritt Farren <merritt@farrenllp.com>
Subject: Peition
Date: May 22, 2025 at 8:31:43 PM PDT
To: <nicole.pettis.m3ht@statefarm.com>

Dear Ms. Pettis:

Attached please find the petition of Merritt David Farren to intervene in the proceedings before the CA Insurance Commissioner referenced as - File No 24-1271.

Thank you for your assistance,

Merritt David Farren

1 Merritt David Farren (SBN 119721)
2 26565 West Agoura Rd
3 Suite 200
4 Calabasas, CA 91302
5 (818) 474-4610
6 meritt.farren@farrenLLP.com

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8 Petitioner

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BEFORE THE INSURANCE COMMISSIONER OF
THE STATE OF CALIFORNIA

11 In the Matter of the Rate Application of State) File No.: 24-1271
12)
13 Farm General Insurance Company, Applicant.) **MERRITT DAVID FARREN'S PETITION**
14) **TO PARTICIPATE AND**
15) **NOTICE OF INTENT TO SEEK**
16) **COMPENSATION**
17) [Ins. Code §§ 1861.05 and 1861.10; Cal.
18) Code Regs, tit. 10, §§ 2653.1, 2661.2
19) and 2661.3]

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The Petitioner, Merritt David Farren, hereby requests that he be granted leave to participate in the above-captioned proceeding (the "Proceedings") pursuant to California Insurance Code (Ins. Code) Section 1861.10, which states that "[a]ny person may initiate or intervene in any proceeding permitted or established pursuant to this chapter, challenge any action of the commissioner under this article, and enforce any provision of this article.."

1 The Petitioner, a longtime California resident and attorney, who previously served as the
2 General Counsel of the Disneyland Resort, has deep expertise relevant to the Proceedings, including
3 expertise in claims administration and legal matters relevant to the proceedings. Petitioner lost his
4 family home in the Palisades fire that started on January 7, 2025 and represents the interests of
5 consumers, including consumers who were insured by State Farm who lost their homes in the
6 Palisades fire and in the Altadena fire that started on the same date.
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9 Among the many things the Palisades and Eaton Fires have done is put in stark relief one
10 thing highly relevant to the Proceedings: all insurance companies do not conduct themselves the same
11 way in handling claims and, accordingly, the insurance coverage they provide their insureds under
12 the insurance policies they offer is not the same. (see Podcast: Three Homeless Guys, Episode 22,
13 May 2, 2025 – State Farm – Like a Good Neighbor...If Your Neighbor Was a Sociopath. With Joy
14 Chen of the Eaton Fire Survivors Network, Joy Chen: “[W]e started seeing that whether people were
15 recovering or not, whether they were recovering or whether their trauma was only growing, depended
16 hugely on which insurance carrier they had.” “My family just moved back into our house last
17 weekend because we’re with USAA. But then other families were sinking into greater and greater
18 despair, financial desperation when they’re with other insurance carriers. And State Farm seemed to
19 be just the worst of the worst.”)¹
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24 That being the case, it is also the case that the insurance policies they offer are not the same,
25 even if the contractual terms of those policies are virtually identical, and, most crucially for purposes
26 of the Proceedings, the value of the insurance policies offered by some companies differs widely
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1 from that offered by other companies. That value must be considered in any rate approval requested
2 of the Commissioner and, in the Proceedings, the value of the insurance policies offered by State
3 Farm must be investigated and understood in order to fully and properly understand whether State
4 Farm's request to raise insurance rates in the Proceedings is appropriate and whether, if approved, the
5 rates that State Farm will be charging will comply with the provisions of Insurance Code section
6 1861.05(a)'s requirement that "*No rate shall be approved or remain in effect which is excessive,*
7 *inadequate, unfairly discriminatory or otherwise in violation of this chapter.*" It is a fundamental
8 fact of nature, and, accordingly, a matter of law, that it is impossible to determine the value of any
9 product, insurance policies included, without understanding the nature of the benefits the purchaser of
10 the product will receive when purchasing the product.
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14 Yet, the current Proceedings do not properly consider the nature of the experience consumers
15 receive from State Farm when making claims under insurance policies offered by State Farm. The
16 Proceedings therefore fail to consider a fundamental matter they must consider in order to comply
17 with California law.
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20 In failing to consider the nature of the experience consumers receive from State Farm when
21 making claims under insurance policies offered by State Farm, the Commissioner wrongly treats all
22 insurance products offered by all insurance companies as the same, when that is simply not the case.
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25 It is Petitioners belief that (i) the actual experience insureds receive when making claims
26 must, as a matter of California law, be considered in order for there to be a proper understanding of
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28 ¹ See *LA Times Today*: 'They're being so stingy with everything.' *State Farm criticized for claims response*, Los

1 the value of insurance policies issued in any insurance rate approval proceedings, (ii) that the current
2 proceedings fail to adequately and properly consider the actual experience State Farm's insureds
3 receive when making claims and that, therefore, (iii) unless the current proceedings are changed to
4 adequately and properly consider the actual experience State Farm's insured receive when making
5 claims, any approval the Commissioner may grant at the end of the Proceedings cannot be valid, as a
6 matter of law, under the provisions of Insurance Code section 1861.05(a).
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9 Petitioner seeks to intervene in the Proceedings to assist the Commissioner in correcting this
10 fundamental flaw and to establish procedures that would assist State Farm and other insurers to
11 clearly articulate for consumers the key features and attributes of the coverage they provide under the
12 insurance policies they offer. Petitioner's years of experience handling legal matters at The Walt
13 Disney Company and at Amazon related to consumer rights, consumer disclosures and consumer
14 consent, including proper disclosure to consumers of product terms adequate to allow consumers to
15 assess product value as necessary to achieve consent to key terms of sale. Petitioner's experience
16 overseeing the guest claims operation at the Disneyland Resort when he served as the General
17 Counsel of the Disneyland Resort also provides him the right kind of experience and expertise to
18 effectively participate in the Proceedings on behalf of consumers.
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22 Of note, Petitioner's own experience in pursuing insurance claims following his loss in the
23 Palisades fire sits entirely apart from and has nothing to do with Petitioner's request to participate in
24 the Proceedings. Nor does Petitioner come to the proceedings with any animus toward State Farm or
25 any other insurance company doing business or attempting to do business in California. The widely
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28 *Angeles Times, March 21, 2025 and Some Insurers Pledge to Ease Burden on L.A. Fire Victims, but Others*

1 reported claims of insurance companies that California law and regulations stifle insurance
2 companies in their ability to offer appropriate coverage to consumers may well be justified.
3 Petitioner requests to participate only to address the shortcomings in the Commissioner's process for
4 considering State Farm's rate increase articulated herein. Petitioner's goal is to ensure that that
5 process is improved in a way that will allow it to be fair to both consumers and to State Farm.
6
7 Petitioner is motivated to facilitate that improvement because it is abundantly clear to Petitioner that,
8 for the thousands who have been so traumatized by the Palisades and Eaton fires, a key to healing
9 will be an understanding that, out of the tragedy, positive change can and will come.

10 11 12 13 **I. THE PROCEEDING**

14 Petitioner seeks to intervene in the Proceedings because the procedure currently being
15 followed by the California Commissioner of Insurance to consider State Farm's request for
16 emergency interim rate approvals on insurance policies referenced above is fundamentally flawed
17 and, unless changed, cannot, if State Farm's request is approved, result in rates that comply with the
18 provisions of Insurance Code section 1861.05(a)'s requirement that "*No rate shall be approved or*
19 *remain in effect which is excessive, inadequate, unfairly discriminatory or otherwise in violation of*
20 *this chapter.*"

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22
23 Residents who suffered losses in the Eaton and Palisades fires have, after emerging from the
24 immediate shock caused by the fires, come to see that the degree to which they are supported
25 financially in getting their lives back together – the degree to which they have sufficient financial
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28 Say No, New York Times, March 6, 2025

1 resources, quickly and as needed, to get their lives back together – varies widely depending upon the
2 insurance company from which they had opted to purchase insurance before the fires.

3
4 Those who suffered losses in the Eaton and Palisades fires who had opted, for instance, to
5 purchase insurance products offered by the companies Pure and Chubb have, according to reports
6 Petitioner has received, fared very well. They have found that their coverage limits, which their
7 insurance companies helped them establish, were high enough to cover interim housing and to cover
8 anticipated costs of rebuilding their home and replacing lost personal items, they have received
9 payments rapidly, either in full, no questions asked, up to policy limits, or as advances close to
10 coverage limits with little requirement for exhausting and time consuming itemization of losses, they
11 have received rapid and respectful responses to their inquiries and have received, from their insurance
12 adjusters, quick help to accurately estimate the real cost reconstruction of their homes is likely to
13 cost, with fair and reasonable reconstruction estimate ranges being used by their insurance companies
14 and proposed by their insurance companies.

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18 On the other hand, those who suffered losses in the Eaton and Palisades fires who had opted
19 to purchase insurance products offered by State Farm and some other insurance providers have, with
20 limited exceptions, suffered a very different post-fire experience. They have found, with little
21 exception, according to information provided by State Farm insureds to Petitioner, and as widely
22 covered in the media, that the post catastrophe coverage State Farm provides is strikingly different
23 than and strikingly inferior to that provided by Pure, Chubb and some other insurance providers. Of
24 note, and of direct relevance to Petitioner's motivation to participate in the Proceedings, this fact
25 came as a complete surprise to most, if not all, State Farm insureds who suffered losses in the Eaton
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1 and Palisades fires. From that surprise, it would appear that State Farm utterly failed, at any time
2 ahead of the fires, to provide consumers any advance warning of the actual treatment, poor in the
3 eyes of most insureds, they would receive from State Farm on both a relative and absolute basis.
4

5
6 How is the nature of this treatment, judged poor by so many State Farm insureds, relevant to
7 the procedure currently being followed in the Proceedings of the California Commissioner of
8 Insurance to consider State Farm's requested rate approvals? It is relevant because the nature of the
9 policies, practices and procedures that State Farm uses to determine how to handle claims made
10 under the policies it is requesting rate hikes with respect to in the event a claim for losses due to
11 wildfire damage determines both (i) the value of the insurance consumers receive in purchasing State
12 Fram insurance and (ii) the costs State Farm will bear with respect to current and future claims
13 related to wildfire losses, on both an absolute basis, and as compared to the costs other insurance
14 companies bear in handling claims made under the insurance they sell and for which they receive rate
15 approvals from the Commissioner – both matters of utmost importance to the Proceedings. The
16 second of these is crucial to understanding and properly projecting costs State Farm will incur on a go
17 forward basis related wildfire loss claims.
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21 Why do these things matter? Because the widely reported and well documented
22 dissatisfaction of State Farm insureds who have suffered losses in the Palisades and Eaton fires with
23 the assistance they have received from State Farm post-fire (see e.g., Los Angeles Times, *Eaton Fire*
24 *Victims Call for Investigation into State Farm for Delays, Violations*, April 17, 2025; and New York
25 Times, *Some Insurers Pledge to Ease Burden on L.A. Fire Victims, but Others Say No*, March 6,
26 2025) strongly suggests that, when these things are fully and properly understood, the insurance
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1 offered by State Farm will be shown to be poor, in terms of the benefits consumers actually receive,
2 de facto, in the event of a loss by wildfire, and will be shown to be materially inferior as compared to
3 that offered by some other insurance carriers. This deficiency, on an absolute and comparative basis,
4 is highly relevant to, and indeed crucial to, the proper consideration of the fair and appropriate price
5 for the insurance State Farm offers, as nothing can be more relevant, when considering the
6 appropriate price for any product, then the quality of the product itself, and the post-purchase service
7 purchasers will enjoy, on both an absolute and comparative basis.
8

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10 It is incontestable that for many of those who suffered losses in the Palisades and Eaton fires who
11 were insured by State Farm, the shock and grief of losing their homes has been equaled, if not
12 surpassed, by the shock and grief caused by the experience they have had in pursuing their claims with
13 State Farm. This is in marked contrast to the treatment they have seen many of their friends and
14 neighbors, who also suffered losses in the same fires, but were insured by other insurance carriers,
15 receive as they have pursued claims with their insurance carriers. What sorts of things are State
16 Farm's insured experiencing that go directly to the nature and quality of the insurance offered by
17 State Farm, and the appropriate price for it?
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- 21 - Insurance liability limits established with State Farm's guidance, and generally in amounts
22 proposed by State Farm itself, that are well below where they need to be to cover the cost of
23 recovery and reconstruction.
- 24 - State Farm's limited payout of 50% of liability limits for personal property (increased only
25 recently to 65%) without detailed itemization, when other insurers readily and quickly paid
26 out 100%.
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- Rebuild cost “estimates” from State Farm at patently unrealistic amounts, as low as \$275 a square foot, in a market where the range will realistically be at least two to three times that and higher.
- Delays in payment and delays in each step of the claims processes that would appear to have been intentionally designed to frustrate and exhaust insureds, and ultimately to cause insureds to give up ahead of receiving all monies they are contractually entitled to under the policies they paid for.

In short, the “like a good neighbor” treatment most have received, defacto, under their State Farm policies, in their time of great need, bears, in the opinion of most, if not all of State Farm’s insureds who suffered losses in the Palisades and Eaton fires, no resemblance to any treatment that a good neighbor would actually provide to anyone in a time of need.

To be clear, the facts do not suggest one or two or even a handful of instances of poor treatment on an individual basis, which might be ascribed simply to the incompetence or poor comportment of a few adjusters and estimators. No, the widespread frustration we are seeing suggests that State Farm’s wildfire claims policies, set from the highest levels at State Farm, are the cause of the frustration. They define the insurance product State Farm is selling and define the treatment State Farm’s insured receive in making claims and must be investigated and understood as part of the Proceedings.

What’s more, the negative impact of State Farm’s wildfire claims policies is not falling just on State Farm’s insureds who lost homes in the Palisades and Eaton fires, it is falling on the entire

1 communities devastated by those fires. For these devastated communities, State Farm's wildfire
2 claims policies are having a very real and negative effect, as they slow and inhibit recovery. The cost
3 to these communities in terms of economic activity and value creation is certainly in the tens of
4 millions per day, if not much higher and the cumulative effect, if not corrected promptly, could easily
5 run into the many billions. Looking simply at lost rental value and assuming an average rental value
6 of \$15,000 a month for 10,000 homes lost, the monthly loss in rental value alone totals \$150 million
7 per month. That means that for every month that State Farm's poor support of its insureds delays the
8 full rebuild of the Palisades and Eaton communities those communities could be losing \$150 million
9 in rental value alone per 10,000 homes lost.
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13 As such, State Farm's wildfire claims policies raise, in addition to questions essential to the rate
14 hike proceedings at issue, fundamentally important public policy questions for the State of California,
15 as insurance that properly protects insureds is of the utmost importance to supporting the wellbeing of
16 California communities and all who reside in them and engage in business in them.
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19 Importantly, neither the nature of State Farm's wildfire claims policies nor the defacto treatment
20 purchasers of State Farm's insurance products can expect to receive if they make a claim are
21 articulated by State Farm for the consumer in a way that the ordinary consumer can understand, if
22 they are articulated at all. They are not clearly or adequately explained to the consumer before the
23 consumer first acquires insurance from State Farm and are not clearly or adequately explained at the
24 time of policy renewal. The very shock so many State Farm insureds who lost homes in the recent
25 fires are experiencing at the challenges they are facing in recovering from State Farm makes that
26 abundantly clear. Certainly, State Farm's policies are not made at all clear by the written terms of the
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1 insurance policies State Farm insists insureds accept and refuses to negotiate. Those policies are
2 contracts of adhesion which are masterpieces of obfuscation. They are written, intentionally, one has
3 to think, to confuse, confound and, arguably, to defraud consumers. They are not written, as they
4 should be, and very easily could be, in clear laymen's terms that would allow the ordinary consumer
5 to understand the treatment they can expect to receive when filing a claim if they buy insurance from
6 State Farm. Far from it. As such, State Farm's insurance "contracts" are incapable of obtaining any
7 clear agreement or consent by policy holders to any of State Farm's wildfire claims policies that will
8 so profoundly impact the benefits insureds will actually receive if they have to file a claim.
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12 **Evidence of the Failure of the Current Proceedings to Take Into Account The True Nature of**
13 **the Insurance Being Offered by State Farm**
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15 On Friday, April 4th, a number of State Farm's disappointed insureds from Pacific Palisades
16 called the office of the Commissioner of Insurance to express their request that the comparatively
17 poor treatment they were receiving – as compared to the treatment they witnesses others with other
18 insurance providers were receiving – be taken into account in the hearing scheduled for April 8th to
19 consider State Farm's emergency rate hike request. The response most, if not all, received to those
20 they spoke to at the office of the Commissioner of Insurance on their calls was that the manner in
21 which they were being treated by State Farm was not relevant to the rate setting hearing and would
22 not be considered. Concerns about insurer practices were "complaints" that State Farm insureds were
23 told were not relevant to the pricing of insurance policies.
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27 But how wrong is that?
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2 While the Insurance Commissioner's rate review and approval practices may have, to date,
3 reflected the view that complaints regarding the conduct of insurers in handling claims and the rate
4 adjustment approval processes are two different, unrelated things, that thinking is wrong.
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7 Here's why.
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9 It is impossible to determine the appropriate price of any product without understanding what
10 the product being offered is. A Kia is not the same as a Tesla. If California law required that car
11 makers obtain regulatory approval for the prices they charge for their cars, would we think it
12 appropriate if the regulator refused to consider the difference in the cars made by Kia and Tesla - that
13 it make its rate determination blind to the product consumers actually receive from the two makers?
14 Absolutely not. The idea is absurd.
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18 Yet here we have the Commissioner of Insurance proceeding with a request for approval of
19 the rate for the product State Farm sells without obtaining or considering data about the service and
20 payouts State Farm customers actually receive when, having suffered a catastrophic loss, they make a
21 claim under the product they have purchased from State Farm. That data, along with data on State
22 Farm's wildfire claims policies needs to be put into evidence alongside similar data for State Farm's
23 competitors and given careful consideration in connection with State Farm's rate increase approval
24 request. From what has been publicly reported in the press and in online forums on the way that
25 State Farm is treating insureds in the Palisades and Eaton fires, in terms of service, speed and
26 payouts, compared to that of certain other insurance providers, the insurance offered by State Farm is
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1 materially deficient as compared to the insurance offered by other insurance providers. It may well
2 be that those deficiencies, when taken into account, mean that Sate Farm is currently overcharging its
3 policy holders, and that a roll-back in fees is appropriate, rather than a rate hike. Or perhaps, if State
4 Farm were to pledge, as part of its rate increase request, to reform its policies, practices and
5 procedures so that its customers are treated better and if State Farm were to pledge to fully inform its
6 customers and potential customers of the true nature of the policies, practices and procedures State
7 Farm will use in handling claims on a go forward basis in simple clear layman's terms, obtaining
8 specific consent on each of the most impactful elements of its policies, State Farm's rate increase
9 would be appropriate, or would justify an increase even higher than that which it has requested. It's
10 impossible to know at this point, however, as the relevant data has not been provided. That data
11 needs to be provided. No complete and fair review of State Farm's rate increase request can be made
12 without a consideration of the actual, de facto nature of the insurance it offers. Any approval granted
13 without that review must be deemed improperly given and invalid, as a matter of law.
14
15
16
17

18 **The State Farm Wildfire Loss Policies that Should Be Considered as Part of the Consideration**
19 **of State Farm's Rate Hike Request.**
20

21 What are State Farm's wildfire claims policies that State Farm should disclose and that must be
22 understood if the nature of the insurance State Farm is offering is to be understood and rates approved
23 for it? Let's start with the things causing the most anguish today for State Farm insureds suffering
24 losses in the Palisades and Eaton fires:
25
26
27
28

1. State Farm's apparent policy – as clearly and succinctly stated by its attorney in a recent court proceeding in front of Federal District Court Judge Chen, that State Farm has no legal responsibility – zero - for helping the consumer ensure that coverage limits in the consumer's policy are high enough to allow the consumer to rebuild in the event of a total loss. This position of State Farm, as stated by the attorney representing it, is, it should be noted, untrue, as the good faith obligation California law applies to contracting parties extends to all aspects of the contractual relationship. But if State Farm intends to take zero responsibility for protecting its insureds from the massive risk posed by insurance liability claim caps set too low, then State Farm should articulate this clearly, obtain a specific consumer consent to the fact, and this limitation in the service it provides should be considered in connection with its rate hike request.
2. Rather than being there for its insureds as State Farm's marketing programs and sales agents lead consumers to believe State Farm will be in the event of a catastrophe, the State Farm adjusters and estimators insureds will be required to work with and the procedures for making and pursuing a claim that State Farm obligates its insureds to follow, will put them in a state of distress as they encounter:
 - a. Adjusters and estimators whose conduct suggests that they are poorly trained and demonstrably unfamiliar with rebuild local market conditions;
 - b. Adjusters and estimators who are slow to respond to insureds inquiries, if they respond at all;
 - c. Adjusters and estimators who are assigned to insureds and then replaced, seemingly at random, requiring insureds to start over with the complicated and emotionally tolling

1 task of explaining what was lost and what assistance is needed for temporary housing,
2 rebuild assistance, etc.

- 3 d. Estimators who, as reported by one State Farm estimator to a State Farm insured,
4 believe that, if they provide accurate rebuild cost estimates to State Farm, State Farm
5 will punish them for providing estimates that are “too high” and not hire them again;
6
- 7 e. What appears to be a State Farm practice and policy to systematically reduce rebuild
8 cost projections created in good faith by estimators before they are communicated to
9 insureds.
- 10 f. State Farm employees who are, by report, financially incented by State Farm’s
11 remuneration programs to create as big a gap as possible between coverage limits and
12 actual payouts – rather than financially incented, as they should be, to do right by
13 insureds, giving the interests of insureds equal or greater weight and consideration to
14 those of State Farm;
15
- 16 g. State Farm adjusters and estimators who take months to provide insureds with a single
17 rebuild estimate, which could have been provided within days using readily available
18 rebuild cost data, while neighbors who also lost their homes who are insured by other
19 insurance companies have quickly been given accurate and fair rebuild estimates and
20 quickly been paid out to policy limits;
21
- 22 h. Adjusters and estimators who provide rebuild estimates in preposterously low ranges,
23 that can only be the result of implementation of policies dictated from the top, as no
24 competent adjuster or estimator working diligently and in good faith could possibly
25 come up with rebuild estimates as low and those regularly being put out by State Farm
26 today;
27
28

- i. Policies that hold back policy payouts unless and until the insured demonstrates, through a costly and time-consuming process, that the consumer has incurred or will incur costs to rebuild higher than those estimated by State Farm. This policy serves to make it impossible for many insureds to realize the full value of their policies, for instance, if they elect to sell the lot their home was on and not to rebuild, as many elderly will and many of the underinsured will, of necessity.
- j. Contents coverage payout requirements requiring detailed itemization other insurance companies don't require and that radically reduce replacement cost estimates based on "depreciation" unless lost articles are repurchased, a hurdle to full and proper payout that is patently absurd, given the fact that insureds have lost their homes and will generally have no place in which to put newly purchased replacement items until years later when reconstruction of their homes will finally be complete.
- k. Interim housing reimbursement policies that penalize those who opt to house in less expensive interim housing – in contrast to policies of other insurance companies that, appropriately, pay insureds based on the fair rental value of the home they have lost without regard to rental charges incurred by the insured.
- l. Shocking underestimates of the work required to remediate damage to homes still standing from smoke and toxic particles.
- m. Other policies, procedures and practices that make no sense except as a means for State Farm to reduce its exposure by frustrating insureds to a point of surrender.

State Farm's wildfire claims policies dictate key features of the relief consumers will actually obtain, de facto, when they make a claim under the policies with respect to which State Farm is

1 requesting rate increases. They must be articulated and understood in order for the Commissioner of
2 Insurance to properly address and approve any State Farm rate increase.

3 4 5 6 7 **II. PETITIONER**

8
9
10 The Petitioner, a longtime California resident and attorney, who previously served as the
11 General Counsel of The Disneyland Resort, and as the Associate General Counsel for Media and
12 New Technologies at Amazon has deep experience and expertise relevant to the rate setting
13 proceedings, including, specifically to policies, practices and procedures for handling consumer
14 issues and claims and obtaining consumer consent and approval of terms of sale. His experience and
15 expertise includes legal experience setting consumer claims handling processes and administering
16 those processes, experience in the establishment of policies, practices and procedures within large
17 companies that work to appropriately protect customers and inform customers, prior to purchase,
18 about the nature of the product and services they can expect to receive, and methods to obtain
19 specific consent to key product features likely to significantly impact customer experience. This
20 experience and expertise was acquired in senior legal and business roles, including during petitioner's
21 10 plus year tenure at The Walt Disney Company and 10 plus year tenure at Amazon.
22
23
24
25

26 At Disney, the company ethos, which Petitioner put into practice in his work, was to deliver a
27 magical experience for all guests (Disneyland Resort customers are referred to within The Walt
28

1 Disney Company as “guests”, not customers). While serving as the General Counsel of the
2 Disneyland Resort, Petitioner had responsibility for the Guest Claims division, which handled all
3 guest claims at the Resort. As such, his responsibility was to extend that magical experience into the
4 Guest Claims operations, policies and practices, to the greatest degree practicable.
5

6
7 At Amazon, the company ethos, which Petitioner put into practice in his work, was to strive to
8 make the company the “most customer centric company in the world”. The principal means Amazon
9 used in its effort to achieve that goal was the provision to customers of very clear and detailed
10 guidance as to what they could expect if they buy, with, frequently, options for buying different
11 levels of service at different prices and the like.
12

13
14 For instance, Amazon customers shopping online might see a notice stating “Standard
15 delivery will be tomorrow with no delivery charge. Want it faster? Pay \$2.99 more and get it today
16 by 10PM.” Then, once information is shared and customer expectations are set, the company works
17 to deliver on the promises made, without fail.
18

19
20 Petitioner’s experience has taught him that good customer service, which consistently meets
21 and exceeds customer expectations, can only be achieved through the establishment, documentation
22 and methodical roll-out, from the top, of policies, practices and procedures that support it.
23

24
25 Petitioner would like to bring his expertise to bear to ensure that rates approved for insurance
26 in the State of California reflect the actual experience consumers will have in making claims on the
27 insurance they buy.
28

1
2 The right of the Petitioner to participate is authorized pursuant to 10 CCR §2661.1 et seq,
3 including §2661.2, which states, in part, that "[a]ny person shall be permitted to intervene in any
4 proceeding on any rate application or any proceeding subject to Chapter 9 of Part 2 of Division 1 of
5 the California Insurance Code if the issues to be raised by the intervenor or participant are relevant to
6 the issues of the proceeding." This is a proceeding subject to Chapter 9 of Part 2 of Division 1 of the
7 California Insurance Code. The Petitioner's legal and business expertise and contributions to the
8 State Farm rate approval process will help ensure an appropriate outcome in the proceedings that is
9 fair to consumers, taking all of their interests into account, while also ensuring a rate adequate to
10 State Farm as an insurer.
11
12

13
14 Pursuant to the requirement in California Code of Regulations, Title 10, section 2661.3(b), the
15 Petitioner asserts that he has and will assert the following positions on behalf of consumers: that the
16 rate approval process of the Commissioner must take into account data on the key elements of the
17 actual experience consumers will receive, de facto, from State Farm, if they make a claim with
18 respect to the insurance that State Farm is requesting an emergency rate hike for.
19
20

21 The Petitioner's name, address and phone number are listed in the caption of
22 this pleading.
23
24

25 The Petitioner verifies that he has and will be able to attend and participate in the proceeding
26 without delaying the proceeding or any other proceedings before the Commissioner.
27
28

1 **III. Intent to Seek Compensation**

2
3 Pursuant to Ins. Code section 1861.10 and 10 CCR §2661.4, the Petitioner intends to seek
4 compensation in this proceeding in accordance with the estimated Budget set forth in Exhibit A, at
5 \$650 per hour, a rate reasonable given Petitioner's legal, business and technical expertise relevant to
6 the Proceedings and with an initial budget as detailed in Exhibit A.
7

8
9 The Petitioner reserves the right to amend the budget, with adequate notice of any
10 modifications provided as soon as practicable and in compliance with 10 CCR §2661.3. The
11 estimated budget is a reasonable reflection of the required work for a proceeding such as this.
12

13
14 WHEREFORE, the Petitioner requests that the Insurance Commissioner grant his petition to
15 participate in the proceeding.
16

17 Dated May 22, 2025

18
19 Respectfully submitted,

20
21
22
23
24
25



26 Merritt David Farren

27 Petitioner

1 **VERIFICATION OF MERRITT DAVID FARREN IN SUPPORT OF**
2 **MERRITT DAVID FARREN'S PETITION TO PARTICIPATE**
3 **AND NOTICE OF INTENT TO SEEK COMPENSATION**
4

5 I, Merritt David Farren, verify:
6
7

8 1. If called as a witness, I could and would testify competently to the facts stated
9 in this verification.
10

11 2. I personally prepared the pleading entitled, **MERRITT DAVID FARREN'S PETITION TO**
12 **PARTICIPATE AND NOTICE OF INTENT TO SEEK COMPENSATION** In the Matter of the
13 Request for Emergency Interim Rate Approvals by State Farm General Insurance Company,
14 Applicant.
15
16

17 I represent that all of the factual matters set forth therein are true and correct and from my personal
18 knowledge, to the best of my knowledge.
19
20

21 3. Attached as Exhibit A is Petitioner's estimated budget in this proceeding,
22 pursuant to California Code of Regulations, title 10, section 2661.3.
23
24

25 4. I declare under penalty of perjury of the laws of the State of California that
26 the foregoing is true and correct.
27
28

Executed on May 22, 2025, at Los Angeles, California



Merritt David Farren

EXHIBIT A

PRELIMINARY BUDGET

ITEMS ESTIMATED COST

Merritt David Farren: \$650 per hour, 100 hours anticipated..... \$65,000

Participate in State Farm Emergency Rate Hike Request Review. Help formulate the data State Farm must provide to demonstrate the de facto nature of the policies, practices and procedures State Farm utilizes in handling claims made under its insurance policies which service to define the key characteristics of those policies and the price that can be appropriately charged for those policies and the nature of the disclosures State Farm must make to obtain consumer agreement and consent to State Farm's utilization of those policies, practices and procedures in handling claims the consumer may make under the insurance policies the consumer purchases from State Farm.

Merritt David Farren: \$650 per hour, 8 hours..... \$5,200

Prepare Request for Finding of Eligibility to Seek Compensation, Petition to Participate and Petition for a Hearing and Request for Award of Compensation.

Total Estimated Budget..... \$70,200

1 Verification of MERRITT DAVID FARREN

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3
4
5
6 **PROOF OF SERVICE**

7 **[BY OVERNIGHT OR U.S. MAIL, FAX TRANSMISSION,**

8 **EMAIL TRANSMISSION AND/OR PERSONAL SERVICE]**

9 State of California, City and County of Los Angeles

10 I am employed in the City and County of Los Angeles, State of California. I am

11 over the age of 18 years. My business address 26565 West Agoura Rd, Suite 200, Calabasas, CA

12 91302, and I am employed in the city and county where this

13 service is occurring. On May 22, 2025, I caused service of true and correct

14 copies of the document entitled: **MERRITT DAVID FARREN'S PETITION TO**

15 **PARTICIPATE AND NOTICE OF INTENT TO SEEK COMPENSATION** In the Matter of the

16 Rate Application of State Farm General Insurance Company, Applicant, upon the persons named in

17 the attached service list, in the following manner:

18 1. If marked FAX SERVICE, by facsimile transmission this date to the FAX number

19 stated to the person(s) named.

20 2. If marked EMAIL, by electronic mail transmission this date to the email address

21 stated.

22 3. If marked U.S. MAIL or OVERNIGHT or HAND DELIVERED, by placing this

23 date for collection for regular or overnight mailing true copies of the within

24 document in sealed envelopes, addressed to each of the persons so listed. I am

1 readily familiar with the regular practice of collection and processing of
2 correspondence for mailing of U.S. Mail and for sending of Overnight mail. If mailed
3 by U.S. Mail, these envelopes would be deposited this day in the ordinary course of
4 business with the U.S. Postal Service. If mailed Overnight, these envelopes would be
5 deposited this day in a box or other facility regularly maintained by the express
6 service carrier or delivered this day to an authorized courier or driver authorized by
7 the express service carrier to receive documents, in the ordinary course of business,
8 fully prepaid.

10
11 I declare under penalty of perjury that the foregoing is true and correct.
12

13
14 Executed on May 22, 2025, at Los Angeles, California.
15
16
17

18 Merritt David Farren

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A handwritten signature in black ink, appearing to read 'M. Farren', is written over a horizontal line. The signature is stylized with a large initial 'M' and a long horizontal stroke.

1 **SERVICE LIST**

2
3
4 Nikki McKennedy
Rate Enforcement Bureau
5 **California Department of Insurance**
1901 Harrison Street, 6th Floor
6 Oakland, CA 94612
7 Tel. (415) 538-4500
Fax (510) 238-7830
8 Nikki.McKennedy@insurance.ca.gov

9 ☐ FAX
10 ☐ U.S. MAIL
11 ☐ OVERNIGHT MAIL
12 ☐ HAND DELIVERED
13 ☒ EMAIL

14
15 Jon Phenix
Public Advisor
16 Edward Wu
Acting Public Advisor
17 Tina Warren
Office of the Public Advisor
18 **California Department of Insurance**
300 Capitol Mall, 17th Floor
19 Sacramento, CA 95814
20 Tel. (916) 492-3705
Fax (510) 238-7830
21 Jon.Phenix@insurance.ca.gov
22 Edward.Wu@insurance.ca.gov
23 Tina.Warren@insurance.ca.gov

24 ☐ FAX
25 ☐ U.S. MAIL
26 ☐ OVERNIGHT MAIL
27 ☐ HAND DELIVERED
28 ☒ EMAIL

1 Nicole Pettis
2 Pricing Manager
3 **State Farm**
4 One State Farm Plaza
5 Bloomington, IL 61710
6 Tel. 309-766-2265
7 nicole.pettis.m3ht@statefarm.com

8 ☐ FAX
9 ☐ U.S. MAIL
10 ☐ OVERNIGHT MAIL
11 ☐ HAND DELIVERED
12 ☒ EMAIL